



Sustainability Accounting Standards Board

Standards Board Meeting

Wednesday, May 5, 2021

May 5 2021 Standards Board Meeting



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The University of Texas at Austin

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Former CFO, UPS

Lloyd Kurtz, CFA

Senior Portfolio Manager,
Head of Social Impact Investing,
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Director and Senior Corporate Counsel, Securities and Corporate Governance
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Mark Vaessen

Partner, Head of Department of Professional Practice, KPMG

Topics for Today's Meeting

- 1 **Standard-setting agenda overview and other updates**
- 2 **Tailings Management in Extractives**
- 3 **Human Capital**
- 4 **Supply Chain Management in the Tobacco Industry**
- 5 **Alternative Meat & Dairy**

Meeting Overview

Time (PT)	Agenda Item	Session Leader	Session Objective
8:00am	Welcome, Overview & Project Updates	Jeff Hales, David Parham	Meeting overview and review of standard-setting agenda.
9:00am	Tailings Management in Extractives	Ekaterina Hardin	Staff to provide a summary of the public comment letters received as part of the Tailings Management in Extractives exposure draft.
	Human Capital	Kelli Okuji Wilson	Staff to present results of consultation and preliminary recommendations for the Human Capital research project pipeline. Staff to solicit Board input on its recommended approach as well as alternatives.
10:45am	Supply Chain Management in the Tobacco Industry	Lynn Xia	Staff to provide a summary of consultation and research findings on the Tobacco Supply Chain Management research project. Staff to share recommendations for path forward and to solicit Board input on next steps.
	Alternative Meat & Dairy	Devon Bonney	Staff to seek a Board decision on its recommendation to add a new project the standard-setting agenda that addresses Alternative Meat & Dairy within the Meat, Poultry & Dairy industry and the Food Retailers & Distributors industry.
12:15pm	Concluding Remarks	Jeff Hales, Bryan Esterly	Concluding remarks and review upcoming meetings of the Standards Board.
12:30pm	Adjourn Meeting		

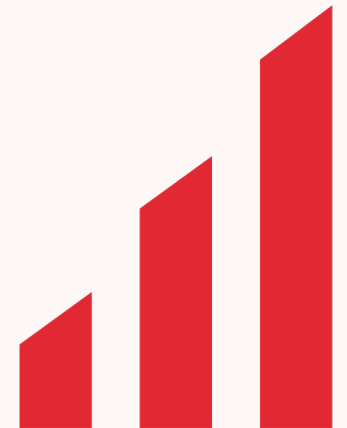


Standard-Setting Agenda Overview

David Parham

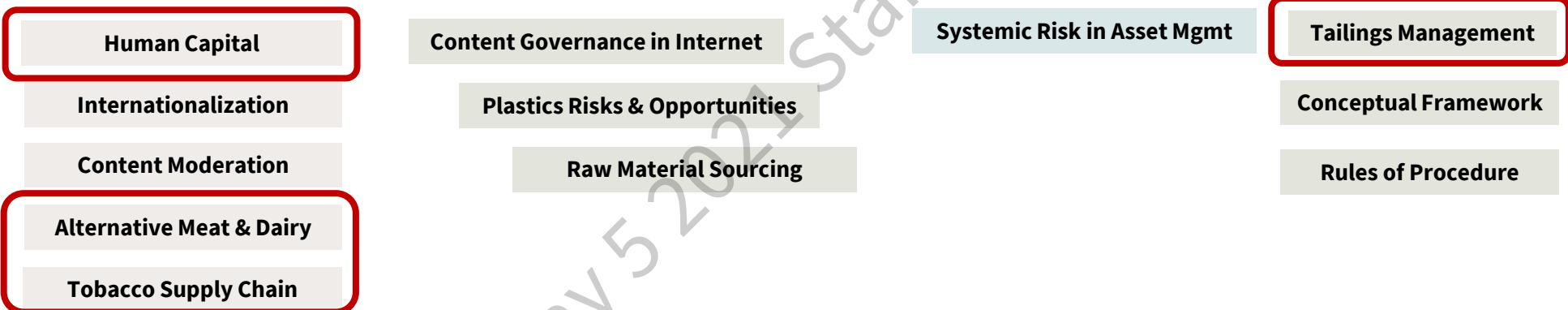
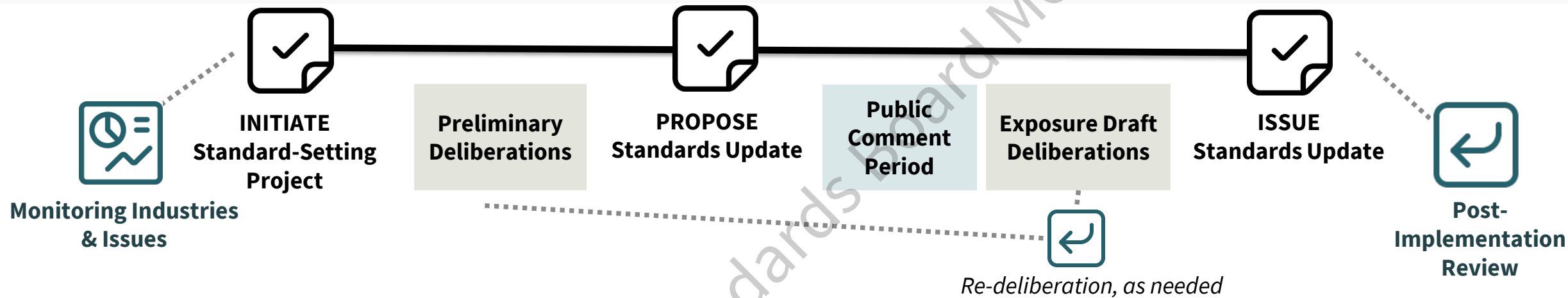
Director of Research - Projects

