



Sustainability Accounting Standards Board

Standards Board Meeting

Friday, February 26, 2021

February 26 2021 Standards Board Meeting



Standards Board Members

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Charles T. Zlatkovich Centennial Professor of Accounting
The University of Texas at Austin

Verity Chegar

Co-Vice Chair

Member of the Sustainable Investment
and Stewardship Strategies team at
CalSTRS

Robert Hirth, Jr.

Co-Vice Chair

Senior Managing Director, Protiviti
Chairman Emeritus, Committee of
Sponsoring Organizations of the
Treadway Commission (COSO)

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Lloyd Kurtz, CFA

Senior Portfolio Manager,
Head of Social Impact Investing,
Wells Fargo Private Bank

Daniel L. Goelzer, JD

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Baker & McKenzie LLP

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Marc Siegel

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Susanne Stormer

Partner, PwC Denmark

Stephanie Tang, JD

Director and Senior Corporate
Counsel, Securities and
Corporate Governance
Autodesk

Mark Vaessen

Partner, Head of Department of
Professional Practice, KPMG

Pleased to Welcome New Standards Board Members



Susanne Stormer

Partner, Head of Sustainability
PwC Denmark
Copenhagen, Denmark



Mark Vaessen

Partner, Head of Department of
Professional Practice
KPMG
Amstelveen, the Netherlands

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Topics for Today's Meeting

- 1 General updates & standard-setting agenda overview
- 2 Human capital research project update
- 3 Conceptual Framework and Rules of Procedure
- 4 Infrastructure Sector research priorities

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Meeting Overview

Public Meeting			
Time	Duration	Agenda Item	Discussion Leader
8:00am – 9:30am	1 hr 30 mins	Standard-Setting Agenda Overview <ul style="list-style-type: none"> - Meeting overview - Standards-setting agenda overview - Human Capital research project update 	Jeff Hales, David Parham, Kelli Okuji Wilson
9:30am – 11:15am	1 hr 45 mins	Topics for Discussion <ul style="list-style-type: none"> – Conceptual Framework & Rules of Procedure projects Infrastructure Sector research priorities 	Shivani Kuckreja, Will Meister
11:15am – 11:30am	15 mins	Concluding remarks and adjourn meeting	Jeff Hales, Bryan Esterly



Standard Setting Agenda Overview

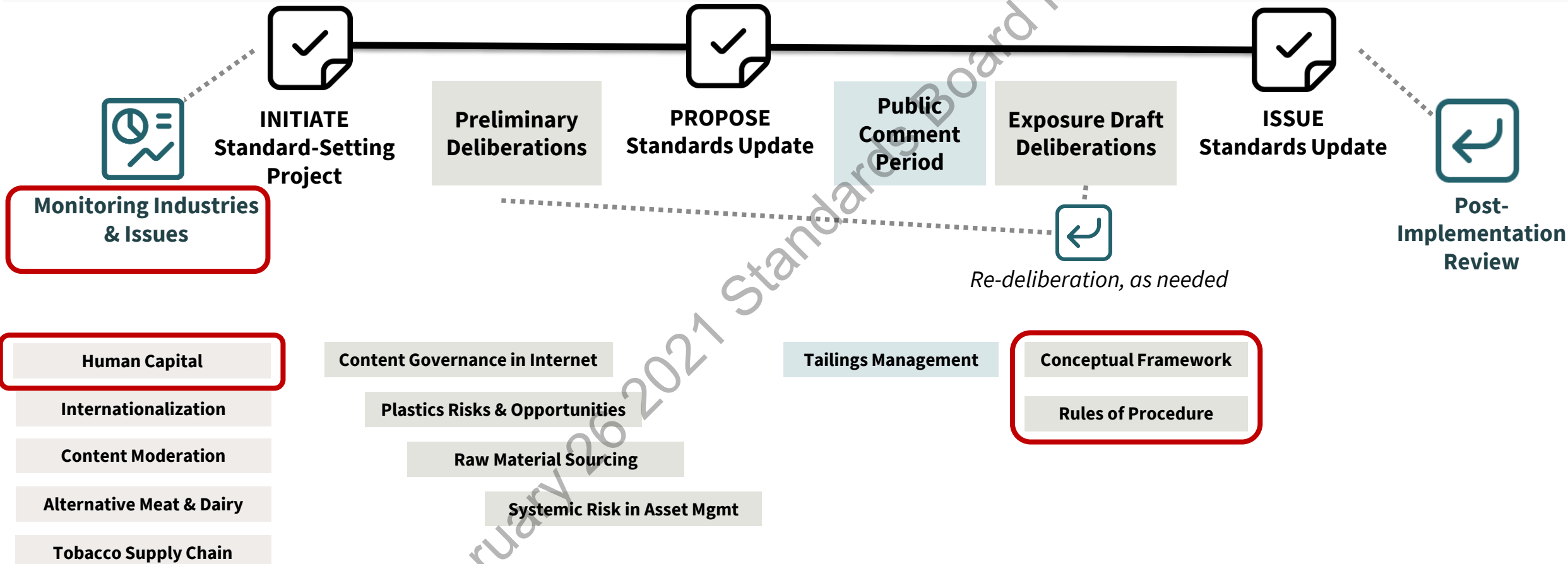
David Parham
Director of Research - Projects

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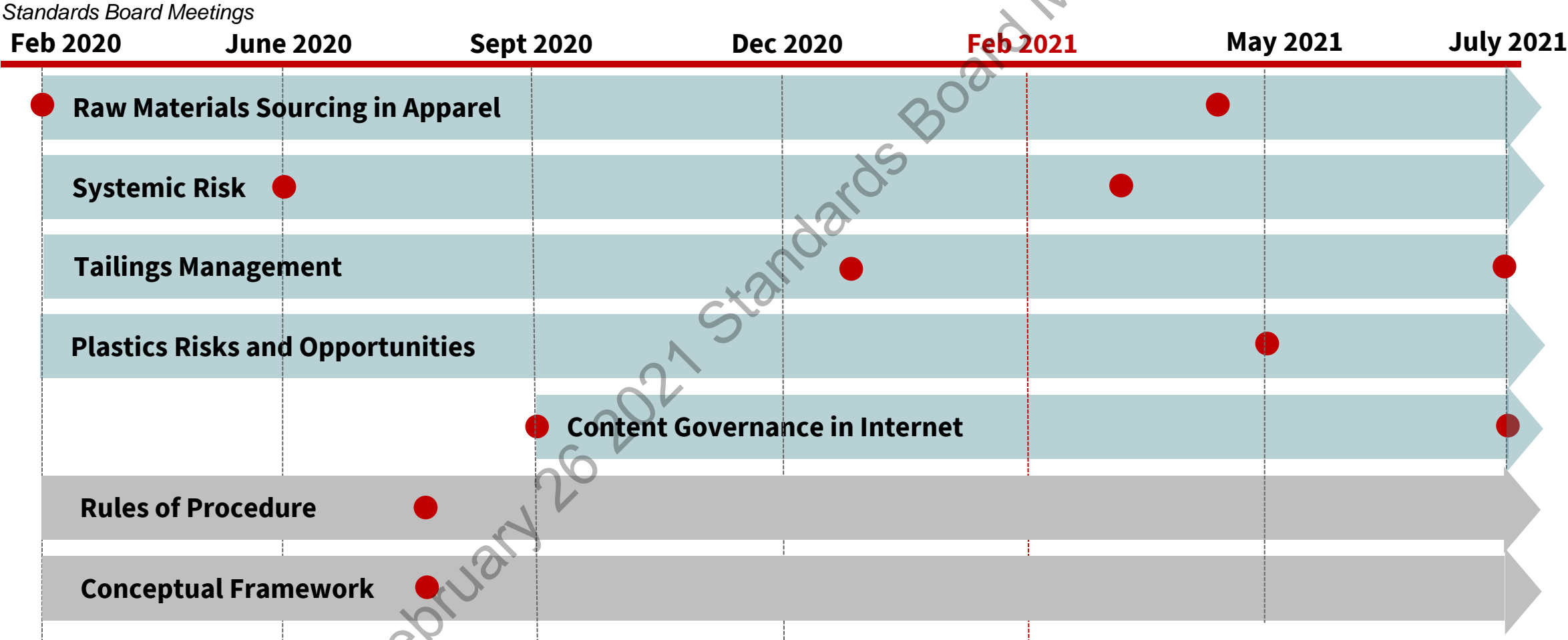
Project Pipeline Overview

