



# Sustainability Accounting Standards Board

Standards Board Meeting

*Wednesday, December 2, 2020*

December 2 2020 Standards Board Meeting



# Welcome & Meeting Overview



December 2 2020 Standards Board Meeting

# Objectives for Today's Meeting

**General updates & project pipeline overview**

**Discussion & updates on select projects**

December 2 2020 Standards Board Meeting



# Meeting Overview

Public Meeting			
Time	Duration	Agenda Item	Discussion Leader
8:00am – 8:45am	45 mins	<b>Welcome, Overview &amp; Project Updates</b> <ul style="list-style-type: none"> <li>- Meeting overview</li> <li>- Standards-setting agenda &amp; project pipeline updates</li> </ul>	Jeff Hales, Bryan Esterly
8:45am – 10:00am	75 mins	<b>Discussion Session 1: Standard-setting Projects</b> <ul style="list-style-type: none"> <li>- Raw Materials Sourcing in Apparel</li> <li>- Systemic Risk in Asset Management</li> </ul>	Taylor Reed, Anton Gorodniuk
10:00am – 11:15am	75 mins	<b>Discussion Session 2: Research Projects</b> <ul style="list-style-type: none"> <li>- Alternative Meat &amp; Dairy</li> <li>- Human Capital (informational update only)</li> </ul>	Devon Bonney, Kelli Okuji Wilson
11:15am – 11:30am	15 mins	<b>Concluding remarks and adjourn meeting</b>	Jeff Hales, Bryan Esterly

*Note: Short breaks planned on as needed basis in between agenda items*

# Standards-setting Agenda & Project Pipeline Overview



**Bryan Esterly**

Director of Research – Standards

December 2 2020 Standards Board Meeting



## *A major advancement towards building a more comprehensive and coherent corporate reporting system*

As the world rapidly evolves—facing opportunities and challenges from technological innovation to climate change—the concepts of sustainability and intangible value have grown in importance. Nearly everyone involved in today’s capital markets believes that markets must shift to delivering long-term value to shareholders, while also helping secure the future of our people and our planet. To do so, corporate reporting must evolve—a goal consistent with the aims of both SASB and the IIRC since our founding.

### **IIRC and SASB, two leading organizations that enable improved corporate reporting, have announced their intention to merge. This decision is:**

- Grounded in the overwhelming demand for transparency about a company’s management of business-critical sustainability issues and other drivers of long-term value
- A recognition that reporting drives behavioural change, including effective corporate governance and investment decision making
- A response to global market demands for convergence among corporate reporting standard-setters
- A signal of our commitment to advancing a comprehensive system for corporate reporting, as outlined in our Joint Statement of Intent with CDP, CDSB and GRI
- An endeavour to provide a ‘building block’ of the comprehensive system described in the Joint Statement – that enables robust, effective reporting on enterprise value creation internationally
- An agreement to advance the adoption of integrated reporting, integrated thinking and the use of the SASB standards worldwide
- A commitment to support the development of a comprehensive corporate reporting system, including collaboration with our colleagues CDP, CDSB, and GRI and a readiness to engage with the IFRS Foundation, IOSCO, EFRAG and others working towards global alignment on a corporate reporting system

### **Together under the Value Reporting Foundation, the IIRC and SASB can:**

- Work more effectively to embed sustainability into capital market decision-making, alongside other value drivers essential to enterprise value creation
- Better enable organizations to put these issues at the core of their organization’s governance processes, strategy development and operations

Whilst the International <IR> Framework and SASB Standards will remain complementary tools, the Value Reporting Foundation will better enable organizations to think, plan, and communicate about their ability to create value over the short, medium and long term.



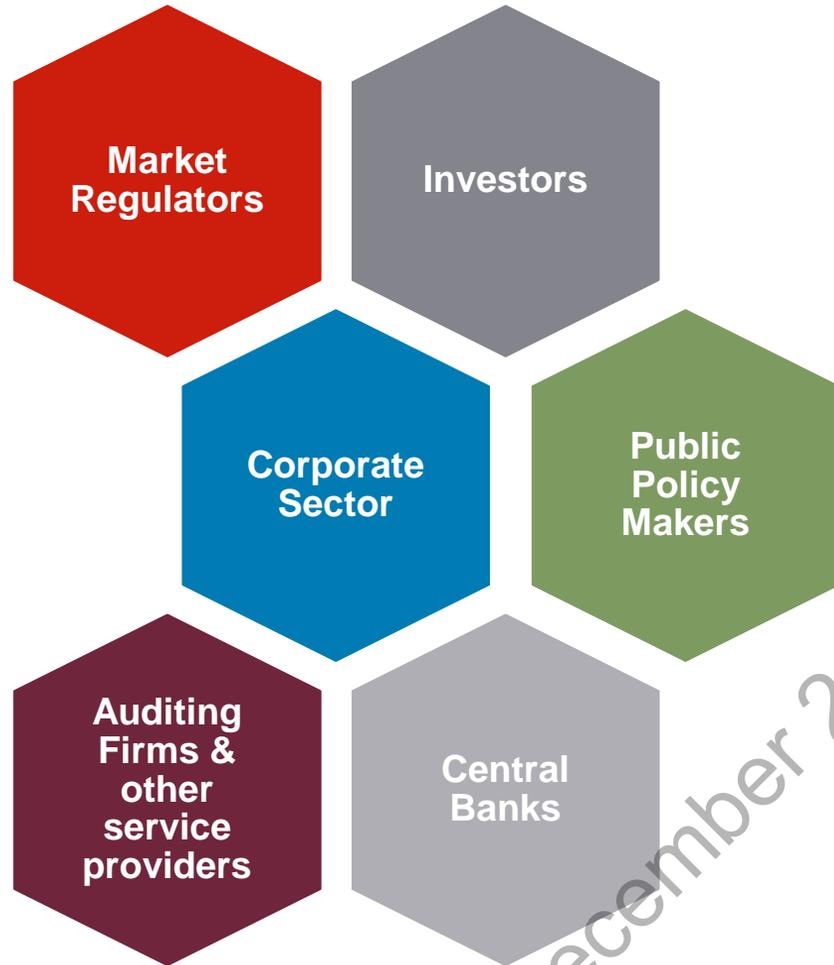
## The <IR> Framework and SASB Standards

### *Complementary tools for investor-focused communications*

- The <IR> Framework drives ‘integrated thinking’ and effective governance across financial, manufactured, intellectual, social and relationship, human, and natural capitals to support effective communication of long-term value creation
  - The SASB Standards identify the subset of environmental, social, and governance issues most relevant to financial performance in each of 77 industries
  - The <IR> Framework provides principles-based guidance for reporting structure and content, while SASB provides specific metrics to help understand non-financial risks and opportunities in greater detail
  - When used together, integrated reporting creates the connectivity needed to understand the relationship between non-financial and financial performance, while SASB Standards enable the comparability and accountability needed to accurately assess the effectiveness of a company’s governance, strategic planning, and risk management
- **Complementary philosophies**
    - Both IIRC and SASB are focused on a target audience of providers of financial capital and on long-term enterprise value creation
  - **Complementary ‘products’**
    - The IIRC has a framework (principles-based guidance reporting structure and content) and SASB has Standards (detailed requirements for what to report)
  - **Complementary networks**
    - SASB has a strong network of investor supporters, whereas the IIRC has a stronger business network
  - **Complementary geographic scope**
    - Integrated reporting has strong international recognition whereas SASB is strong in the US

# IFRS Foundation Consultation on Sustainability Reporting

Driven by stakeholder needs to improve consistency and comparability in sustainability reporting



The Trustees of the IFRS Foundation (Trustees) are seeking public consultation to identify and understand what the Foundation could do in the areas of sustainability reporting

- A Task Force of the Trustees was established in January 2020 and worked closely with stakeholders such as investors, regulators, central banks and audit firms to explore the importance of sustainability reporting.
- Task Force found growing interest in sustainability reporting by stakeholders, and stakeholders expressed an urgent need to improve the consistency and comparability in sustainability reporting
- 11 Questions posed by the Trustees as part of the consultation to evaluate their role and remit
- **Comments due 31 December 2020**
- This initiative is part of IFRS Foundation's five-year review of its strategy, which started in January 2019.