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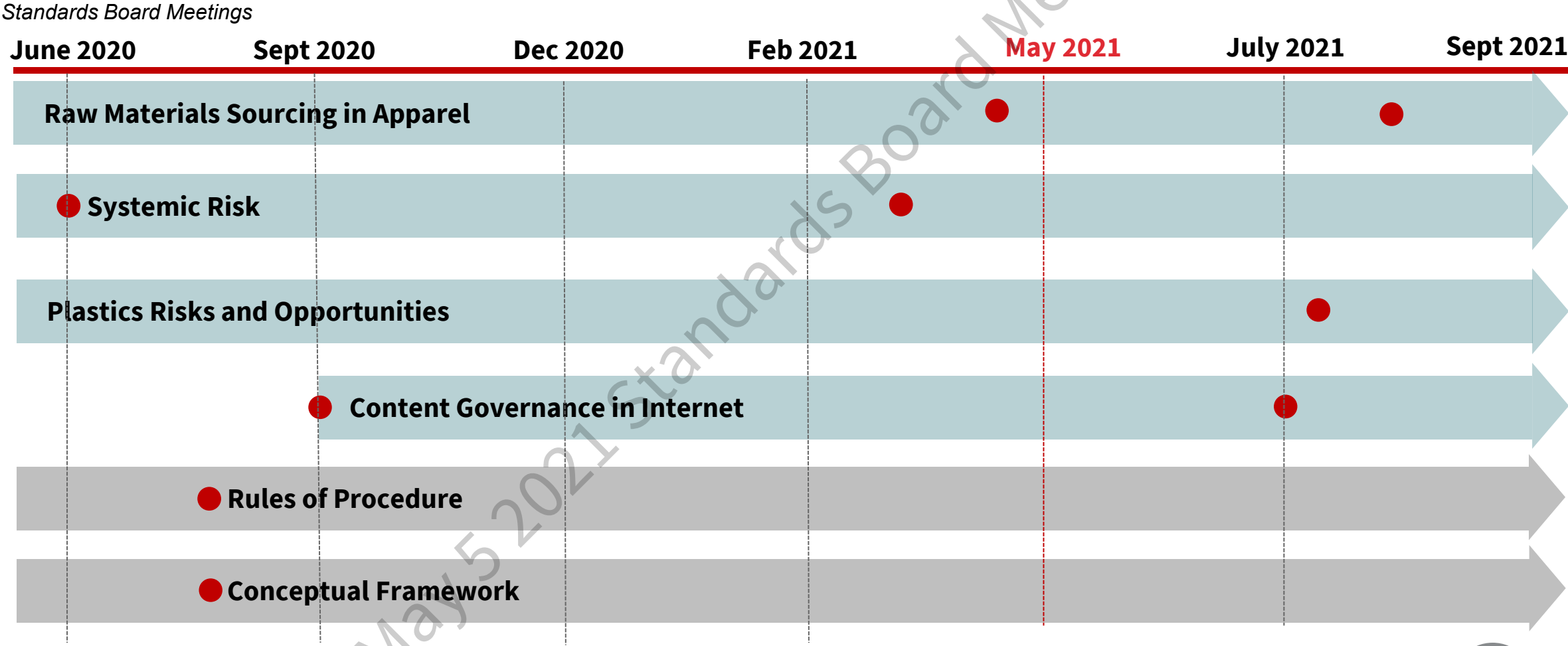
Project Pipeline Overview

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



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



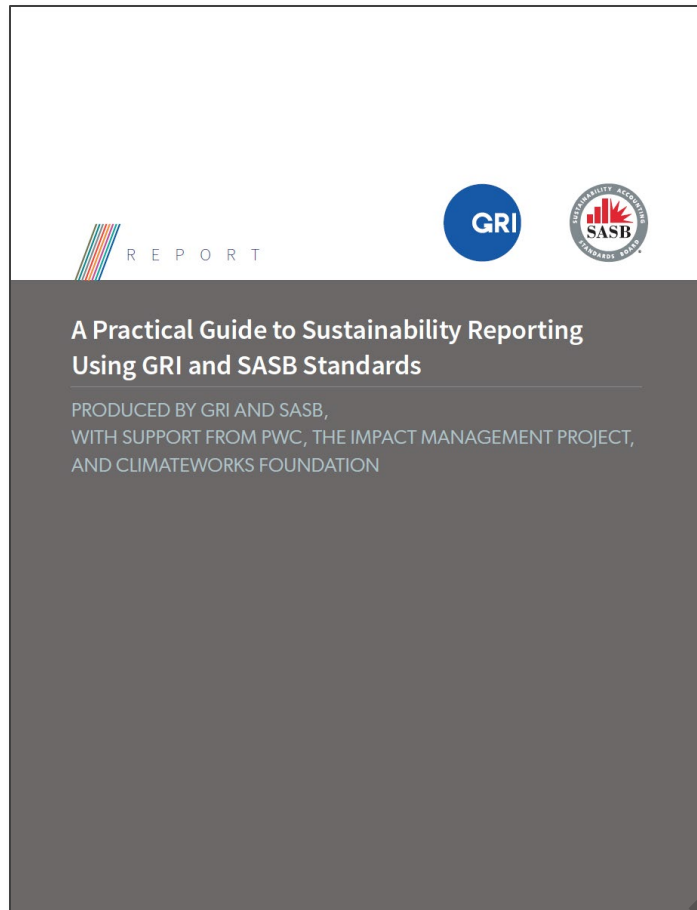
- IIRC and SASB announced intention to merge in November 2020, working together under the Value Reporting Foundation
 - Response to global market demands for convergence among corporate reporting standard-setters
 - <IR> Framework and SASB Standards provide complementary tools for investor-focused communications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

- Recently held several webinars providing updates on the VRF
 - Working to officially launch the Value Reporting Foundation in Q2-3 2021
 - Noted ongoing work to create guidance on how the <IR> Framework and SASB Standards can be used together, as well as ongoing support of global efforts to create a comprehensive corporate reporting system



GRI and SASB Publish Practical Guide to Sustainability Reporting

Illustrates how the GRI and SASB Standards can be used in a complementary fashion