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



Standard-Setting Agenda Overview – Project Timelines

Standard-Setting Project
 Other projects
 Board Decision



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Note: Depiction above does not include research projects



Building a More Comprehensive and Coherent Corporate Reporting System

SASB and IIRC to merge under the Value Reporting Foundation

The Value Reporting Foundation

INTEGRATED
REPORTING <IR>



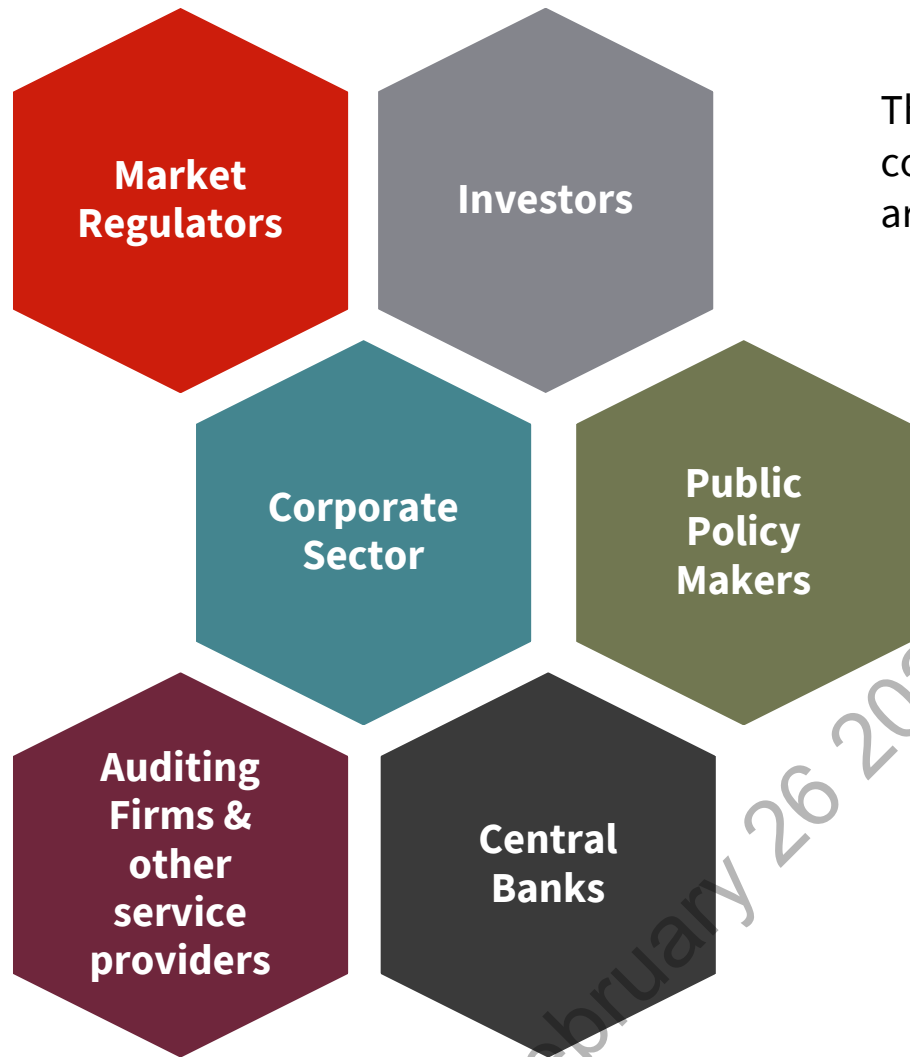
- IIRC and SASB announced intention to merge in November 2020, working together under the Value Reporting Foundation
- Response to global market demands for convergence among corporate reporting standard-setters
- <IR> Framework and SASB Standards provide complementary tools for investor-focused communications
- Provides “building block” of the comprehensive system described in the Joint Statement of Intent with CDP, CDSB, and GRI

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.



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
- This initiative is part of IFRS Foundation's five-year review of its strategy, which started in January 2019.

IFRS Consultation Results and Next Steps

IFRS met on 1 February 2021 to review responses to first three questions from consultation paper

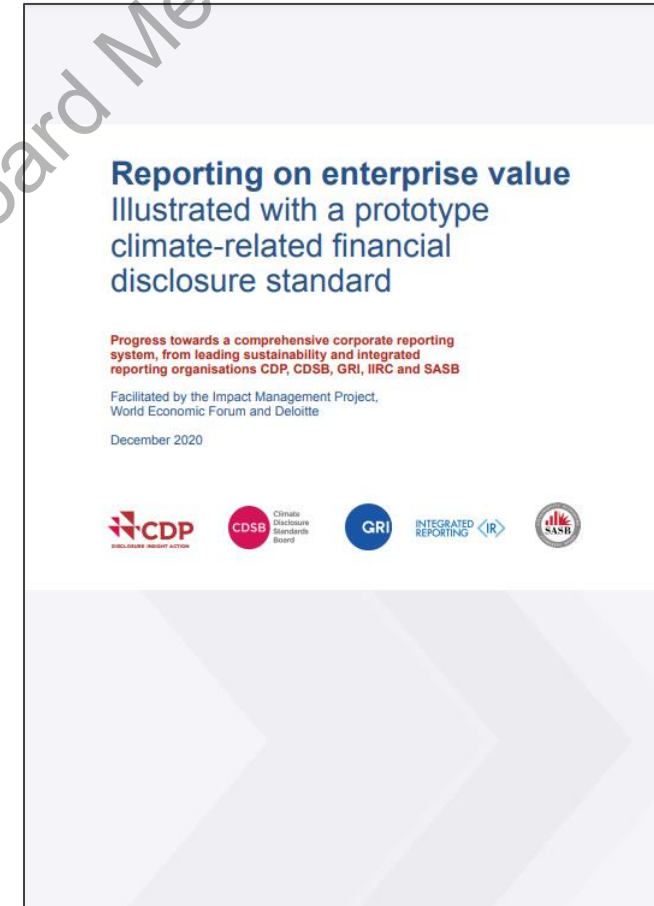


- Trustees received 576 comment letters
- Responses indicated growing and urgent demand to improve global consistency and comparability in sustainability reporting, as well as demand for IFRS Foundation to play a role
- Trustees agreed to formation of Trustee Steering Committee to oversee next phases of work
- Defined key requirement for success as the urgent need for global standards, most notably on climate
- Trustees will next meet on 2-4 March 2021.
- Intention is to produce a definitive proposal by the end of September 2021, possibly leading to an announcement at COP 26 in November 2021.