## **SASB's Preliminary Views on the IFRS Consultation in Summary**

***SASB Supports, in principle, the proposed creation of a new Sustainability Standards Board (SSB) under the IFRS Foundation, but how the proposal is implemented matters.***

***In our consultation response, we'll identify considerations for the IFRS Foundation to ensure they bring coherence to the field, instead of adding more complexity.***

***Strong support from market participants, including companies and investors, will be essential to success.***

December 8 Webinar: Review of SASB's Response Letter ([info.sasb.org/sasb-webinar-ifrs-sasb-response](https://info.sasb.org/sasb-webinar-ifrs-sasb-response))

# Extended Comment Period on SASB Standards Governance Documents

Exposure drafts were released August 28, 2020 and feedback invited through December 31, 2020 (extended)

	CONCEPTUAL FRAMEWORK	RULES OF PROCEDURE
<b>Purpose of document</b>	Details the principles, objectives, assumptions, and definitions that guide SASB's thinking and approach to Standard-setting/revising	Ensures the clarity, robustness, and integrity of SASB's operations and processes
<b>Revision objectives</b>	Revisions aim to more effectively communicate* SASB's core principles and concepts	Revisions aim to more effectively communicate* SASB's operating procedures and how external stakeholders can engage with SASB

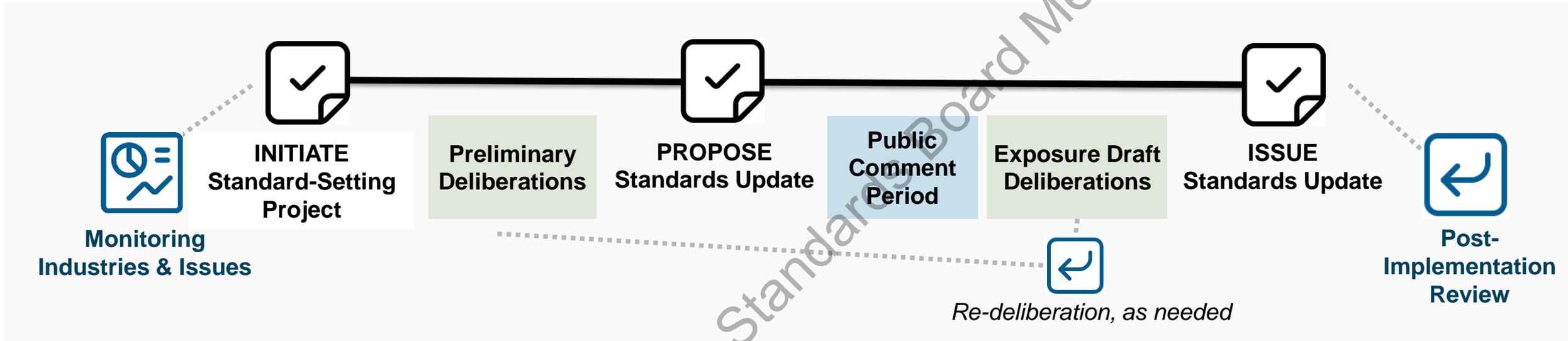
*\* Notably, while the SASB Standards Board is seeking to update these two documents to more clearly articulate its existing approach to standard setting, these proposed revisions are not intended to change its fundamental approach to, or processes for, setting SASB Standards.*

Download the exposure drafts and submit public comments at [sasb.org](https://sasb.org)



# Project Pipeline Overview

Multiple standard-setting projects progressing towards exposure draft/public comment periods; several active research projects in the pre-agenda research & consultation phase



- Human Capital
- Internationalization
- Alternative Meat & Dairy
- Tobacco Supply Chain

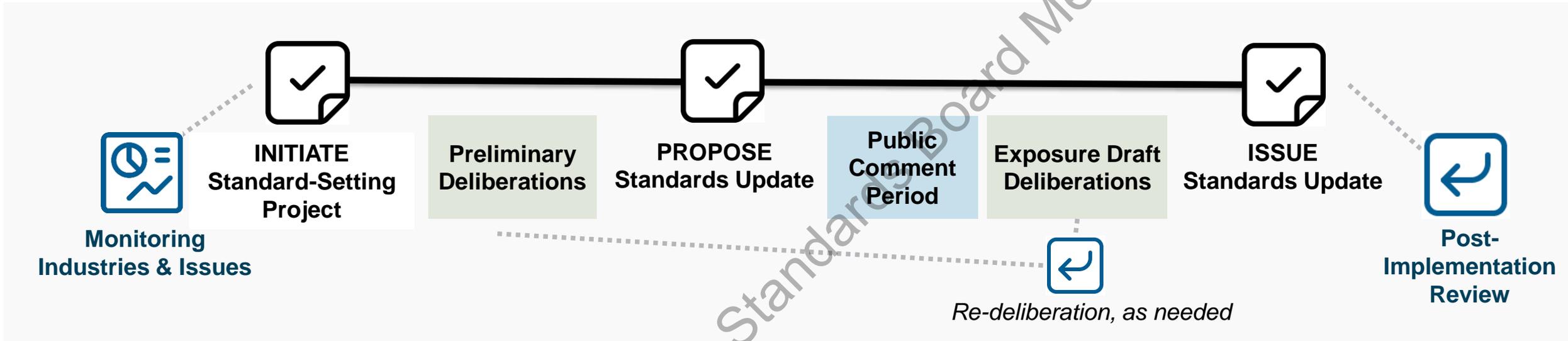
- Content Governance in Internet
- Plastics Risks & Opportunities
- Raw Material Sourcing
- Systemic Risk in Asset Mgmt
- Tailings Management

- Conceptual Framework
- Rules of Procedure



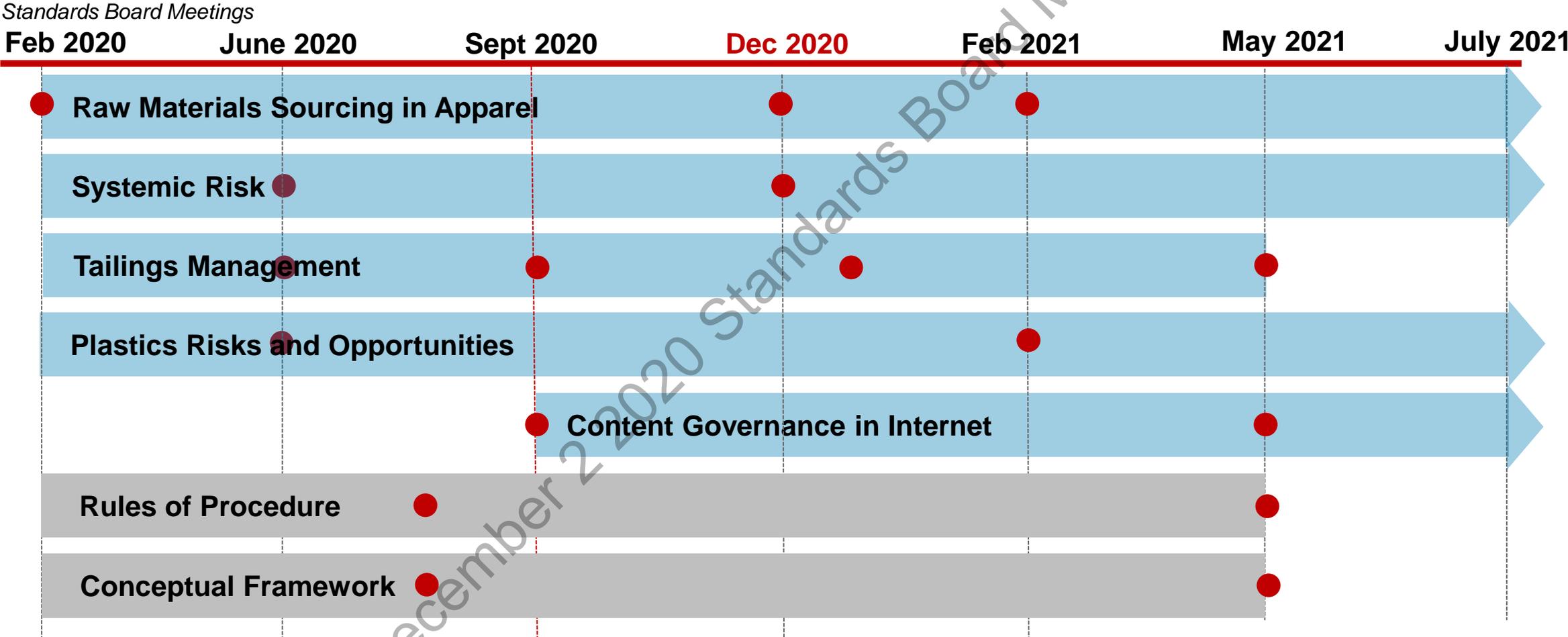
# Project Pipeline Overview

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# Standard-Setting Agenda Overview – Project Timelines

Standard-Setting Project
  Other projects
  Board Discussion / Decision



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Note: Depiction above does not include research projects



# Released Last Week: SASB Human Capital Bulletin

Resource for companies in responding to the recent SEC Reg S-K amendment in the US



## SASB Human Capital Bulletin

NOVEMBER 2020

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### Contents

- 2 Background
- 3 An Overview of Human Capital Topics in SASB Standards
- 4 Human Capital Topics in the SASB Standards
- 6 Labor Practices
- 7 Employee Health & Safety
- 8 Employee Engagement, Diversity, & Inclusion
- 9 Supply Chain Management

### Purpose of this Bulletin

This bulletin provides an overview of the human capital-related topics in the SASB Standards, to assist companies in preparing human capital-related disclosures as required by a recent amendment to Regulation S-K by the US Securities and Exchange Commission. This bulletin summarizes the elements of SASB Standards that relate to human capital; it does not alter SASB Standards. We encourage companies to refer directly to the SASB Standard for their industry (or industries) for additional information.