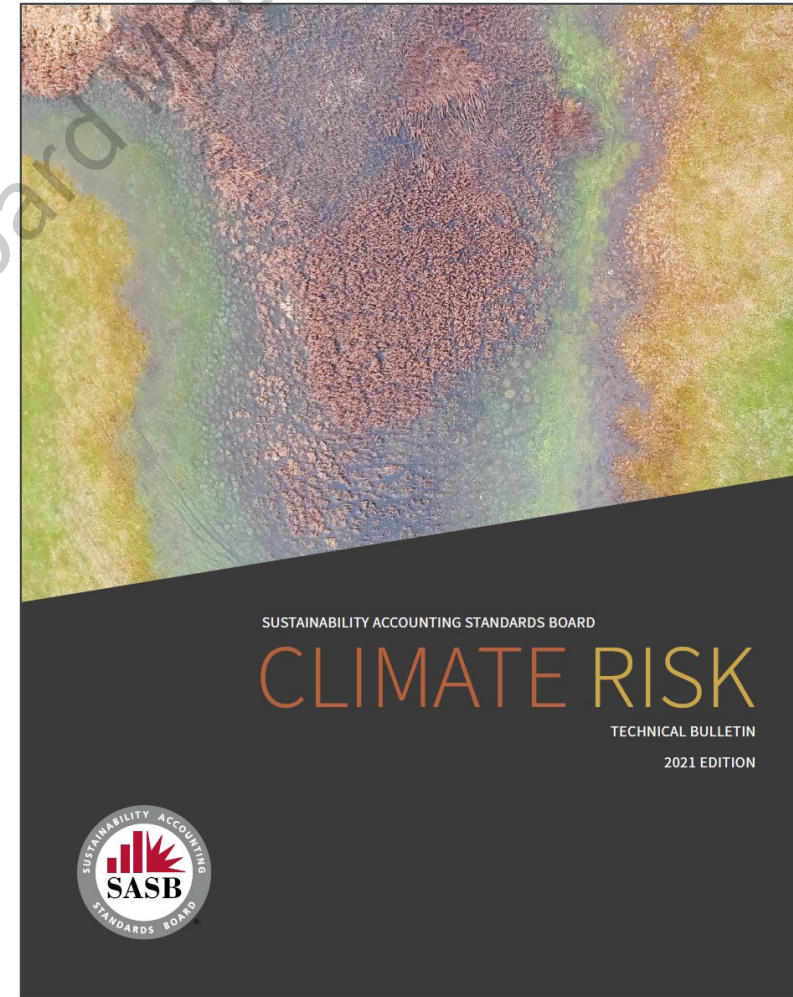


- Features perspectives from the market, building on a survey and detailed interviews with four companies
- Contains three primary elements:
 - Each set of standards **complement rather than substitute the other**, with GRI supporting broad and comprehensive disclosures on organizational impacts and SASB focusing on a subset of financially material issues
 - Using the GRI and SASB Standards together can offer a **holistic picture of corporate performance**, bringing sustainability and financial information more closely together
 - Reporting with GRI and SASB can **meet the needs of a broad range of stakeholders** with expanded disclosure to increase user engagement
 - Taken together, GRI and SASB Standards offer a company a **practical approach to reflect on and disclose** their material issues and impacts

SASB Publishes updated Climate Risk Technical Bulletin

Illustrates how the GRI and SASB Standards can be used in a complementary fashion

- Update to 2016 publication, showing how climate risks and opportunities manifest in industry-specific ways across the SASB standards
- Key findings include:
 - Climate risk is nearly ubiquitous across industries
 - Climate risk is differentiated and requires industry-specific disclosure
 - Climate risk is inadequately disclosed
 - SASB Standards and the TCFD Recommendations are complementary and mutually reinforcing



Update on the work of the IFRS Foundation Trustees

IFRS Foundation Trustees announce working group on March 22



- Working group to accelerate **convergence in global sustainability reporting standards focused on enterprise value creation** and undertake technical preparation for a potential international sustainability reporting standards board under the governance of the IFRS Foundation
- Working group chaired by the IFRS foundation. IOSCO to participate in the group as an observer.
- Working group provides a forum for structured engagement with initiatives focused on enterprise value creation, including **TCFD, Value Reporting Foundation, Climate Disclosure Standards Board, and the World Economic Forum.**

Structured Reporting Using XBRL

SASB Advances Structured ESG Disclosure Via Issuing SASB XBRL Taxonomy for Public Comment

- SASB plans to fully support XBRL to make digital reporting easy for issuers and data aggregation & analytics easy for investors. SASB has been proactive in developing an XBRL version of our taxonomy.
- In 2020, SASB announced our engagement with PwC to support in the development of a SASB XBRL taxonomy. As a result of this engagement, the initial draft version of the SASB XBRL taxonomy is now complete.
- SASB has submitted the draft taxonomy to the XBRL US Domain Steering Committee for formal review and approval. The review is now complete.
- A public comment period on the draft taxonomy was opened on March 3rd, 2020, and concluded on May 3rd, 2021.

<https://www.sasb.org/structured-reporting-xbrl/>



Tailings Management in Extractives - Public Comment Period Summary and Discussion

Ekaterina Hardin

Analyst, Sector Lead – Extractives & Minerals Processing

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Session Agenda

- 1 Public Comment Summary
- 2 Discussion Topic #1 : Alignment with the GISTM
- 3 Discussion Topic #2: Definitions of Material Findings and Significant Incident
- 4 Next Steps

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Tailings Management In Extractives: Project Overview

Objective

- Reframe topic associated with tailings to more fully address emerging investor interest
- Revise metrics to address 1) management of tailings storage facilities and 2) social impacts of mismanagement
- Improve global applicability of metrics



Project Background

Catastrophic tailings storage facility failures in 2014 (Canada), 2015 (Brazil), and 2019 (Brazil) confirmed the materiality of the topic but revealed incompleteness of its metrics. The Investor Mining & Tailings Safety Initiative, formed in 2019, Global Tailings Review and UNEO developed Global Industry Standard on Tailings Managed.