Group of 5 Issues Climate Prototype Discussion Paper

Published in December of last year coinciding with first anniversary of Paris Agreement

- Presented in the form of prototypes to provide a “running start” for future standards development that could be taken up by the IFRS
- Contains three primary elements:
 - Recap of the Joint Statement of Intent
 - Observations around the applicability of the IASB’s Conceptual Framework for Financial Reporting to sustainability-related financial disclosures
 - Demonstration of how Group of 5 framework and standards + TCFD could form the basis for the development of a climate-related financial disclosure standard



Continued Investor Advocacy for Improved ESG Disclosure

Widespread support for enhanced transparency and the value of the SASB Standards

- Larry Fink, CEO of BlackRock, in his 2021 annual letter to CEOs:
 - Emphasized that investors need access to consistent and high-quality information on ESG factors that impact the value of companies
 - Urged companies to provide this information via SASB and TCFD-aligned disclosure
- Strong investor support throughout 2020, including:
 - Cyrus Taraporevala, CEO of State Street Global Advisors, similarly asked companies to use the SASB Standards
 - Largest pension fund managers in Canada asked portfolio companies to use SASB Standards and TCFD Recommendations
 - SASB Investor Advisory Group issued an updated statement calling on companies to use SASB Standards in disclosures to investors
 - Board of Governors of the Investment Company Institute encouraged US public companies to provide disclosures aligned with SASB and TCFD

<https://www.sasb.org/blog/investors-fuel-market-movement-for-comparable-esg-data/>

SASB Research Team is Growing

Seeking to fill three important positions as part of the SASB Research Team

Interested parties should review the open positions on our website:

sasb.org/about/careers/

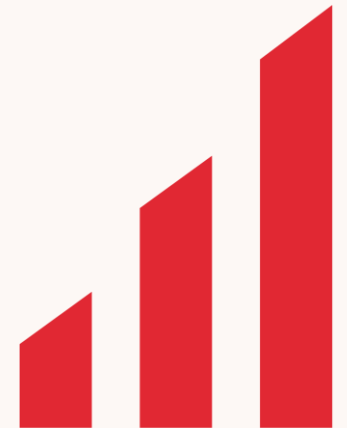




Human Capital Research Project Update

Kelli Okuji Wilson
Analyst, Health Care Sector Lead

February 26 2021 Standards Board Meeting



Session Objectives

1

Public Consultation Update

Review of consultation objectives

Review of early themes from consultation results

2

Next Steps

Upcoming key milestones

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SASB's Human Capital Research Project

Project will produce a human capital framework to inform future standard-setting activities

WHY HUMAN CAPITAL?

- SASB continues to receive **strong investor and corporate feedback** on human capital issues
- Continued shifts in **macroenvironmental value drivers**
 - Automation
 - Labor force demographics
 - Increasing income inequality
 - Globalization

Objectives

- Examine/revise SASB's universe of human capital management themes
- Produce an evidence-based and market-informed **human capital management framework** to guide future standard-setting activities

What Happens Next?

Apply framework to identify **industry-specific** issues and generate pipeline of standard-setting activities

Human Capital Framework Themes & Sub-Themes

Key focus areas for respondent feedback

HCM Themes Being Evaluated



Workplace Culture

- Diversity
- Inclusion
- Engagement



Worker Wellbeing

- Mental health
- Physical wellbeing
- Health-related benefits



Labor Conditions in the Supply Chain

- Forced/compulsory labor
- Child labor



Workforce Investment

- Career-building opportunities (e.g. re-skilling, upskilling)
- Financial investment in workers



Alternative Workforce

- Contingent & contract labor

Stakeholder Consultation Phase: The Public Consultation

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

Consultation 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

Consultation Summary

Review of stakeholder-specific consultation objectives

Stakeholder	Consultation objectives
Companies	Understand corporate views and strategies around the financial materiality of the themes and sub-themes outlined in the Preliminary Framework and how they manage/track these issues
Investors	Understand investor views on the financial materiality of these themes and sub-themes across SASB's 77 industries and identify which industry trends support their materiality view
SMEs	Understand how SMEs view the themes and sub-themes, particularly around (a) if they should be added/removed from SASB's consideration and (b) if they could be measured in a more decision-useful or cost-effective way

Stakeholder-Specific Surveys: Sample Questions



Corporate

- How would you assess the financial materiality of diversity and inclusion **to your organization?**
- **Contextualize response by discussing specific channels of financial impact** (i.e. impact to assets, liabilities, revenues, expenses, cost of capital, etc.)



Investors

- How would you assess the financial materiality of diversity and inclusion of the workforce **across SASB's 77 industries?**
- **Contextualize response by discussing specific channels of financial impact across an industry(ies)**



SMEs

- What do you view as the **primary opportunities for improvement** in how diversity and inclusion of the workforce are accounted for across the SASB industry standards?



All

- **Additional comments & feedback section – Engagement Questions** expanded upon survey responses related to financial materiality and performance measurement

Profile of Survey Respondents



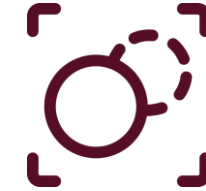
Corporate

- 25 company responses
- Largely sustainability roles



Investors

- 22 investors responses
- Primarily asset managers
- Roles in equities analysis, governance/stewardship, and sell-side research



SMEs

- 57 SMEs responses
- Standard-setters, consultants, academics, multinational organizations, civil society organizations, industry associations

Consultation Summary

Staff believes research project objectives have largely been met

Stakeholder	Preliminary Consultation results (Aggregated view)
Companies	✓ Companies largely agree that the many of the themes and sub-themes were <i>highly material or moderately material</i>
Investors	✓ Investors largely agree that several of the themes and sub-themes were <i>financially material in all or nearly industries or many industries</i>
SMEs	✓ SMEs largely agree that many of the themes and sub-themes should be <i>added</i> to SASB's industry standards and could be addressed in a way that is more <i>decision-useful</i> and <i>cost-effective (to a lesser extent)</i> than it is currently

Early Insights from the Consultation

1

Evidence and stakeholder views suggest that some issues are **widespread across multiple industries** and **not consistently applied across current SASB standards**

2

Other issues are relevant, but questions around the **level of materiality vary by industry**

3

There is **disparity in stakeholder views** between investors and companies on the materiality of some themes and sub-themes

4

The COVID-19 pandemic and protests for racial justice have raised the relevance of certain themes and could have **longer-term implications** for how companies manage their workforces and what investors consider material human capital issues

Next Steps

Further input from Standards Board important to shaping key project deliverables

	Target Date	Key Deliverables
1	May Standards Board Meeting	Final consultation results & analysis
2	July Standards Board Meeting	Release of key deliverables: <ul style="list-style-type: none">• Finalized Human Capital Framework• Industry Heat Map• Initial set of proposed Human Capital projects

Key Questions for the Standards Board's Consideration

- What questions do you have regarding the research process to-date?
- Do you have any questions regarding next steps and the subsequent process to arrive at the key deliverables discussed?
- What questions do you have regarding the final key deliverables?