**This bulletin includes the following information:**

- A list of SASB industry standards that contain topics and metrics related to human capital.
- An overview of selected human capital-related topics and metrics across all 77 SASB industry standards
- A summary of SASB's **Human Capital Management Research Project**, which has the objective of identifying opportunities for the SASB Standards to further account for human capital-related risks and opportunities

Download the bulletin at [sasb.org/knowledge-hub/](https://sasb.org/knowledge-hub/)



# SASB Standards Advisory Group

Added 33 new members from a diverse set of companies, investors, and subject matter experts

Examples of companies include the following:



The terms of 18 members expired and were not renewed.

# Raw Materials Sourcing in Apparel



**Taylor Reed**

Analyst, Consumer Goods Sector Lead

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## Session Objectives

Update board on consultation feedback and next steps

Discuss consultation insights

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# Raw Materials Sourcing Project Background

## Objective

- The Standards Board approved this standard-setting project in February 2020 to improve the comparability, completeness, and alignment of two metrics associated with the Raw Materials Sourcing disclosure topic in the Apparel, Accessories & Footwear (AAF) Standard:
  - **CG-AA-440a.1:** Description of environmental and social risks associated with sourcing priority raw materials
  - **CG-AA-440a.2:** Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard

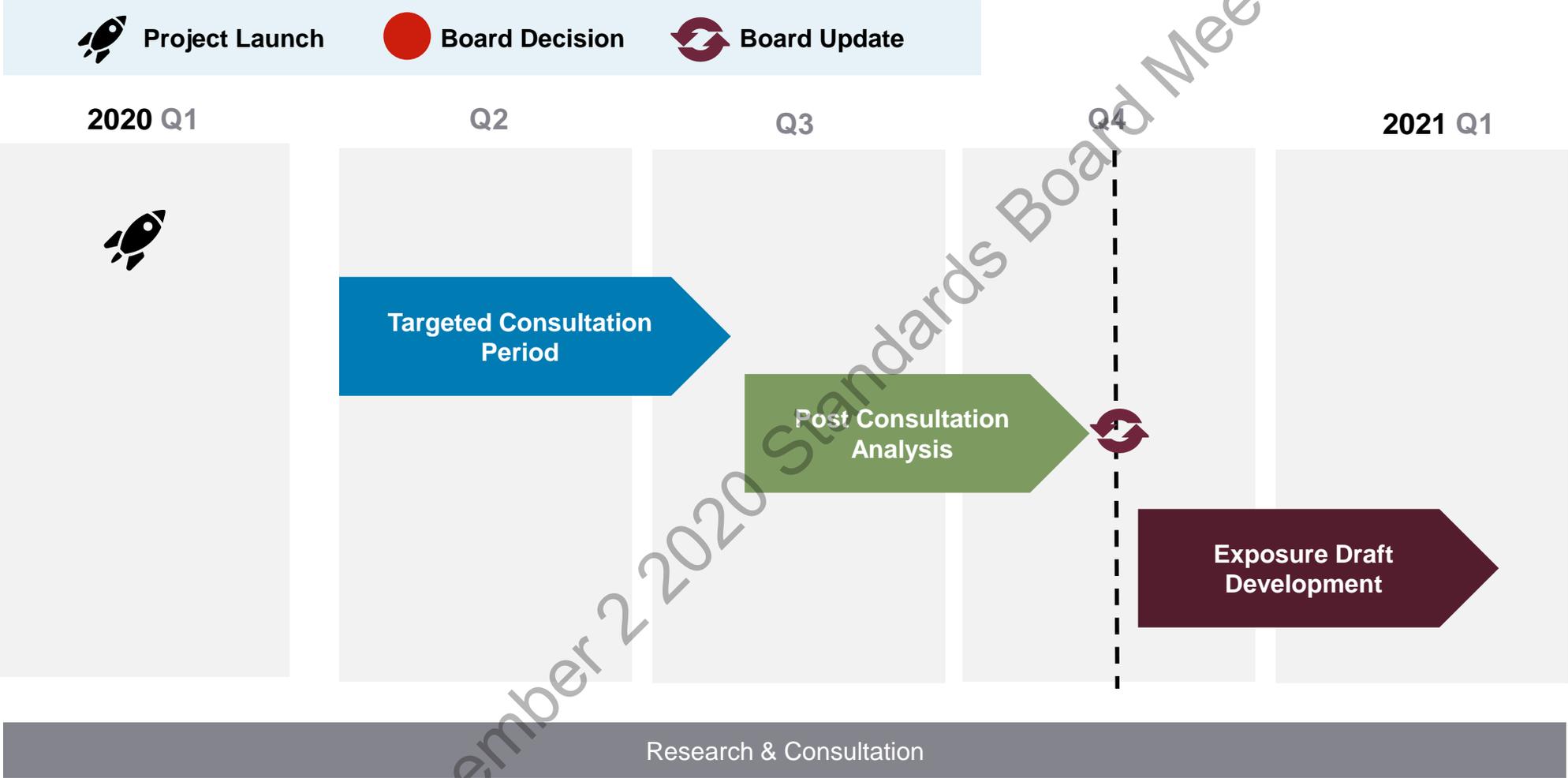
## Areas of Focus

- The definition of “priority raw materials” in Metric CG-AA-440a.1
- Guidance on wastage and calculating Metric CG-AA-440a.2
- Third-party references in Metric CG-AA-440a.2

## Areas Not in Focus

- Re-evaluation of the materiality of the Raw Materials Sourcing disclosure topic
- Re-evaluation of supply chain-related in metrics

# Project Timeline



# Profile of Stakeholders Consulted



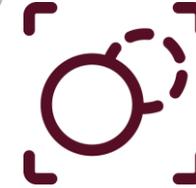
## Corporate

- 11 companies consulted
- 6 US-based, 3-European based, 1 based in Asia
- 1 luxury brand, 6 apparel brands, 3 retailers
- Largely sustainability roles



## Investors

- 7 investors consulted
- 4 US-based, 3 European-based
- Primarily asset managers
- Roles in equities analysis, governance/stewardship, and sell-side research



## SMEs

- 8 SMEs consulted
- 3 US-based, 4 European-based, 1 Australian-based
- Sustainability standard-setters, farming cooperatives, cotton trade associations, CSR consultant, and a National ESG Assurance Leader

# Consultation Feedback Fell Into Two Categories

## In-Scope Issues

1. Definition of priority raw materials
2. Calculation methodologies for materials waste and weight of finished products
3. Referenced third party certifications

## Out-of-Scope Issues

1. Breadth of Industry
2. Raw Materials Sourcing vs. Supply Chain Management
3. Companies increasingly focused on “sustainable materials”

# In-Scope Issue #1

## Definition of “priority raw materials”

CG-AA-440a.1 Description of environmental and social risks associated with sourcing priority raw materials

### **SASB Metric & Definition**

1.1 Priority raw materials are defined as those that are essential to the entity’s principal products, where principal products are those that accounted for 10 percent of more of consolidated revenue in any of the last three fiscal years, consistent with 17 CFR 229.101.

### **Textile Exchange Definition**

**Priority Materials** are dictated by

- 1) **Scale:** the “fiber” represents a percentage volumetric use beyond a threshold of 10% of overall fiber use;
- 2) **Risk:** raw material represents a “material” risk to the company, such as sourcing from environmentally and/or socioeconomically high-risk sourcing regions, animal welfare risk, reputation risk, etc.
- 3) **Opportunity:** the company has seized the opportunity to advance the sustainability of the raw material even if the material is below the volumetric use threshold or is not considered a risk.

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### **Stakeholder Input**

Preferred TE’s broader definition of priority materials

### **Next Steps**

Align definition with Textile Exchange in Exposure Draft development

### *Textile Exchange Definition*

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- 3) **Opportunity:** the company has seized the opportunity to advance the sustainability of the raw material even if the material is below the volumetric use threshold or is not considered a risk.