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



Project Outcomes

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

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

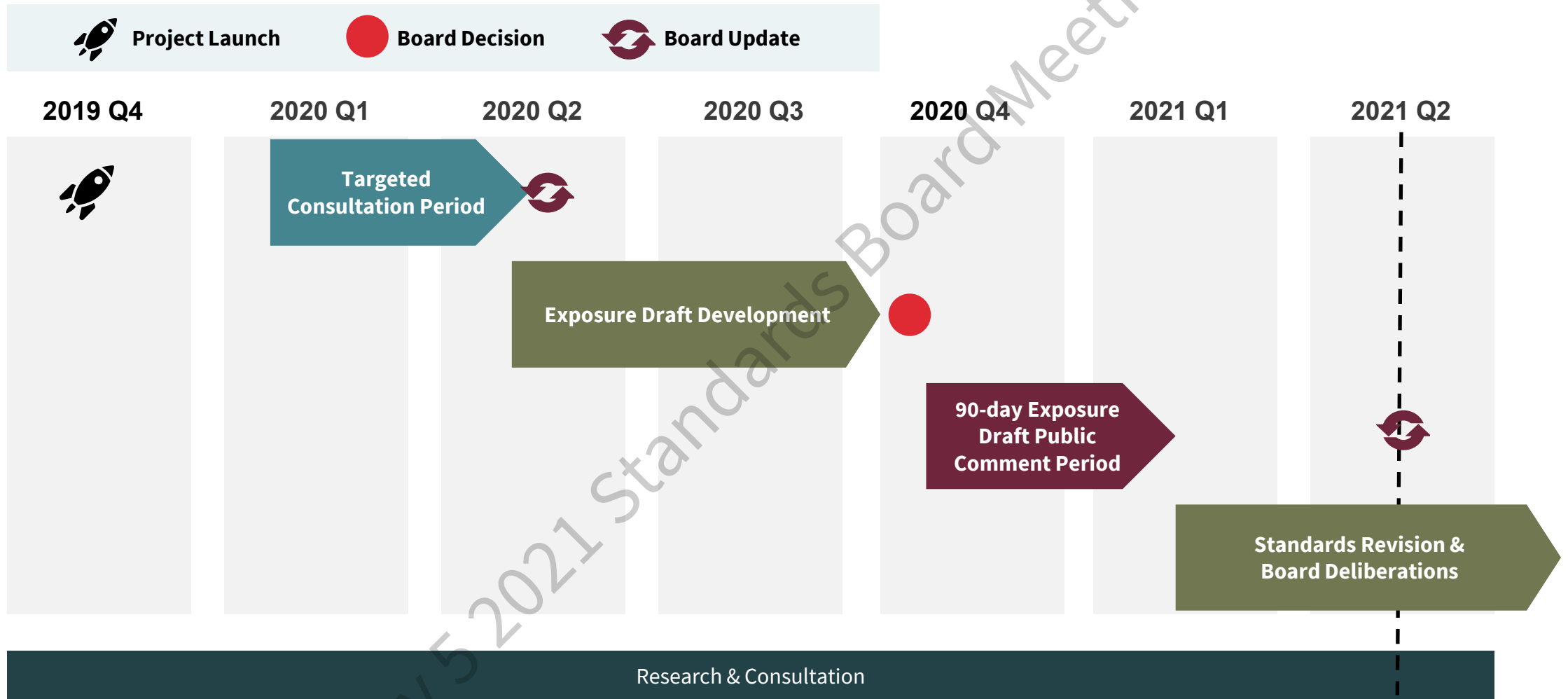
Revise metrics to improve global applicability

Project Lead: ekaterina.hardin@sasb.org

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

Project Timeline

Target project completion: TBD

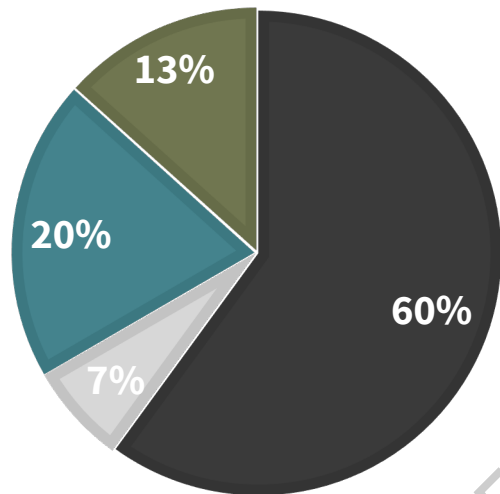


Strong Market Participation in the Public Comment Period

PCP dates were December 17, 2020 - March 17, 2021

15 Comment Letters

■ Companies ■ Industry association
■ Investors ■ SMEs



Highlights

- Strong support for the **new disclosure topic**
- Mostly strong support for alignment with the Global Industry Standard on Tailings Management (**GISTM**), with some diverging views
- Strong support for the **tailings inventory table format**, with diverse views on what should go into it

Strong Support for the Proposed Tailings Storage Facilities Management Topic

RISKS	Current Standard	New Standard	
Waste Generation & Disposal	Waste & Hazardous Materials Management	Waste & Hazardous Materials Management	Focus on long term environmental chemical impacts
Environmental contamination			
Tailings storage facilities		Tailings Storage Facilities Management	Focus on management of TSFs, safety of operations and prevention of physical catastrophes
Tailings storage facilities Management			
Failure of tailings storage facilities			
Lack of appropriate failure preparedness and response plans			

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Respondents supported a table format of disclosure, but had divergent views on what should be included

Do you agree that presenting tailings storage facilities inventory in a table format would be more useful than disclosure that is aggregated at the company level?

Do you agree that company disclosure preparation costs for the table would not be significantly greater than the alternative?