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



Kelli Okuji Wilson

Project Manager, Human Capital / Sector Lead, Health Care

Kelli.Okuji-Wilson@sasb.org

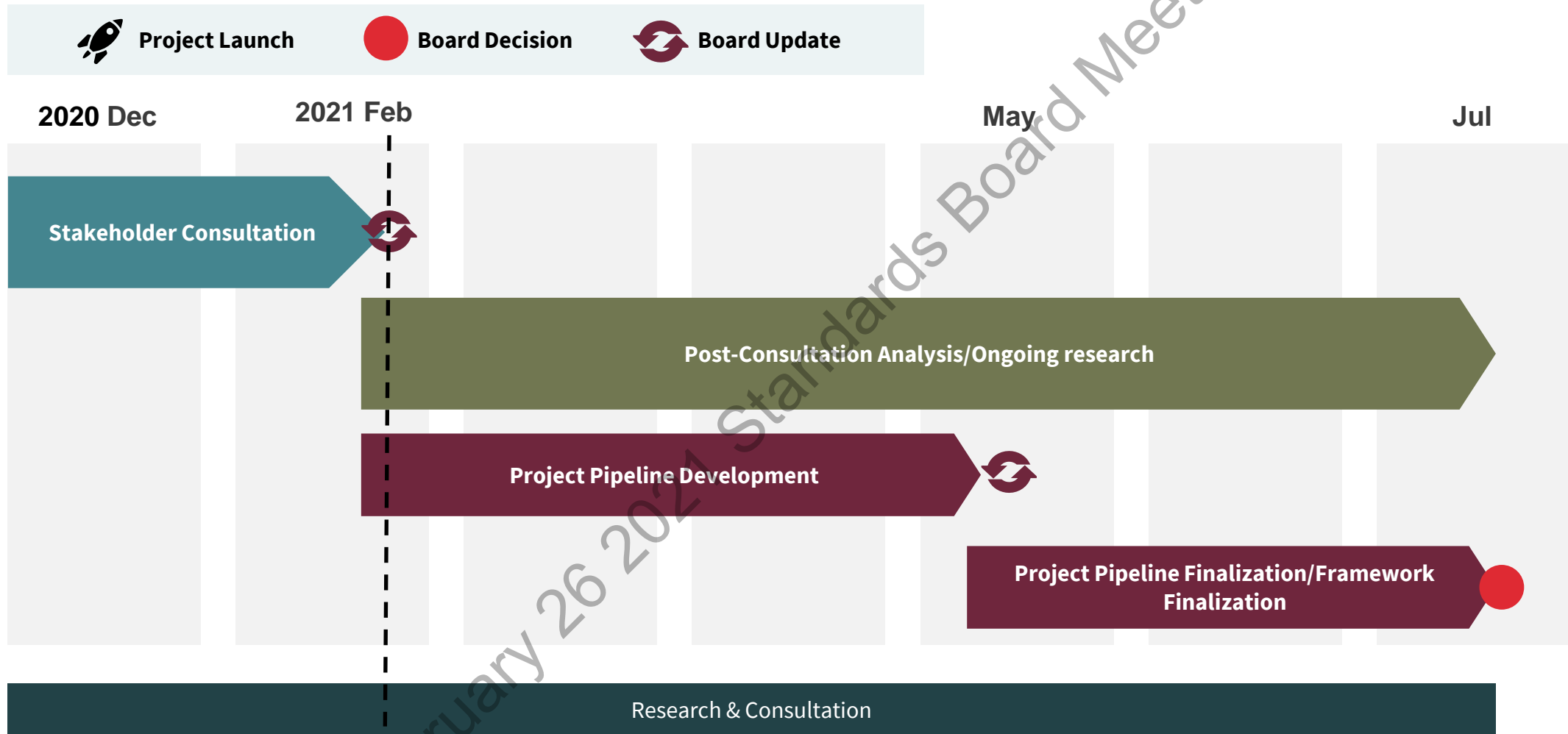
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Project Timeline

Target project completion: 2021 Jul



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Conceptual Framework & Rules of Procedure – Summary of Public Comments

Shivani Kuckreja
Associate Analyst

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Session Objectives

- 1 Project backgrounds, objectives, and timelines
- 2 Review of revisions made pre-public comment periods
- 3 Summary of public comments
- 4 Next steps

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Project Backgrounds, Objectives, and Timelines



Conceptual Framework Project Overview

Project duration: Q3 2019 – TBD

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
- 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.

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

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

Rules of Procedure Project Overview

Project duration: Q3 2019 – anticipated Q4 2021

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

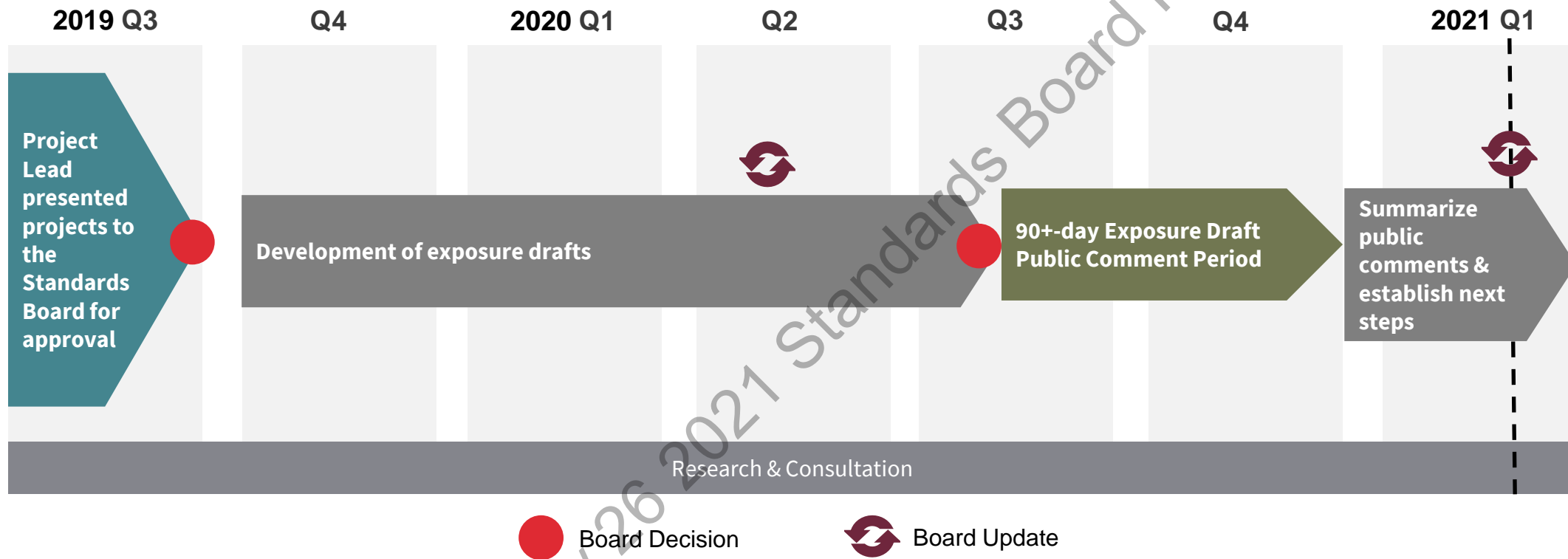
Present a revised *Rules of Procedure* document to the Standards Board to publish in place of our current *Rules of Procedure* document.

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

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

Conceptual Framework & Rules of Procedure Project Timelines

Target project completion: Rules of Procedure (Q4 2021); Conceptual Framework (TBD)



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Revisions Made in the Exposure Drafts



The Revised *Rules of Procedure*...

1. Contains revised SASB Foundation **mission** statement
2. Focuses on and improves clarity around SASB's **standard-setting due process**
3. More clearly and concisely articulates ways in which **external stakeholders** can **engage** with SASB
4. Moves much of the discussion on **roles and responsibilities** of SASB's Foundation Board and Standards Board to the Appendix of the document, unless it ties directly to what's in the body of the document



The Revised *Conceptual Framework*...