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# In-Scope Issue #2

## Calculation methodologies for materials waste and weight of finished products

**CG-AA-440a.2 Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard**

1.4 The entity shall calculate the percentage as the weight of raw materials third-party certified to an environmental and/or social standard divided by the total weight of raw materials that compose the entity's finished products

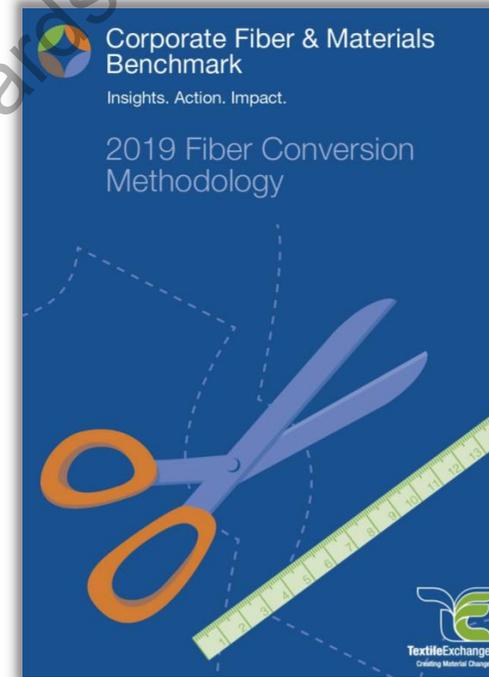
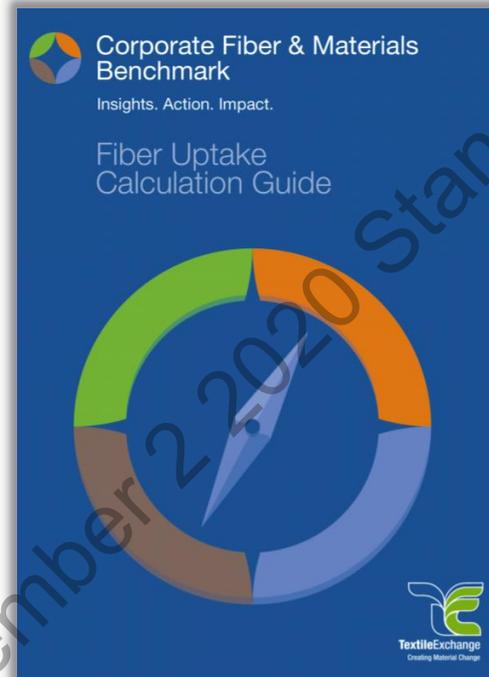


### Stakeholder Input

Textile Exchange's resources may enhance comparability, verifiability and alignment.

### Advantages

- Free to use
- Global scope
- Widely-adopted
- Referenced by other industry standard setters



### Next Steps

Consider referencing Textile Exchange tools in Exposure Draft development

# In-Scope Issue #3

## References to third-party certifications and standards

### Next Steps

Audit all example standards/certifications to determine those that should be removed, retained, or added.

#### CG-AA-440a.2 Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard

1.2 Environmental and social sustainability standards include but are not limited to:

~~1.2.1 Outdoor Industry Association's Content Claim Standard (CCS)~~

*The Content Claim Standard builds on a farm standard and purely tracks content to the end product; therefore, it may not be appropriate to reference as a standard to certify raw materials to.*

*Uses mass balance system, contradicts calculation guidance*

1.2.2 Textile Exchange's Recycled Claim Standard, Global Recycled Standard, Organic Cotton Standard and Responsible Down Standard

*Harmonized with other frameworks*

1.2.3 Certified Organic

~~1.2.4 Control Union Global Organic Textile Standard~~

*What standards/certifications might be missing?*

1.2.5 Better Cotton Initiative

1.2.6 Forestry Stewardship Council Certification (for lyocell and rubber)

*Certification focuses more on food, like coffee, cocoa, etc.*

~~1.2.7 Rainforest Alliance leather products~~

...

## Discussion Topics

**Does the Board support the path forward described above for all three areas outlined?**

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# Out-of-Scope Issue #1

Companies increasingly focused on “sustainable materials”



Companies and investors note increasing consumer interest in, and demand for, products with sustainable attributes

Companies anticipate regulations focused on sustainable products

**European Commission Launches Roadmap for Sustainable Products Initiative to Usher in New Era of Product Regulatory Requirements**

Saturday, September 19, 2020

*The National Law Review*

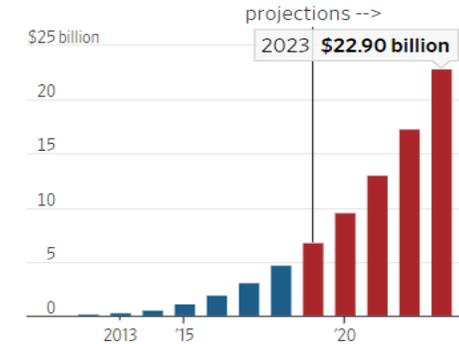
Companies suggest a focus on sustainability is critical to compete with peers, many see raw materials as core to strategy

## Walmart Wants to Turn Rags Into Riches

Used clothing may be tried, but it's still true. Even amid a pandemic, the retail giant wants in.

### Like New

Size of U.S. resale apparel market



Note: 2012 to 2018 figures are actual; 2019 to 2023 are projections.  
Source: GlobalData, thredUp

*Wall Street Journal*

Companies committed to sustainable materials sourcing targets



ZARA



ATHLETA

Walmart



LVMH

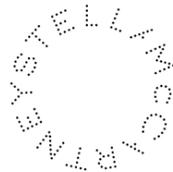


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tapestry



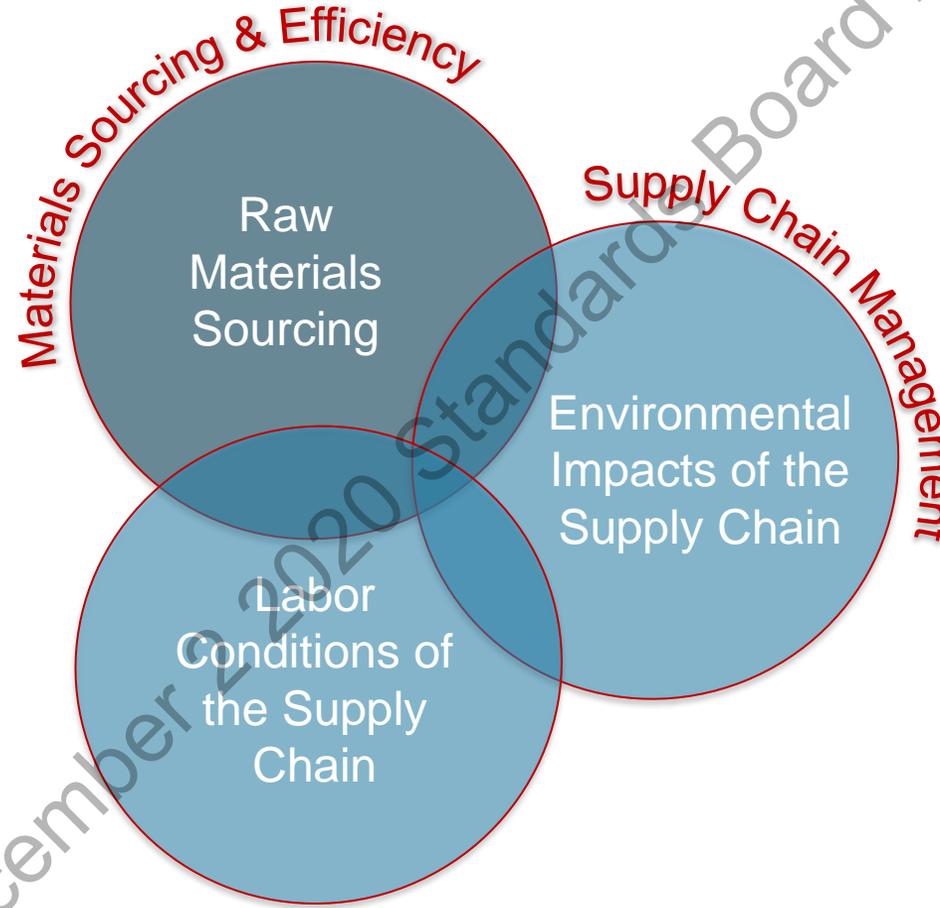
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# Out-of-Scope Issue #2

## Raw Materials Sourcing and Supply Chain Management Disclosure Topics

How SASB views these topics:



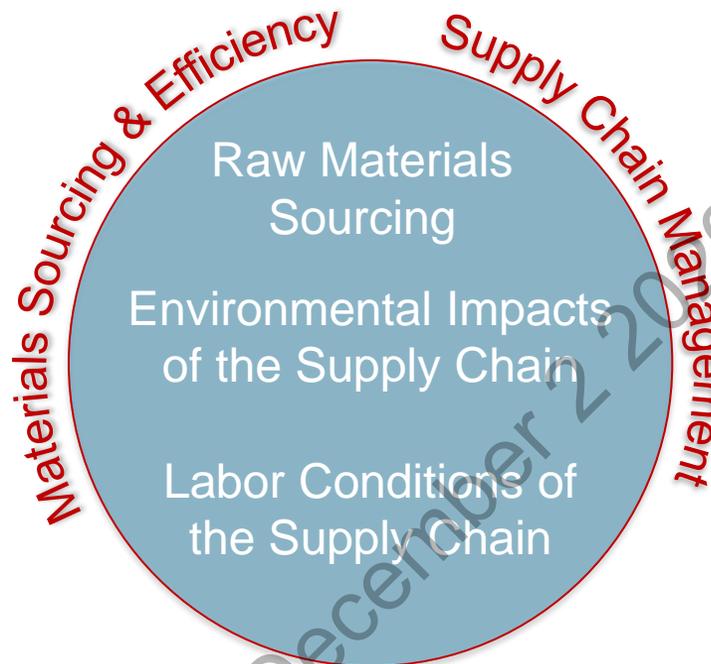
# Out-of-Scope Issue #2

## Raw Materials Sourcing and Supply Chain Management Disclosure Topics



### Stakeholder Input

Stakeholders view these topics as encompassing the same E/S impacts, demonstrating a lack of distinction between topics.