Facility name	Location	Ownership Status	Construction Year	Operational Status	DFCC level	Year of Most recent TFCPR	Material Findings	Mitigation Measures	EPRP
Facility A							yes/no	yes/no or N/A	yes/no
Facility B									
Facility C									
.....									
.....									
Facility N									
Facility N+1									

DFCC – Dam Failure Consequence Classification
 TFCPR – Tailings Facility Construction and Performance Review



Usefulness of Discussion & Analysis metrics was questioned

TSFs inventory table	Quantitative	N/A
Description of management systems and governance structure used to monitor and maintain safety of tailings facilities	Discussion and Analysis	N/A
Summary of the Emergency Preparedness and Response Plan (EPRP) for tailings facilities	Discussion and Analysis	N/A

“interpretation could range from reasonable, summary level detail to too much detail that is not appropriate for disclosure”

Divergent views on usefulness of non-mineral waste metrics

Do you agree that a disclosure capturing all hazardous waste incidents is more useful than one focusing only on hazardous raw materials or one that requires separate disclosure of incidents involving hazardous raw materials versus other hazardous wastes?

Total weight of non-mineral waste generated	Quantitative	Metric tons
Total weight of tailings produced		
Total weight of waste rock generated		
Total weight of hazardous waste generated		
Total weight of hazardous waste that is recycled		
Number of significant incidents associated with hazardous materials and waste management *	Quantitative	Number
Description of waste and hazardous material management policies and practices for active and inactive operations *	Discussion and Analysis	n/a

“Non-mineral waste is not material in this sector in comparison with mineral waste. The disclosure should therefore focus on mineral waste only” – a company

“Biodiversity and ecosystems-related risks have emerged as very important to manage for the metals and mining sector.” - a lender

No comments from coal companies, limited comments on coal from investors

Do you support the proposed changes to the Metals & Mining and Coal Operations Standards?

**Do you agree with the Board's decision to retain the Waste Management disclosure topic in the Coal Operations Standard?
Should any of the corresponding metrics be excluded?**

Discussion Topic: appropriate level of alignment with the GISTM

Should SASB consider changing its level of alignment with the GISTM based on the comments received?

Pros of the current approach

- Investor-oriented approach that omits several areas in order to produce more **concise disclosures** than under GISTM, which is principles-based and likely to be quite voluminous
- Alignment with key definitions ensures **cost-effectiveness** for companies where appropriate

Cons of the current approach

- May create the impression of **duplicative efforts**
- Not everyone is supportive of **GISTM**

“EM-MM-540a.2(1)’s requirement for “description of tailings management systems.” As written, this requirement is only partially aligned with the GISTM: it expressly references only two of the GISTM’s definitions (“tailings management system” and “tailings facilities”) and five of the GISTM principles 3 of 3 (Principles 7-11) in discussing alignment for purposes of disclosure. Further, it makes no reference to the GISTM’s own disclosure requirement, Requirement 15.1 (although such reference is made elsewhere in the document)” – Freeport

Discussion Topic: Definitions of “material findings” and “significant incidents”

Should SASB reconsider defining “material finding” and/or “significant incident” based on the comments received?

Pros

- Alignment with **GISTM** and providing companies an opportunity to own their data and story

Cons

- Current approach leaves a lot of room for interpretation and could potentially create non-comparable disclosure, verifiability challenges

*“One option would be for SASB to align the definition of “material findings” in the inventory table, and “significant incidents” to the language used in the Alberta Water Act and Regulation, Part 6, Dam and Canal Safety: (a) “critical safety deficiency” means a hazardous condition that has the potential to lead to an imminent failure; (l) “safety deficiency” (except where preceded by “critical”) means a hazardous condition that has the potential to develop into a critical safety deficiency over time; The key words are “has the potential to lead to an imminent failure.” **Incidents (including movement) that do not have the potential to lead to an imminent failure should not be grouped in the same disclosure or assessment category as those which do have that potential.**” – Canadian Natural Resources*

*“The GISTM definition of “material” for “material finding” is incorporated by reference. **This definition allows the operator to define materiality, but there is significant ambiguity in how materiality would be interpreted by external stakeholders**” – Freemont*

Next Steps

- 1** Continued internal deliberations of conflicting points of feedback
 - Alignment with GISTM
 - Inventory Table
 - Other

- 2** External collaboration with the Investor Initiative on Mining and Tailings Safety
 - Project lead has been invited to participate in its Technical Advisory Group

Tailings Management in Extractives

Subscribe to project alerts for future updates



<https://www.sasb.org/standards/process/active-projects/tailings-management-in-extractives/>



Ekaterina Hardin

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Human Capital

Kelli Okuji Wilson

Analyst, Sector Lead - Health Care

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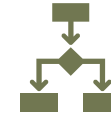


Session Objectives and Desired Outcomes



Session Objectives

- ✓ Review and discuss **staff views on the project tranches and prioritization of project tranches** to advance SASB's Human Capital research and standard-setting work