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



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Summary of Public Comments



Conceptual Framework & Rules of Procedure Comment Periods: August 28-December 31, 2020

	CONCEPTUAL FRAMEWORK	RULES OF PROCEDURE
Purpose of document	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
Revision objectives	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 from the Conceptual Framework & Rules of Procedure webpages (sasb.org)
Review all public comments received on the Conceptual Framework and Rules of Procedure project pages (sasb.org)**



Public Comments Can Be Found On SASB's Website

30 public comment letters

30 commented on the *Conceptual Framework* exposure draft

18 commented on the *Rules of Procedure* exposure draft

Questions for Stakeholders – *Conceptual Framework*

Question 1 – Globally applicable sustainability accounting standards

When SASB was founded, many of the definitions referenced in its *Conceptual Framework* were based on U.S. regulation and context, and SASB's initial focus was on developing standards for U.S. public companies. Prior to codifying its standards in 2018, SASB's engagement with companies and investors, many of whom operate in a global context, resulted in SASB recognizing that its Standards would best fulfill global companies' and investors' missions by reflecting the global nature of capital markets. As a result, the mission of SASB officially changed in 2018 to say that the organization's mission is "to establish industry-specific disclosure standards across environmental, social and governance topics that facilitate communication between companies and investors about financially material, decision-useful information. Such information should be relevant, reliable and comparable across companies on a global basis." (See *Conceptual Framework* exposure draft, paragraph 5).

While the Standards Board believes that the fundamental concepts as discussed in the 2017 *Conceptual Framework* were consistent with standards that are intended to be used on a global basis, the *Conceptual Framework* exposure draft further articulates and emphasizes this aspect of SASB's approach standard setting.

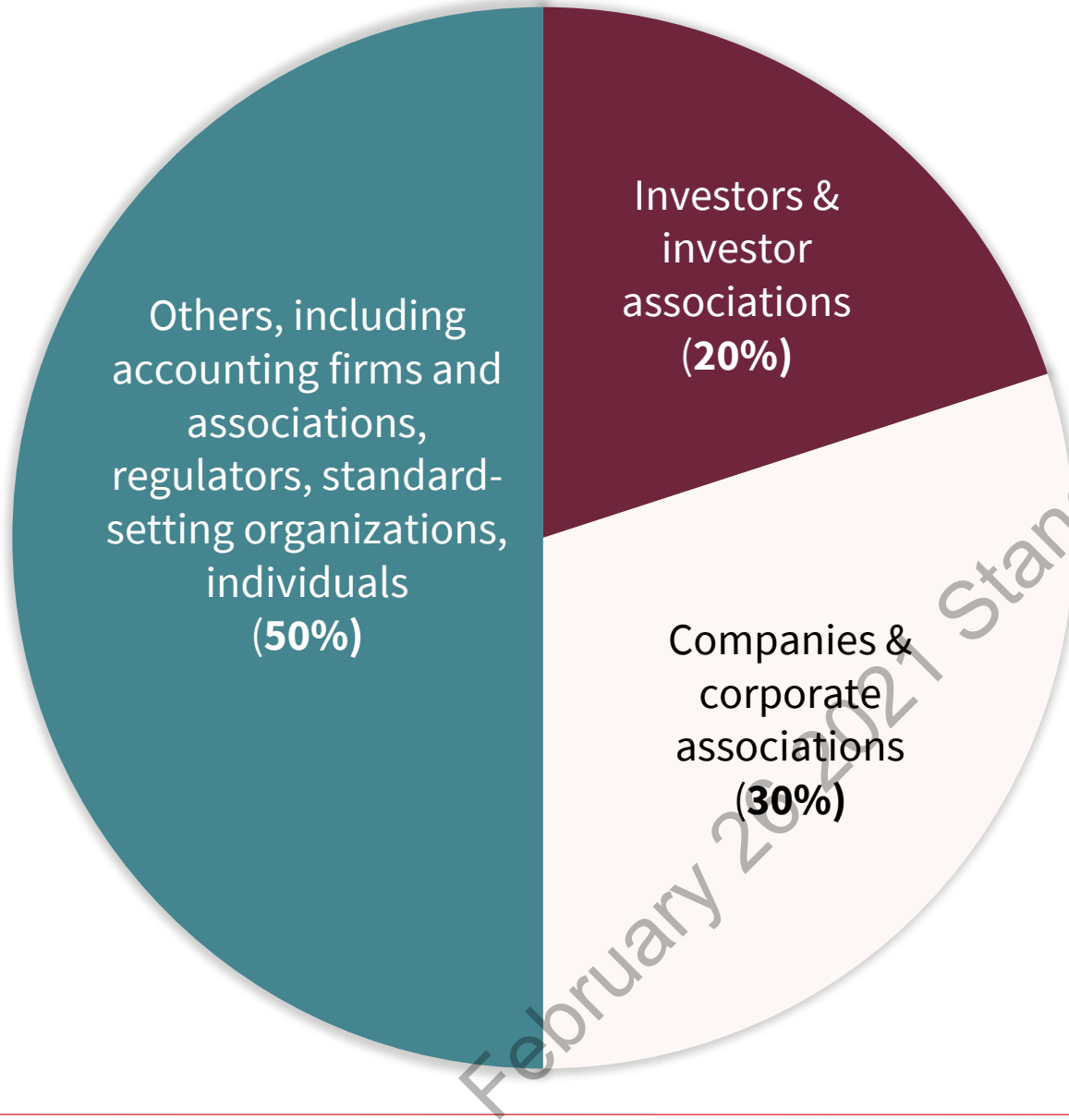
Do you believe the concepts described in the *Conceptual Framework* exposure draft are appropriate for a global standard-setting organization? Are there concepts or principles that warrant discussion in—or removal from—the *Conceptual Framework* to help the Standards Board more effectively develop standards that have global applicability?

Question 2 – Approach to governance

The SASB Standards do not include traditional corporate governance topics and metrics, such as board composition, board structure, shareholder rights, and executive compensation. Such corporate governance topics, while widely viewed as value-relevant, are not included within the scope of SASB's standard-setting activities because:

- The SASB Standards are intended to be globally applicable, and corporate governance requirements are often determined by laws and norms that vary significantly across regions.
- Corporate governance codes have been established for many regions of the world, and investor expectations regarding disclosure and corporate governance practices have been clearly established by global and regional investor networks. The Standards Board does not wish to duplicate the work of these investor networks as such efforts would not aid the SASB mission in furthering decision-useful information for investors, in the Board's view.