### Next Steps

1. Seek clarification through minor revisions to the topic description and metrics
2. Monitor disclosures and engage stakeholders to further investigate how they interpret SASB's disclosure topics and their fundamental management approach on these issues.

# Out-of-Scope Issue #3

Industry scope currently includes business segments focused on a wide range of activities

## Industry Description

The Apparel, Accessories & Footwear industry includes companies involved in the design, manufacturing, wholesaling, and retailing of various products, including men's, women's, and children's clothing, handbags, jewelry, watches, and footwear. Products are largely manufactured by vendors in emerging markets, thereby allowing companies in the industry to primarily focus on design, wholesaling, marketing, supply chain management, and retail activities.

## The Apparel Value Chain

Design & Branding



Raw Material Production



Yarn Spinning



Fabric Weaving



Dyeing Fabric



Cut & Sew



Logistics



Retail



# Similar Scenario in Technology & Communications Sector

Hardware (design/brand companies) separate from EMS (their suppliers/manufacturers)

## Hardware Industry

TOPIC	ACCOUNTING METRIC
Product Security	Description of approach to identifying and addressing data security risks in products
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees <sup>2</sup>
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances <sup>3</sup>
	Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent <sup>4</sup>
	Percentage of eligible products, by revenue, meeting ENERGY STAR® criteria
	Weight of end-of-life products and e-waste recovered, percentage recycled
Supply Chain Management	Percentage of Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities
	Tier 1 suppliers' (1) non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent, and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances
Materials Sourcing	Description of the management of risks associated with the use of critical materials

## Electronic Manufacturing & Original Design Manufacturing Industry

TOPIC	ACCOUNTING METRIC
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress
Waste Management	Amount of hazardous waste from manufacturing, percentage recycled <sup>2</sup>
Labor Practices	(1) Number of work stoppages and (2) total days idle <sup>3</sup>
Labor Conditions	(1) Total recordable incident rate (TRIR) and (2) near miss frequency rate (NMFR) for (a) direct employees and (b) contract employees
	Percentage of (1) entity's facilities and (2) Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities
	(1) Non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances, broken down for (i) the entity's facilities and (ii) the entity's Tier 1 supplier facilities
Product Lifecycle Management	Weight of end-of-life products and e-waste recovered, percentage recycled
Materials Sourcing	Description of the management of risks associated with the use of critical materials



# Possible Solution: Further Segment the Apparel, Accessories & Footwear Industry

## Apparel, Accessories & Footwear Industry

TOPIC	ACCOUNTING METRIC
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement <sup>2</sup>
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment
Labor Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits <sup>3</sup>
	Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard

## ??? Industry

TOPIC	ACCOUNTING METRIC
?	
?	
?	
?	
?	
?	
?	

### Next Steps

Staff proposes maintaining the project scope and will factor in the complexities related to the breadth of industry to the best extent possible.

Expanding the project's scope would severely impact project's feasibility, as solutions regarding revised industry scope, topics and metrics are unclear.

## Discussion Topics

**Does the Board agree with Staff's recommendation to maintain the project scope as is rather than expanding the project's scope?**

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# Systemic Risk in Asset Management



**Anton Gorodniuk**

Lead Analyst, Financials Sector Lead

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# Systemic Risk in Asset Management Standard-setting Project Overview

Project approved Q4 2019 – expected codification Q2 2021

## 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 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 Lead: Anton Gorodniuk

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

# Systemic Risk Management in the SASB standards

The scope of today's discussion covers only one industry standard

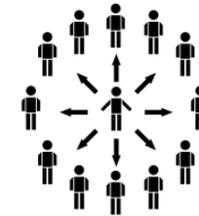
## Industries with the Systemic Risk Management disclosure topic

- Commercial Banks
- Investment Banking & Brokerage
- Insurance
- Asset Management & Custody Activities

# Staff is considering two recommendations

## Remove current disclosure topic

**Leadership and Governance dimension – Systemic Risk Management G.I.C.**



## Research an alternative disclosure topic

**Social Capital dimension – Customer Welfare G.I.C.**



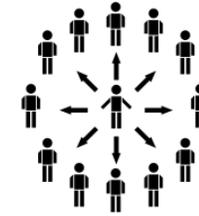
# Staff is seeking the Board's views to shape next steps

1. Does the Board agree that evidence and stakeholder feedback suggest that the Systemic Risk Management topic is not appropriate in its current scope and narrative and does not provide decision-useful information to investors?

2. How compelling do you find the evidence and stakeholder feedback suggesting the potential of inclusion of a disclosure topic around liquidity risk management that would cover direct social impacts on clients?

3. Is the Board amenable to releasing an exposure draft in the near-term that proposes to remove the existing topic and metrics, with no replacement topic and metrics proposed?

# Current disclosure topic is framed through risk in financial system – may not be appropriate



Entity poses, amplifies, or transmits a threat to the financial system

Economic or financial distress

Range of negative impacts on society at large

## Conceptual challenges

- There is still a broader ongoing debate on whether asset managers pose systemic threat
- Differences in the regulatory approaches across industries
  - Recent shift from an entity-based to activities-based approach

## Practical challenges

- Developing decision-useful disclosure that aligns with both regulatory approach and SASB Conceptual Framework
- Developing accounting metrics that are value-adding to the existent disclosure

# Alternative topic focuses on business risk to an entity



Risks associated with managing clients' assets (liquidity risk)

## Conceptual reasons

- Approach is aligned with SASB Taxonomy (i.e., Customer Welfare under the Social Capital)
- Entity-level as opposed to system-wide approach to assessing performance



Direct impact on clients

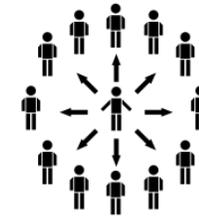
## Practical reasons

- Stakeholders suggested potential decision-useful metrics
- Existing disclosure might not be complete leaving the opportunity for SASB to fill the gap

# The revision would be characterized as a fundamental change

**Remove current disclosure topic**

**Leadership and Governance dimension – Systemic Risk Management G.I.C.**



**Research an alternative disclosure topic**

**Social Capital dimension – Customer Welfare G.I.C.**



# Questions for the Board

**1. Does the Board agree that evidence and stakeholder feedback suggest that the Systemic Risk Management topic is not appropriate in its current scope and narrative and does not provide decision-useful information to investors?**

**2. How compelling do you find the evidence and stakeholder feedback suggesting the potential of inclusion of a disclosure topic around liquidity risk management that would cover direct social impacts on clients?**

**3. Will the Board be amenable to releasing an exposure draft in the near-term that proposes to remove the existing topic and metrics, with no replacement topic and metrics proposed?**

# 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**  
Lead Analyst, Financials Sector Lead  
Anton.gorodniuk@sasb.org

**Short break**

December 2 2020 Standards Board Meeting



# Alternative Meat & Dairy



**Devon Bonney**

Associate Analyst

December 2 2020 Standards Board Meeting

# Session Agenda

## Alternative Meat & Dairy Project Update

- Project overview**

## Industry Specific Insights

- Summary of key findings**
- Standard-Setting criteria**

## Discuss Potential Standard-Setting with Board

- Strength of evidence for each industry**
- Identify opportunities for further research and evidence gathering**

# Alternative Meat & Dairy Research Project Update

## Staff Targets Project completion at the Q1 2021 Standards Board Meeting

### Objective

- Determine level of investor interest in the growing consumer demand for more alternative meat and dairy products
- Evaluate how companies are responding to and managing the consumer demand for alternative meat and dairy products
- *This project was NOT focused on determining the financial materiality/financial impact for any given industry*