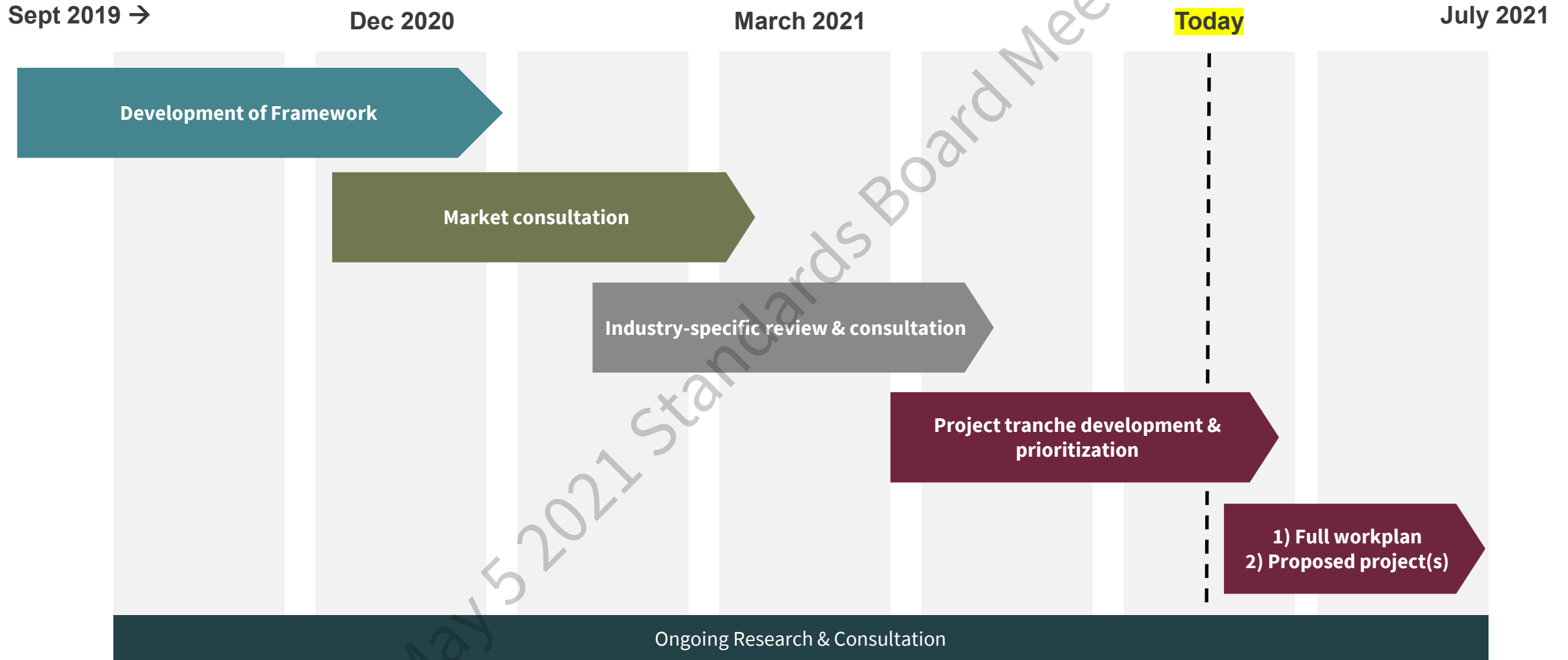


Session Desired Outcomes

- ✓ **Alignment with Board** on prioritization of project tranches

A Sequence of Structured Phases Has Led to Prioritized Project Tranches

The Human Capital research project was initiated in September 2019 and is moving towards proposed standard setting



Multiple Research & Consultation Approaches Have Informed Tranche Prioritization



Combination of top-down and bottom-up research and market input has informed **project tranches** and **prioritization** of tranches

Tranche 1a—One of Two Top Priorities—Centered on Diversity, Inclusion & Engagement

Priority	Tranche	Tranche Description	Rationale
1a	Workplace Culture	Addresses diversity, inclusion, and engagement	<ul style="list-style-type: none"> • Strong investor interest that indicates the broad financial relevance of the issue • Clear channels of financial impacts dependent on industry/business model • Clear, mission-aligned opportunities to improve the Standards to better account for the issue, including the consistency in which it is evaluated across the Standards

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Example: Workplace Culture

Diversity & inclusion linked to channels of financial impact through business model characteristics

Common Business Rationales for D&I Strategy Incorporation	Common Associated Channels of Financial Impact	Example Industries
<p>Cognitive diversity</p>	<p>Intangible assets – Companies that are driven by intellectual capital will benefit from diverse workforces through enhanced innovation, which translates into benefits to intangible assets (i.e. patents, trademarks, etc.)</p> <p>Revenues/market share – Improved cognitive diversity in the workforce creates more competitive products, which translates into increased revenues and market share</p>	<ul style="list-style-type: none"> • Semiconductors • Telecommunications • Biotechnology & Pharmaceuticals • Investment Banking & Brokerage
<p>Diverse customer base</p>	<p>Revenues/market share – Companies that have high customer interaction/interface and are seeking to gain market share by pursuing a more diverse customer base may require a more diverse workforce to reflect its customer base needs</p>	<ul style="list-style-type: none"> • Multiline and Specialty Retailers & Distributors • Healthcare Delivery
<p>Regulation & compliance</p>	<p>Liabilities and associated one-time expenses: Companies that have a historical precedence with discrimination and harassment may be impacted by litigation and/or regulatory compliance</p>	<ul style="list-style-type: none"> • Investment Banking & Brokerage

Tranche 1b Centers on Broadly Applicable, Fundamental Principles of Human Capital

Priority	Tranche	Tranche Description	Rationale
1b	Industry Agnostic Human Capital Information	<p>Evaluate range of possible solutions to broadly-applicable, fundamental human capital informational needs</p> <p>Outcomes may include: guidance, a technical bulletin, activity metric project, or a standard</p>	<ul style="list-style-type: none"> • Strong investor demand for broadly applicable, fundamental human capital information that is comparable across the market • Workstream centers on broadly applicable concepts, principles, or measurements where industry-specificity may not be necessary to maximize our decision-useful information objective • Fundamental workforce composition information may serve as a starting point but is likely insufficient on its own • This workstream does not alter the overall importance of industry-specificity in generating decision-useful information for investors—including how the Board and staff regularly evaluate tradeoffs between industry-specificity versus broad comparability throughout standard setting—rather, the workstream acknowledges the staff view that certain human capital concepts broadly apply across the market and may be best approached in an industry-agnostic manner



Tranche 2 Centers on Labor Conditions in the Supply Chain

Priority	Tranche	Tranche Description	Rationale
2	Labor Conditions in the Supply Chain	Addresses human rights in the supply chain (e.g., force/compulsory labor, child labor)	<ul style="list-style-type: none">• Targeted opportunities to improve the standards in some industries, as well as clear research opportunities to further develop the Staff's viewpoint on the financial materiality of the issue in others given:<ul style="list-style-type: none">○ Evidence of financial impact in specific industries○ Strong investor interest to expand this theme to applicable industries

Tranche 3 Centers on Workforce Investment

Priority	Tranche	Tranche Description	Rationale
3	Workforce Investment	Addresses on-the-job training/worker skills development and financial investment in workers (e.g. retirement savings, living wage, etc.)	<ul style="list-style-type: none">Evidence suggests that this theme is broadly financially relevant across industries, but additional industry-specific research required to account for different types of training and financial benefits for different types of workforcesStrong investor interest to account for this theme's business impacts to workforces