Respondents to Public Comment Period



- Respondents communicated a **range of views** across SASB's constituencies
- **Depth in responses** represented by hundreds of individual comments across the 30 comment letters

3 Key Themes

1

Strong understanding of the need to update the *Conceptual Framework & Rules of Procedure* documents since their 2017 versions, and general support for the **directionality of the revisions** proposed in the exposure

2

Encouragement for further **clarity, structural** changes, and **scope** changes

3

Encouragement for further **alignment and/or connectivity with the IASB** in particular

Respondents believe these projects are necessary and are generally supportive of the direction of the proposed revisions

1

Strong understanding of the need to update the *Conceptual Framework & Rules of Procedure* documents since their 2017 versions, and general support for the **directionality of the revisions** proposed in the exposure

*Your effort to update your governing documents to expand and tailor the reach of SASB standards to a more global level is **commendable and necessary** to achieve the continuing expansion of companies using the SASB reporting framework. (Bank of America)*

***We support SASB's work and the overall direction of the Proposals.** In our view a strong, user-focused conceptual underpinning is essential if sustainability reporting is to deliver the high-quality information that the capital markets require. (KPMG)*

Respondents encourage additional clarity and further evaluation of key issues

2

Encouragement for further **clarity, structural** changes, and **scope** changes

CLARITY

- *Further discuss SASB's stance on governance*
- *Clarify the definition of "enterprise value"*
- *Further discuss the Foundation Board's oversight of the Standards Board*
- *Clarify whether there is a formal process for considering stakeholder input (how is input prioritized, etc.)*

STRUCTURAL CHANGE

- *Exclude transparency as a tenet or move to Rules of Procedure*
- *Remove "understandable" as a new characteristic. If one of the core objectives of SASB metrics is to be "decision-useful," then they implicitly must be understandable*

SCOPE

- *Add corporate governance-related topics and metrics (e.g., Board composition, Shareholder rights, etc.) to SASB's Standards*
- *Provide more structured opportunities for stakeholders (especially non-US stakeholders) to consistently engage with SASB*

Many respondents recommend further alignment and/or connectivity with the IASB (e.g., the *IASB Conceptual Framework for Financial Reporting*)

3

Encouragement for further **alignment and/or connectivity with the IASB** in particular

- *Better align SASB's Conceptual Framework with IASB's Conceptual Framework*
- *The IASB's Conceptual Framework has a role in both the setting and application of IFRS standards. We suggest a similar role for SASB's Conceptual Framework*
- *SASB's definition of "decision-useful" information and the IASB/FASB definitions should align*
- *Further align substance and terminology between the IASB and SASB. The IASB's discussion of "Objectives of General Purpose Financial Reporting" and "Qualitative Characteristics of Useful Financial Information" may be of particular relevance to SASB*
- *Attributes common between the SASB and IASB/FASB conceptual frameworks are representational faithfulness, completeness, neutrality, comparability, verifiability, and understandability. Attributes included by the FASB/IASB but not included by the SASB's are relevancy, timeliness, and freedom from error. We believe these three attributes should be added to the SASB's list of characteristics*
- *Given that the IASB, FASB, and SASB all state as their objective the provision of decision-useful information to investors, consistency in how all entities describe "decision-useful" would be beneficial for stakeholders*

Financial Materiality: Remove, Revise, Or Align with IASB

Invitation to Comment Question #3: Are all aspects of the proposed definition of financial materiality clear and understandable? Does the definition accurately reflect SASB's mission to facilitate communication between companies and investors about financially material, decision-useful sustainability information?

1

CLARITY

SASB's definition of financial materiality could use further revision but is quite strong as is

The definition of materiality proposed by SASB is clear and understandable... We also suggest that SASB address the definition of "double materiality" in their explanation of the final materiality definition as the concept of double materiality is currently discussed a great deal in the European sustainability standard-setting process (CFA Institute)

2

STRUCTURAL CHANGE

SASB's definition of financial materiality should further align with that of the IASB

SASB should consider removing its financial qualifier in order to be more consistent with other financial standard-setters such as IASB (CalPERS)

3

STRUCTURAL CHANGE

SASB should not define financial materiality

We recommend that instead of redefining financial materiality as proposed, the Board use the same jurisdictional materiality approach adopted by the Task Force on Climate-related Financial Disclosures (TCFD) in which companies "determine materiality... consistent with how they determine the materiality of other information included in their financial filings." (Financial Executives International CCR)

Characteristics Of Topics And Metrics: Remove, Prioritize, Align With IASB

Invitation to Comment Question #4: *Are the characteristics of topic and metric selection (as framed and defined in the exposure draft) supportive in establishing standards that produce financially material, decision-useful, and cost-effective information (i.e., SASB’s three core objectives)? Are the definitions of the characteristics sufficiently clear? Are any characteristics that may be supportive of the objectives of the Standards missing, and therefore should be added? Are any characteristics redundant or misaligned with these objectives, and therefore should be removed?*

1

CLARITY

Provide transparency into how we evaluate the importance of each characteristic

Consideration could be given to a hierarchy of qualitative characteristics to enable the Board to resolve tensions between different characteristics (KPMG)

2

STRUCTURAL CHANGE

Remove topic characteristics

Consider whether the separate listing of the characteristics of sustainability disclosure topics (i.e., financially impactful, of interest to users, prevalent, and actionable) is necessary; such characteristics may be redundant given fundamental tenets (PwC)

3

STRUCTURAL CHANGE

Characteristics should further align with those of the IASB

Attributes shared by the SASB and IASB are representationally faithful, complete, neutral, comparable, verifiable, and understandable. Attributes included by the IASB but not by SASB are relevancy, timely, and free from error—these three attributes should be added to SASB’s list of characteristics (PwC)

Questions?

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Next steps

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Next Steps

Near-term activities to advance the projects include:

- Continuing analysis of comments
- Follow-up consultations with respondents
- Engaging Foundation Board members in topics related to mission or scope of standard setting
- Project planning among members of the project team
- Establishing open set of questions to be addressed through project execution; examples of questions:
 - Have SASB's objectives changed since SASB first established these projects in 2019?
 - Respondents expressed a range of conflicting views on the definition of “financial materiality”—how should the Standards Board evaluate and resolve this feedback?
 - Should the Standards Board more clearly define “enterprise value” in response to some comments?

Resources for additional information



Conceptual Framework project page: <https://www.sasb.org/standards/process/active-projects/conceptual-framework/>

Rules of Procedure project page: <https://www.sasb.org/standards/process/active-projects/rules-of-procedure/>



Shivani Kuckreja

Associate Analyst

Shivani.Kuckreja@sasb.org

Appendix

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Sample Responses to Invitation To Comment Questions



Invitation to Comment Question #1: Global Applicability

Invitation to Comment Question #1: Do you believe the concepts described in the Conceptual Framework exposure draft are appropriate for a global standard-setting organization? Are there concepts or principles that warrant discussion in—or removal from—the Conceptual Framework to help the Standards Board more effectively develop standards that have global applicability?

Positive direction but needs more clarity as to how SASB will execute global reach

Explain why SASB has chosen to take a line-item and industry-based approach to standard setting as opposed to a principles-based approach, which is the common approach globally (CalPERS, FRC, ICGN)

How does the term “regulatory environment” (paragraph 19 in the Conceptual Framework exposure draft, under “Evidence-based”) fit into SASB’s stance on being a global organization, with various relevant regulations spanning the world? (Anglo American)

Invitation to Comment Question #2: Governance

Invitation to Comment Question #2: Should SASB describe its approach to governance in the Conceptual Framework? Is SASB's approach to governance, as described above, sufficiently clear?