### Project Background

- Initiated at the Q1 2020 Board meeting due to the growth of alternative meat and dairy products globally and evidence suggesting products could be used to reduce environmental impacts
- Project focused on 5 industries:
  - Food Retailers & Distributors
  - Meat, Poultry & Dairy
  - Non-Alcoholic Beverages
  - Processed Foods
  - Restaurants



### Project Outcomes

#### Anticipated Outcomes:

- Use the standard-setting criteria to determine if standard-setting activities could improve the decision-usefulness of the standards for each industry

Project Lead: Devon Bonney ([devon.bonney@sasb.org](mailto:devon.bonney@sasb.org))

Project website: <https://www.sasb.org/standard-setting-process/active-projects/alternative-meat-and-dairy/>

# Consumer Demand is Driving Alternative Meat & Dairy Product Growth

Demand for these products continues through the pandemic

Protein Alternatives Market - Market Size, by Region, Global, 2018



Consumption of alternatives products (both meat and dairy) are up 140% in 2020 (Jan-August 5)

Sales of alternative products (both meat & dairy) are up 61.5% in 2020 in the U.K. (Jan – August 5)

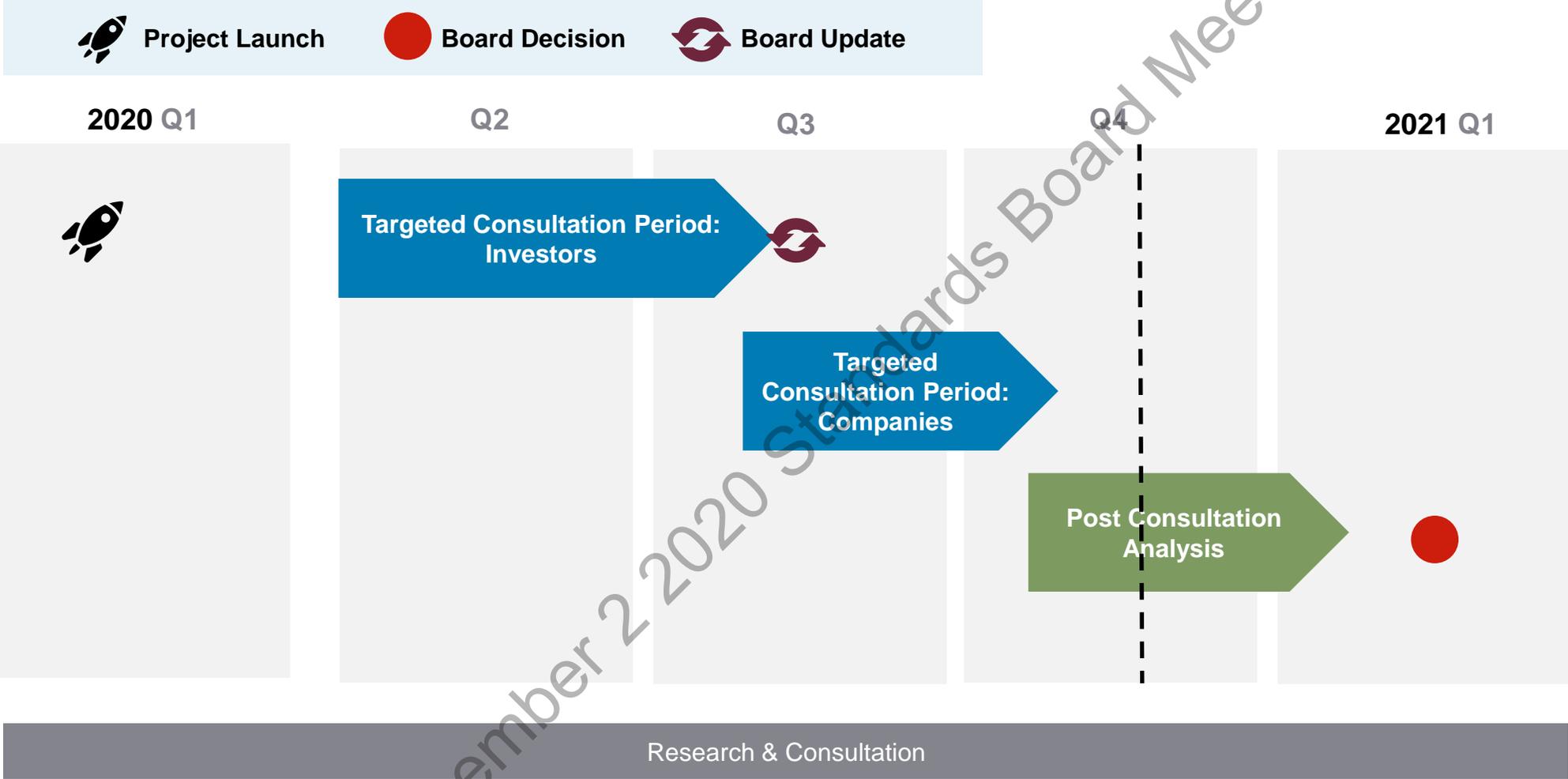
	2018/2019	2029 (estimated)
<b>Global Plant-Based Meat Market</b>	\$12.1B	\$140B
<b>Global Meat Market</b>	\$945.7B	\$1.4T

Sources: "Europe Plant Protein Market – Growth, Trends and Forecast (2020-2025); Mordor Intelligence, "Protein Alternatives Market – Growth, Trends and Forecast (2020-2025); PR Newswire " Meat Substitutes Market Worth \$3.5 Billion by 2026 - Exclusive Report by MarketsandMarkets; UK Investment Guides "Barclays Analysts Predict x10 Growth Of Alternative Meat Market"; Evans, Julia; Teranzo, Emiko. 2020. Financial Times. Unilever aims for €1bn sales from plant-based products by 2027. November 17. <https://www.ft.com/content/0a1e5e3d-a34d-44bb-a350-75f3e8700673>



# Project Timeline

Target project completion: 2021 Q1



December 2 2020 Standards Board Meeting



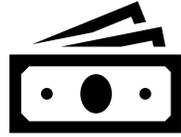
# Discussion Topics

## Potential for Standard-Setting & Further Research

- What, if any, additional information the Board would like to understand for any given industry?
- Is the evidence presented sufficient to support potential standard-setting for a particular industry?

# Consultation Summary

Staff believes research project objectives have largely been met



## Investor Consultation Objectives

- ✓ **Understand if investors are interested in the growing demand for alternative meat & dairy**
  - Many investors consulted indicated this was a growth area for many food & beverage companies
  - Interested in learning more about company strategies related to the growing demand
- ✓ **If interested, understand which food & beverage industries are most affected by the growing demand for alternative meat & dairy products**