Tranche 4 Centers on Worker Wellbeing

Priority	Tranche	Tranche Description	Rationale
4	Worker Wellbeing	Addresses mental health, physical wellbeing, and associated health-related benefits	<ul style="list-style-type: none">Evidence suggests that this theme is broadly financially relevant across industries, but additional industry-specific research required to account for different types manifestations of mental/physical wellbeing issuesStrong investor interest to account for this theme's business impacts to workforces

Learnings From Alternative Workforce Apply to Other Tranches

Priority	Tranche	Tranche Description	Rationale
--	Alternative Workforce	Addresses contracted labor, temporary work, contingent work	<ul style="list-style-type: none"> • Evidence suggests that this theme is broadly financially relevant across industries, but market consultations and current analysis review indicates a few limited opportunities for future standard-setting activities • Therefore, more optimal to account for this theme by: <ul style="list-style-type: none"> ○ Incorporating some elements of alternative workforce theme through the Industry-Agnostic Human Capital Information workstream ○ Review specific business and sustainability impacts through other proposed work tranches

Staff View on Prioritization for Forward Workstreams

Priority	Theme Prioritization in Future Standard-Setting Activities
1	Workplace Culture
	Industry-Agnostic Human Capital Information
2	Labor Conditions in the Supply Chain
3	Workforce Investment
4	Worker Wellbeing
--	Alternative Workforce



Discussion Topics

Topic	Key Questions
Tranches & Prioritization	<ul style="list-style-type: none">• Does the Board agree with the grouping of the issues in each proposed tranche of work?• Does the Board agree with the overall proposed prioritization of these tranches of work?• Do you have any questions or concerns with the underlying rationale for the prioritization of these proposed work tranches?
Tranche 1	<ul style="list-style-type: none">• Does the Board agree with prioritizing diversity & inclusion (tranche 1a)?• As staff continues to develop a standard-setting project proposal on diversity & inclusion, does the Board have requests that it would like to see reflected in the project proposal?• What pros and/or cons does the Board see regarding staff advancing the workstream on Industry Agnostic Human Capital Information (tranche 1b)—noting that the outcome of this workstream, including direct implications for the Standards, is unknown at present?
Other	<ul style="list-style-type: none">• Do you have any other questions, comments, or concerns?

Next Steps: July 2021 Board Meeting

Presentation of Final Recommendations

Final project update and proposal of finalized set of recommendations on standard-setting resulting from Human Capital Research Project



<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 / Kelli@sasb.org

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We will return after a short break





Supply Chain Management in the Tobacco Industry

Lynn Xia
Associate Director

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Session Objective

1 Review findings from the research project

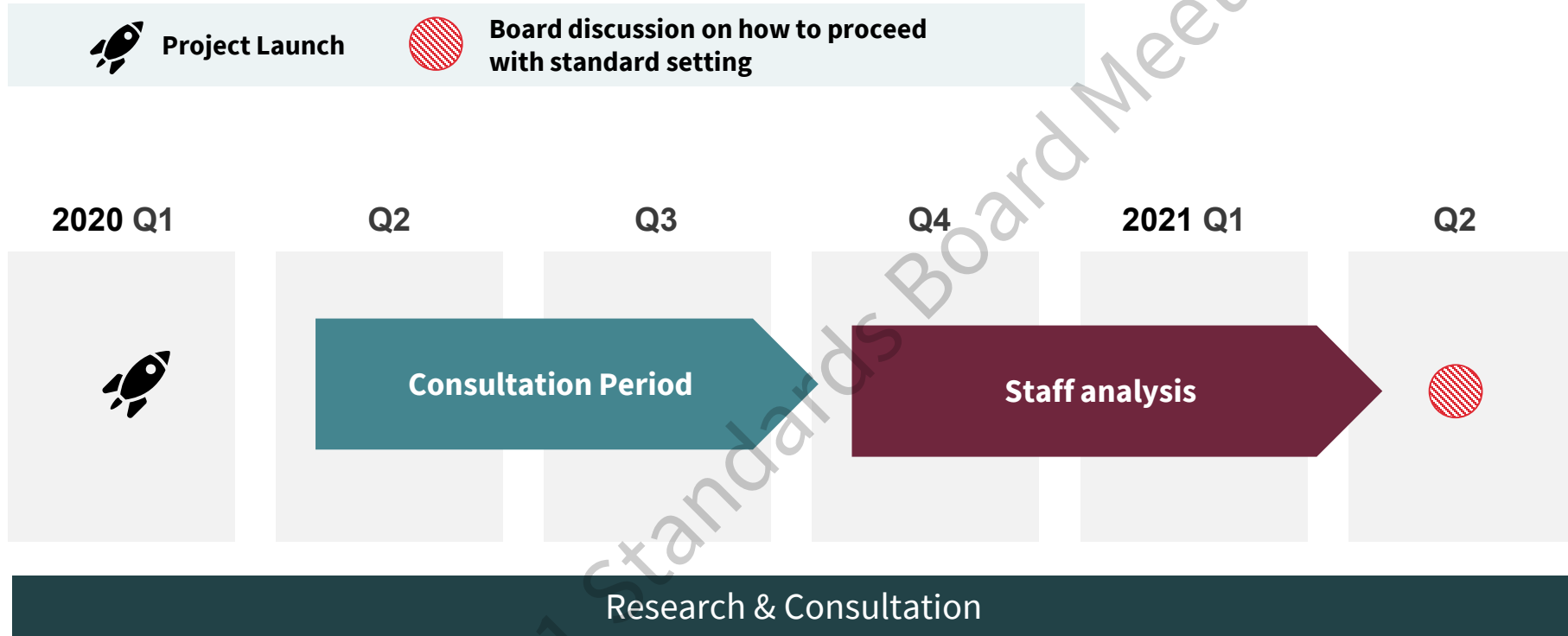
2 Discuss path forward for standard setting

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Research Project Objective

Evaluate whether supply chain management related ESG issues are likely to have **material impacts on the financial condition or operating performance** of companies in the tobacco industry

Project Timeline



Consultation Objectives



Corporate Consultation Objectives

Gain understanding of **financial materiality** and **management approach**

- How is supply chain managed and tracked?
- What are priority ESG issues related to supply chain?
- What are the related financial impacts?
- What are investor engagements on supply chain?
- Viewpoints on industry trends, consumer perception