1

Articulate SASB's position on traditional corporate governance issues

Include discussion of SASB's approach to governance in the Conceptual Framework and clarify what is in scope and what is out of scope for SASB's definition of governance (Bank of America, CalPERS, Calvert, CDSB, ICGN)

2

Address traditional corporate governance Issues

Add corporate governance-related topics and metrics to SASB's Standards, as aspects of corporate governance may be financially material (Arabesque, CFA Institute, Deloitte, EcoBlue Ventures, EY, IMA, PwC)

Invitation to Comment Questions #5 & #11: Complementary, Holistic Documents

Invitation to Comment Questions #5 & #11: *When read alongside the Rules of Procedure exposure draft, are there important aspects of SASB's approach to standard-setting that are missing from the Conceptual Framework exposure draft? Are there any material inconsistencies between the Conceptual Framework and Rules of Procedure exposure drafts? When read alongside the Conceptual Framework exposure draft, are there important aspects of policies and practices followed by the Standards Board that are missing from the Rules of Procedure exposure draft?*

Ensure two distinct documents

We agree that the documents are complementary and should be used together, but each document has its own purpose. We believe that in the SASB's efforts to eliminate redundancy and combine certain elements, it has inadvertently blurred the boundaries of each document's respective purpose (PwC)

Both documents should be distinct. The "holistic approach" proposed means that someone might need to refer to two or even three documents to understand how a SASB Standard is developed and the oversight activities that ensure the independence and rigor of that process. Conversely, someone interested only in the SASB Conceptual Framework will be distracted by elements of due process. Both outcomes seem sub-optimal (Deloitte)

The Conceptual Framework includes the fundamental tenants of SASB's approach to standard setting and a summary of the SASB's approach to standard setting. We consider that these would be better placed as part of the Rules of Procedure rather than in the Conceptual Framework as they set out the SASB's due process (FRC)

Invitation to Comment Question #6: Additional Comments on the Conceptual Framework

Invitation to Comment Question #6: Please share any additional comments, concerns, or questions regarding the Conceptual Framework exposure draft.

- Further clarifications on SASB’s definition of “sustainability,” including the five sustainability dimensions and the general issue categories (**Deloitte, KPMG, FRC, Arabesque, Rights Co-Lab, and Douglas Hileman Consulting**)
- Greater use, or consideration, of topics and/or metrics that apply across all industries, including on issues such as human rights and corporate governance (**CalPERS, PwC, ICGN**)
- Further clarification on SASB’s approach, including how SASB’s perceived line-item approach connects to the more widely used principles-based approaches common globally (**CalPERS, FRC, ICGN**)
- Greater clarity and consistency when describing the primary users of the Standards; discussion of whose needs are prioritized (**EY, KPMG**)
- Greater use of forward-looking metrics, as opposed to the perceived frequent use of backward-looking metrics (**Rights Co-Lab, Anglo American**)
- Greater global representation across SASB’s governing bodies (**CalPERS, Calvert, FRC, ICGN, CDSB**)
- Impact of the IIRC/SASB merger on the governing documents and the standard-setting process (**CFA Institute**)
- Details on the construction of SICS and how the industry classification system relates to the Standards, while acknowledging that this may be more appropriate for a technical document outside of the Conceptual Framework (**Arabesque**)
- SASB’s mission statement has inconsistencies with the subsequent descriptions of the mission and/or the scope of SASB’s standard setting (also referenced above in Question #2) (**CalPERS, ICGN, KPMG**)
- The Standards Board should approach the Conceptual Framework as a working document that is progressively maintained and improved over time (**Deloitte**)

Invitation to Comment Questions #7 & #8: Operating Procedures / Standard-setting Activities

Invitation to Comment Questions #7 & #8: *Does the Rules of Procedure exposure draft provide a clear description of the Standards Board’s operating procedures? Are there any areas that should be further clarified? Does the exposure draft clearly explain the activities that the Standards Board and technical staff engage in to determine when and if standard-setting is necessary? Are these activities consistent with the mission of SASB and the objectives of the SASB Standards? Are there other activities that should be pursued to monitor the relevant industries and issues?*

Clarification & Additional Discussion

Clarify whether post-implementation reviews are part of SASB’s due process for standard-setting and how long after a project is “complete” that post-implementation review starts and finishes (PwC)

Discuss how the Board determines when a vote is required, and how issues, such as dissent at the Board level are approached (Calvert)

Discuss how research and consultation is organized (e.g., specify that discussions can be based upon a specific topic or industry) (CDSB)

Invitation to Comment Question #9: Stakeholder Participation

Invitation to Comment Question #9: *Are the ways in which stakeholders can participate in SASB’s due process for standard-setting activities clear? Is it sufficiently clear how such participation may inform standard-setting outcomes? Are there other methods the Standards Board and/or technical staff should pursue to obtain market input on the Standards?*

1

Provide more structured opportunities for stakeholder engagement

Indicate the circumstances in which roundtables, public hearings, private meetings, etc., might be convened, as this will aid the consistent use of such meetings (CalPERS, Calvert, CFA Institute, Deloitte, ICGN, PwC, Rights Co-Lab)

Request formal input from the public on the Standards Board’s agenda and host a general “Invitation to Comment” to allow the public to help prioritize projects (Deloitte)

2

Broaden types of stakeholders engaged

Discuss plans to engage international stakeholders (CFA Institute, Calvert)

Proactively and consistently engage with civil society organization representatives and academics as subject matter experts (ensure consistent engagement opportunities) (Rights Co-Lab)

Invitation to Comment Question #10: Governance

Invitation to Comment Question #10: *Is SASB's governance structure sufficiently and clearly articulated in the document and in a way that appropriately contextualizes subsequent content in the document? Is the independence of the Standards Board clear? Is the oversight role of the Foundation Board of Directors clear?*

Examples of Suggested Clarifications & Revisions

Further discuss the Foundation Board's oversight of the Standards Board (**Calvert, ICGN**)

The Standards Oversight Committee should approve the length of each public comment period (**Deloitte**)

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Public Comment Period Respondents



Full lists of respondents

Rules of Procedure

1. Anglo-American
2. Arabesque
3. Bank of America
4. CalPERS
5. Calvert
6. CDSB
7. CFA Institute
8. Charles Hoffman
9. Deloitte
10. Douglas Hileman
11. EAGLE Certification Group
12. ECO Advisors
13. EcoBlue Ventures
14. ICGN
15. KPMG
16. Parametric
17. PwC
18. Rights CoLab

Conceptual Framework

1. American Bankers Association
2. Anglo American
3. Arabesque
4. Bank of America
5. CalPERS
6. Calvert
7. CDSB
8. CFA Institute
9. Charles Hoffman
10. Deloitte
11. Douglas Hileman
12. EAGLE Certification Group
13. EcoBlue Ventures
14. EY
15. Financial Executives International's
CCR

Conceptual Framework (continued)

16. FRC
17. ICGN
18. IMA
19. Itaú Unibanco
20. Korede Ologun
21. KPMG
22. Nguyen Phu Giang
23. Parametric
24. PwC
25. Quit Nukes
26. Reem Tanta
27. Rights CoLab
28. Society for Corporate Governance
29. Tobacco Free Portfolios
30. Verizon

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Changes Made Pre-Public Comment Period



No substantial changes to the five sustainability dimensions

Dimension	2020 Definition
Environment	“Direct environmental impacts that are linked to a company’s ability to create value over time and are a result of activities which include natural resource extraction, land cultivation”
Social Capital	“This dimension addresses a company’s impact on external stakeholders and the management of those stakeholder relationships, including a company’s license to operate.”
Human Capital	“This dimension addresses issues that affect a company’s workforce, which is often a key resource to delivering long-term value.”
Business Model & Innovation	“This dimension addresses the integration of environmental, human, and social issues in a company’s value-creation process. This includes business model resilience and the manner in which a company integrates sustainability considerations into the development, production, and sales of products or services.”
Leadership & Governance	“This dimension involves the governance and management of key industry issues that may create conflicts with the interests of broader stakeholder groups, and therefore may lead to liabilities or impacts on a license to operate.”