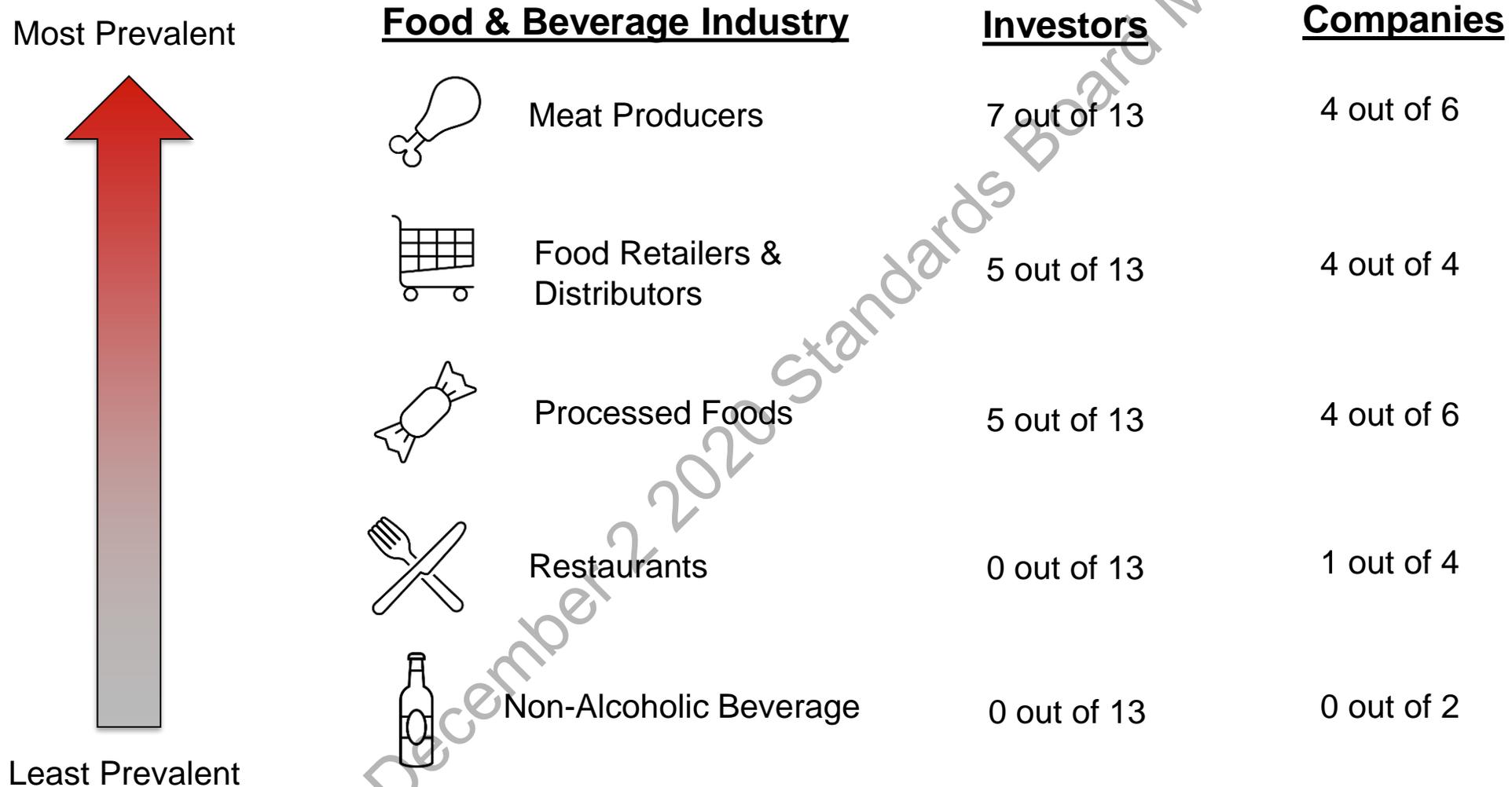


## Company Consultation Objectives

- ✓ **Understand why companies are choosing to pursue, or not pursue, business strategies around alternative meat and dairy products**
  - To maintain/grow market share
  - To manage ESG impact
- ✓ **To understand if companies view alternative meat and dairy products as a subset of “sustainable” products**
  - Companies do find these products generally more sustainable than traditional meat products

# Prevalence Across Industries

Investors and companies agree on industries most impacted by demand growth



# Alternative Products & ESG Impacts

Some companies use alternative products to manage ESG Impacts

	<u>Meat, Poultry &amp; Dairy</u>	<u>Food Retailers &amp; Distributors</u>	<u>Processed Foods</u>	<u>Restaurants</u>	<u>Non-Alcoholic Beverages</u>
<i>Impacts managed by offering alternative products</i>	<b>Increasingly used:</b> <i>Maple Leaf becoming the most sustainable protein company on earth</i>	<b>increasingly used :</b> <i>Tesco has a goal of increasing sales of meat alternatives by 300% by 2025</i>	<b>Sometimes used:</b> <i>Unilever aims for €1B of plant-based products by 2027</i>	<b>Not widely used</b>	<b>Not used</b>
GHG Emissions associated with products	✓	✓	✓		
Water Management	✓				
Land Use/Ecological Impacts	✓				
Animal Care & Welfare	✓				
Supply Chain Management	✓	✓	✓	✓	

\*Check marks indicate which ESG impacts alternative products can help manage by industry

Sources: Evans, Julia; Teranzo, Emiko. Financial Times, 2020. Unilever aims for €1bn sales from plant-based products by 2027. November 17, 2020. <https://www.ft.com/content/0a1e5e3d-a34d-44bb-a350-75f3e8700673>; Tesco. 2020. Tesco commits to 300% sales increase in meat alternatives. September 29. <https://www.tescopl.com/news/2020/tesco-commits-to-300-sales-increase-in-meat-alternatives/>.



# Alternative Meat & Dairy & Standard-Setting Criteria

Staff proposes focusing on a sub-set industries

Criteria for Standard-Setting	Meat, Poultry & Dairy	Food Retailers & Distributors	Processed Foods	Restaurants	Non-Alcoholic Beverages
<i>Strategies employed to meet demand AND reduce environmental impacts</i>	<i>R&amp;D, organic growth, acquisitions</i>	<i>R&amp;D, organic growth, increasing product offerings</i>	<i>R&amp;D, organic growth, acquisitions</i>	<i>Increasing product offerings</i>	<i>N/A</i>
<b>Mission Alignment</b>	<i>Opportunity to increase decision-usefulness</i>	<i>Opportunity to increase decision-usefulness</i>	<i>Opportunity to increase decision-usefulness is unclear</i>	<i>Not of interest to investors or most companies</i>	<i>Not of interest to investors or most companies</i>
<b>Scope/Prevalence</b>	<i>Globally pervasive</i>	<i>Globally pervasive</i>	<i>Applies in some instances</i>	<i>Not prevalent</i>	<i>Not prevalent</i>
<b>Feasibility</b>	<i>Ideas for solution already identified</i>	<i>Other organizations are working on measurements; alignment</i>	<i>Complexity of product scope</i>	<i>NA</i>	<i>NA</i>

### Potential for Standard-Setting & Further Research Meat, Poultry & Dairy

- Based on market input thus far and the standard-setting criteria, **staff believes standard-setting may be warranted** to improve the decision-usefulness of the Standard.
- What, if any, additional information the Board would like to understand for the Meat, Poultry & Dairy Industry?
- Does the Board agree that the evidence presented thus far is sufficient to support potential standard-setting for this industry?

### Potential for Standard-Setting & Further Research Food Retailers & Distributors

- **Staff believes standard-setting may be warranted** to improve the decision-usefulness of the Standard. Currently, questions around feasibility and prevalence remain.
- What, if any, additional information the Board would like to understand for the Food Retailers & Distributors Industry?
- Does the Board agree that the evidence presented thus far is sufficient to support potential standard-setting for this industry?

### Potential for Standard-Setting & Further Research Processed Foods

- Given the variety of companies in the industries and mixed market input, **staff is unsure** if standard-setting activities would improve the decision-usefulness of the Standard.
- What, if any, additional information the Board would like to understand for the Processed Foods Industry?
- Is the evidence presented sufficient to support potential standard-setting for this industry? Does the evidence, market-input and alignment with standard-setting criteria provide sufficient indication that standard-setting may be appropriate?

# Discussion Topics

## Potential for Standard-Setting & Further Research Restaurants & Non-Alcoholic Beverages

- **Staff does not believe there is an opportunity to improve the decision-usefulness of these standards** as it relates to alternative meat & dairy products.
- What, if any, additional information the Board would like to understand for the Restaurant & Non-Alcoholic Beverages Industries?
- Does the Board agree with Staff analysis on the lack of evidence based on standard-setting criteria?

# Next Steps

- 1 Further research & consultation as needed**
  - Focus on industries discussed today
- 2 Draft potential standard-setting proposal for Board review at a future meeting**
- 3 Draft potential recommendation to close research project for specific industries for Board discussion at a future meeting**

# Alternative Meat & Dairy

*Staff welcomes input on the items discussed today during the Board discussion.*



<https://www.sasb.org/standard-setting-process/active-projects/alternative-meat-and-dairy/>



**Devon Bonney**  
Associate Analyst  
Devon.Bonney@sasb.org

# Human Capital Research Project



**Kelli Okuji Wilson**

Analyst, Health Care Sector Lead

December 2 2020 Standards Board Meeting

## Session Objective

Update on the Human Capital Research Project

December 2 2020 Standards Board Meeting



# Session Agenda

Review of recent developments and progress

- Research Team Analyst Integration**

Update on current status of project

- Preliminary Framework Revision Phase**
- Public Consultation Period Preview**

Key points for Board engagement

# Human Capital Research Project Update

## Staff targets research project completion at the July 2021 Standards Board Meeting

### Objective

- Assess the scope and prevalence of various human capital management themes in order to more comprehensively and robustly cover human capital across SASB's 77 industry standards
- Produce an evidenced-based, market-informed human capital management framework to guide future standard-setting activities



### Project Background

- Project initiated as a result of strong investor and corporate interest in human capital management issues and disclosures
- Evolving macroenvironmental trends are changing the paradigm of the employer-worker social contract and human capital management strategies broadly:
  - Technology/automation;
  - Shifting labor demographics;
  - Increasing income inequality; and
  - Globalization



### Project Outcomes

- **Anticipated** Evidenced-based, market-informed human capital management framework
- **Anticipated** Industry Heat Map
- **Anticipated** Project pipeline recommendation (initial)
- **Anticipated** Preliminary view on general issue category recommendations

Project Lead: Kelli Okuji Wilson ([kelli.okuji-wilson@sasb.org](mailto:kelli.okuji-wilson@sasb.org) / [kelli@sasb.org](mailto:kelli@sasb.org))

Project website: <https://www.sasb.org/standard-setting-process/active-projects/human-capital/>