Designed to improve clarity—but not fundamentally alter—the objectives of the SASB Standards

Dimension	2020 Definition
Financially material	“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 short-, medium-, and long-term financial performance and enterprise value.”
Decision-useful	“The SASB Standards are primarily intended to facilitate the decision making of investors, lenders, and other creditors, who make investment decisions based on their assessments of a company’s financial performance and potential for value creation – not only in the near term, but also over longer horizons.”
Cost-effective	“The Standards Board aims to establish standards for which the benefits resulting from the use of the Standards justify the costs of implementation of the Standards.”

* Investment decisions include decisions relating to stewardship and proxy voting. Any investment-related decision that is made on the basis of assessments of financial performance and enterprise value is included in SASB’s definition of financial materiality.



Some Key Differences

2017 draft definition:

“Information is material if there is ‘a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available*.’”

*This definition is established under U.S. Securities Law

Revised definition:

“For the purpose of SASB’s standard-setting process, 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 short-, medium-, and long-term financial performance and enterprise value. ”

* Investment decisions include decisions relating to stewardship and proxy voting. Any investment-related decision that is made on the basis of assessments of financial performance and enterprise value is included in SASB’s definition of financial materiality.

Minor changes to the topic characteristics between 2017 & 2020

2017

- Potential to affect corporate value
- Of interest to investors
- Relevant across an industry
- Actionable by companies
- Reflective of stakeholder (investor and issuer) consensus

2020

- **Financially impactful**
- **Of interest to users**
- Prevalent
- Actionable

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Minor changes to the metric characteristics between 2017 & 2020

2017

- Fair representation
- Complete
- Comparable
- Verifiable
- Aligned
- Neutral
- Distributive
- Applicable
- Useful

2020

- **Representationally faithful**
- **Complete**
- Comparable
- Verifiable
- Aligned
- Neutral
- Understandable
- Topic characteristic: Prevalent
- Topic characteristic: Actionable; All 2020 metric characteristics

Break

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Infrastructure Sector Research Priorities

Will Meister
Analyst, Infrastructure Sector Lead

February 26 2021 Standards Board Meeting



Session Objectives

Discuss three early-stage research opportunities in the Infrastructure sector



Inform the Board

Understand the Board's preliminary interest and questions



Not seeking a project decision

Not seeking a prioritization decision

Session Agenda

- 1** Renewable energy policies in electric utilities
- 2** Incorporation of end-use efficiency into business models of utilities
- 3** Healthy buildings in real estate
- 4** Recap & Next steps

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Research & Market Inputs



Market feedback



Review literature



Analysis of SASB disclosures

Research & Consultation

1 Renewable Energy Policies in Electric Utilities

Internationalization

IF-EU-110a.4. (1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market

RPS is a policy mechanism to increase energy production from renewable sources.

Concerns with current standard

Global applicability of RPS

GHG Emissions & Energy Resource Planning disclosure topic may not contain a complete set of metrics

Renewable Energy Policies in Electric Utilities

Internationalization

Potential project scope

Investigate different renewable energy policy mechanisms and determine how to improve completeness of the metrics

Advantages

Improves global applicability

Renewable energy policies are prevalent

May be more feasible and demand fewer resources

Drawbacks

Narrower scope may overlook more fundamental concerns with the Standard

May require periodic projects as renewable energy policies change

Discussion Topics

- What are Board members' views on the research collected to date?
- What concerns, if any, do Board members have on pursuing this early-stage research opportunity, especially considering the potential scope?
- How should staff focus research and consultation going forward to support a possible future project decision on this research opportunity?

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2 Incorporation of End-Use Efficiency into Business Models of Utilities

Internationalization

- **IF-EU-420a.1.** Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)
- **IF-GU-420a.1.** Percentage of gas utility revenues from rate structures that (1) are decoupled or (2) contain a lost revenue adjustment mechanism (LRAM)
- **IF-WU-420a.1.** Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience.

Decoupling is a form of alternative rate design that “decouples” utility revenues from customer consumption.

Concerns with current standard

Global applicability of decoupling

End-Use Efficiency disclosure topic may not contain a complete set of metrics

Incorporation of End-Use Efficiency into Business Models of Utilities

Internationalization

Potential project scope	
Investigate different approaches implemented globally to incorporate end-use efficiency into utilities' business models and determine how to improve completeness of the metrics	
Advantages	Drawbacks
Improves global applicability	Narrower scope may overlook more fundamental concerns with the Standard
Broader focus is likely more prevalent than decoupling	Likely a broader undertaking that could impact feasibility and capacity
May be more feasible and demand fewer resources	

Discussion Topics

- What are Board members' views on the research collected to date?
- What concerns, if any, do Board members have on pursuing this early-stage research opportunity, especially considering the potential scope?
- How should staff focus research and consultation going forward to support a possible future project decision on this research opportunity?

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Growing body of evidence suggests further research on this emerging issue may be warranted

A healthy building is defined by the World Health Organization (WHO) as “a space that supports the physical, psychological, and social health and well-being of people.”

Concerns with current standard

Market feedback and research on the significance and relevance of this topic

The qualitative disclosure reference in metric IF-RE-410a.3 may not capture the breadth of this topic

IF-RE-410a.3. *Discussion of approach to measuring, incentivizing, and improving sustainability impacts of tenants*

Healthy Buildings in Real Estate

Emerging issue

Further research areas

Understand sustainability impacts

Understand drivers of financial impact

Understand user interest

Understand relevant industry certifications and regulations

Discussion Topics

- What are Board members' views on the research collected to date?
- What concerns, if any, do Board members have on pursuing this early-stage research opportunity, especially considering the current state of research?
- How should staff focus research and consultation going forward to support a possible future project decision on this research opportunity?

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4 Recap

- Renewable energy policies in electric utilities
- Incorporation of end-use efficiency into business models of utilities
- Healthy buildings in real estate

When considering the set of research opportunities discussed today, do Board members have strong views on the prioritization of these opportunities?

Next Steps

- 1** Incorporate Board's feedback and guidance into future research and consultation
- 2** Continue to research and consult on these opportunities to assess appropriateness of developing a future project proposal while continuing to weigh prioritization against the overall set of opportunities in the sector

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Contact Information

If you have any information you would like to share on these opportunities, you are encouraged to contact staff.



<https://www.sasb.org/standards/feedback/>



Will Meister

Analyst, Sector Lead – Infrastructure
william.meister@sasb.org



Concluding Remarks

Jeff Hales
Chair of the SASB Standards Board

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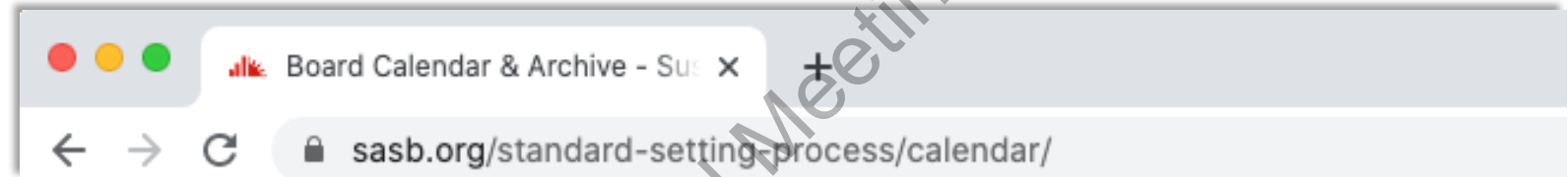


2021 Standards Board Meetings*

May 4th & 5th

July 7th & 8th

**September 30th &
October 1st**



[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.

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



Accounting for a Sustainable Future

February 26-27, 2017 Standards Board Meeting