# Update on current status of project

Focused on internal workstreams during Revision Framework Phase

## SASB Research Team Analyst Integration

### Objective

- Orient SASB analysts around the themes outlined in the **Preliminary Framework**
- Initiate **industry-specific research** on the sustainability impacts of the relevant themes

### Areas of focus:

- Assessing the various channels of sustainability impacts of each theme by stakeholder (i.e. impact on workforce or customer base)
- Determining areas of commonality among industries
- Assessing challenges related to regional variations in themes

*This phase been characterized by largely internal Staff work as we prepare for the public consultation period, which is foundational to the project development phase / Framework finalization phase.*

# Framework Revisions Reflect Updated Research and Feedback

## *Preliminary Framework Revision Phase*

### *Objective*

- Strengthen evidence base on themes outlined in the Preliminary Framework

### *Areas of focus:*

- Incorporation of additional evidence reflecting impacts of the **COVID-19** pandemic and protests for **racial justice**
- Add more breadth and potentially depth of **diversity, inclusion, and engagement** topics
- Clarify definition and scope of:
  - **Workforce investment**
  - **Alternative workforce**
- Address **labor conditions in the supply chain** issue

# Upcoming: Public Consultation Period

Public consultation will focus on industry-specific impacts of the themes outlined in the Preliminary Framework

## Objective & purpose



- **Solicit wide range of views** on the themes outlined in the Preliminary Framework and help develop industry-specific views of these themes
- Feedback is the foundation to **guiding human capital project pipeline development** and SASB's **understanding of the financial materiality** of these issues

# The Public Consultation Feedback Focused on Industry-Specific Impacts



## *Feedback requested should:*

- Help assess **how** and **in what ways** these themes are relevant at the industry level
- Enhance Staff's view on the **financial materiality** of these issue at the industry level



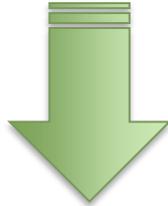
## *Stakeholder profile:*

- Companies, investors, academics, consultants, and other subject matter experts
- **Highly knowledgeable** in the impacts of these themes at an industry-specific level to discuss:
  - (a) Investors' views on meaningful points of data to assess these themes
  - (b) ) How companies are managing and tracking these issues to enhance long-term value creation

# Public Consultation Surveys Supplement Revised Framework and Industry-Specific Research

## *Format:*

- Three stakeholder-specific surveys (corporate, investor, subject matter expert)
- Revised Framework for comment (pdf copy available for reference)



## *Objectives with consultation design:*

- Surveys provide insight on multiple industry-specific views on themes to advance project development
- Comments on revised Framework help finalize the document



Human Capital

### — *Public Consultation*

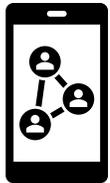
- [Corporate survey](#)
- [Investor survey](#)
- [Subject matter expert survey](#)

*Revised Preliminary Framework (pdf copy)*

# Public Consultation Communication Strategy is Broad-Based

Strategy designed to cast the widest net of participants as possible

## Communication strategy:



- Human Capital Research page project updates (“Subscribe to project updates”)
- SASB network of Investor Advisory Group, Standards Advisory Group, and Alliance
- Social media (LinkedIn, Twitter, etc.)
- Etc.

# Key Points for Board Engagement

January - July 2021



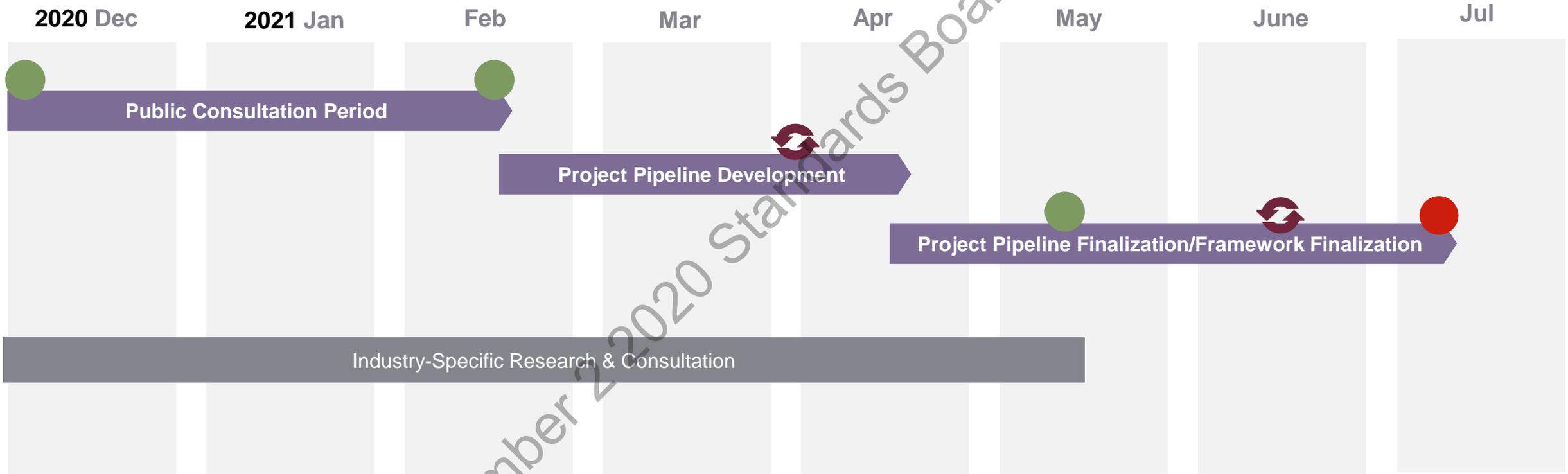
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Board Update



Board Decision



December 2020 Standards Board Meeting



# Human Capital Research Project

- **For Standards Board:** Prepare for increased Board engagement on these issues as the Staff works toward project pipeline development and creating deliverables that will reflect research conclusions and basis for future standard-setting work



<https://www.sasb.org/standard-setting-process/active-projects/human-capital/>



**Kelli Okuji Wilson**

Analyst, Health Care Sector Lead

Project Manager, Human Capital Research Project

[Kelli.Okuji-Wilson@sasb.org](mailto:Kelli.Okuji-Wilson@sasb.org) / [kelli@sasb.org](mailto:kelli@sasb.org)

# Appendix

December 2 2020 Standards Board Meeting



# Key Project Outcomes

Key set of deliverables designed to inform future standard-setting project outcomes

Deliverable	Outcome
Human Capital Framework	<ul style="list-style-type: none"><li>Identifies and address the relevant human capital themes that are broadly impacting industries as a business-critical, sustainability issue</li></ul>
Industry Heat Map	<ul style="list-style-type: none"><li>Identifies potential industries where these human capital themes have industry-specific manifestations and areas for potential research and/or standard-setting activities</li></ul>
General Issue Category recommendations	<ul style="list-style-type: none"><li>Outlines the Research staff's view on the Human Capital Sustainability Dimension General Issue Categories</li></ul>
Project pipeline recommendations	<ul style="list-style-type: none"><li>Recommends a set of initial areas to begin industry-specific research and/or standard-setting projects on human capital issues</li></ul>



# Concluding Remarks

December 2 2020 Standards Board Meeting



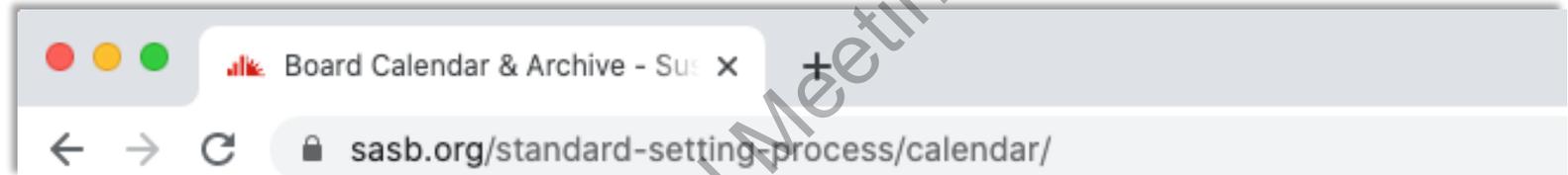
## 2021 Standards Board Meetings\*

February 25<sup>th</sup> & 26<sup>th</sup>

May 4<sup>th</sup> & 5<sup>th</sup>

July 7<sup>th</sup> & 8<sup>th</sup>

September 30<sup>th</sup> &  
October 1<sup>st</sup>



### [Standards Board Meeting Calendar & Archive](https://sasb.org/standard-setting-process/calendar/)

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.

We welcome you to visit our [Contact Us](#) page to subscribe for standards-related updates.

Please use our [Public Comment Form](#) to provide feedback on the standards.

*\*Dates are tentative. Public Standards Board meetings are announced a minimum of 10 days prior to the meeting date.*



# Accounting for a Sustainable Future

December 2, 2020 Standards Board Meeting