Investor Consultation Objectives

Gain understanding of **financial materiality** and **investor interest**

- What are considered priority ESG issues for the tobacco industry?
- What types of information is used to assess supply chain related ESG issues?
- What types of engagement is done with companies?
- Viewpoints on industry trends, consumer perception

Profile of Consultation Participants



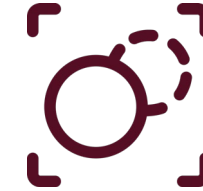
Corporate

- International Tobacco Manufacturers (5)
 - Sustainability
 - Agriculture/Leaf Supply Chain
 - Procurement
 - Investor Relations



Investors

- Equity analysts (3) – US & UK-based
- ESG analysts (2) – US & Japan-based



SMEs

- Human rights and public health focused NGOs

Industry Research

Company disclosures (financial, ESG/sustainability)

Academic studies

White papers / reports

Regulations

Litigations

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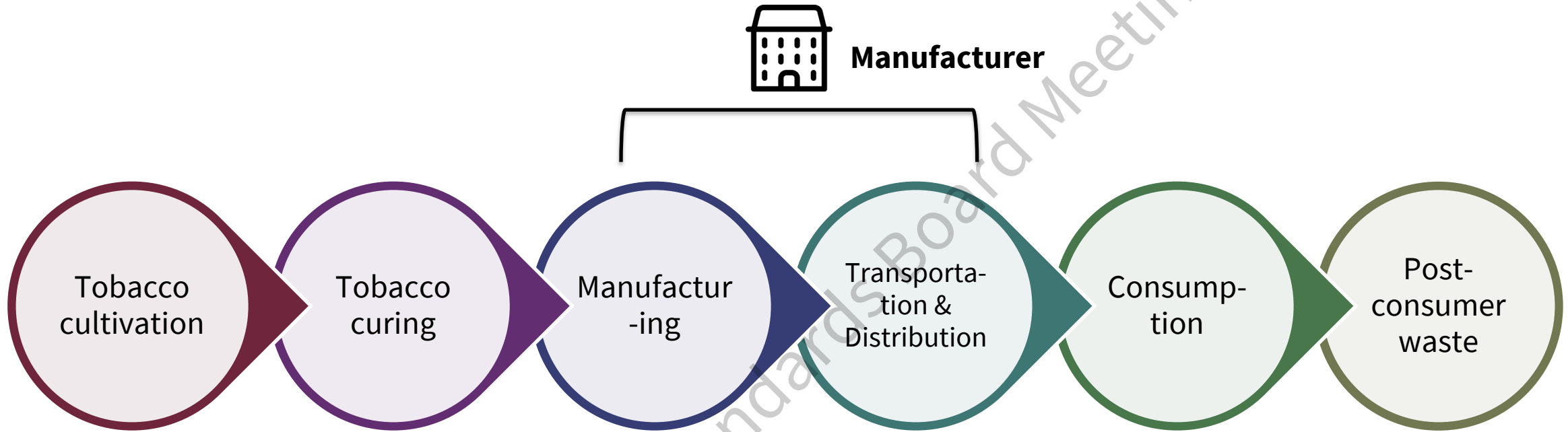
Key Finding from the Research Project

Evidence indicates **supply chain management is a likely material topic for the tobacco industry.**

However, investors:

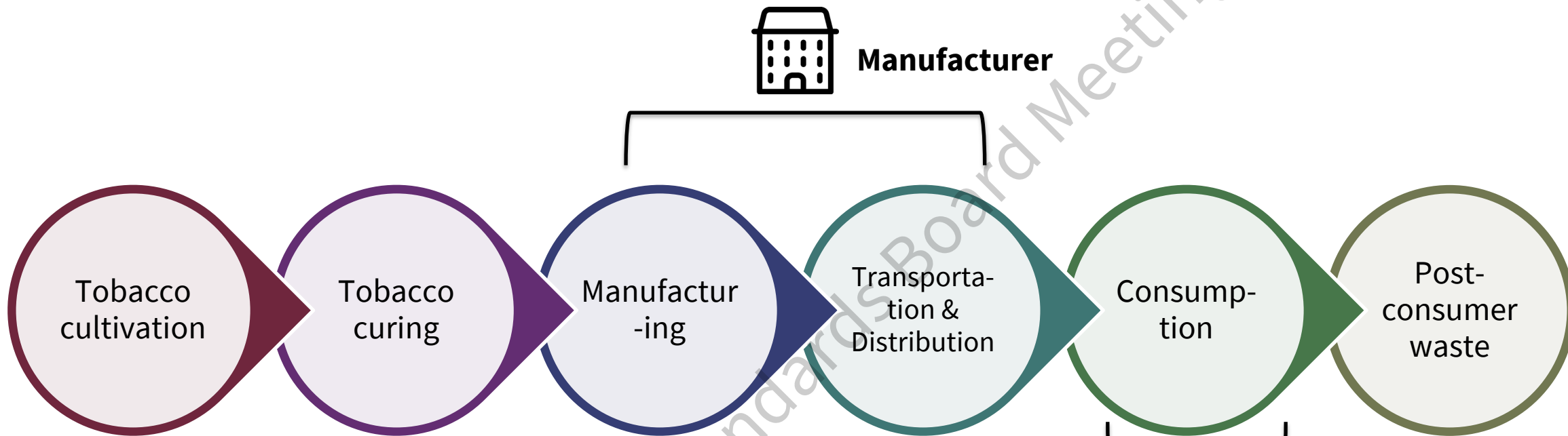
- Expressed relatively less interest in this topic compared to companies
- Prioritized the topic significantly less than public health related issues for the industry

Tobacco Manufacturers Focus on Production



Source: Life cycle stages adapted from “Tobacco and its environmental impact: an overview.” Geneva: World Health Organization; 2017. Figure 1.

Main Social Issue is on Consumption of Tobacco



Public Health
related
topics in
current SASB
standard

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

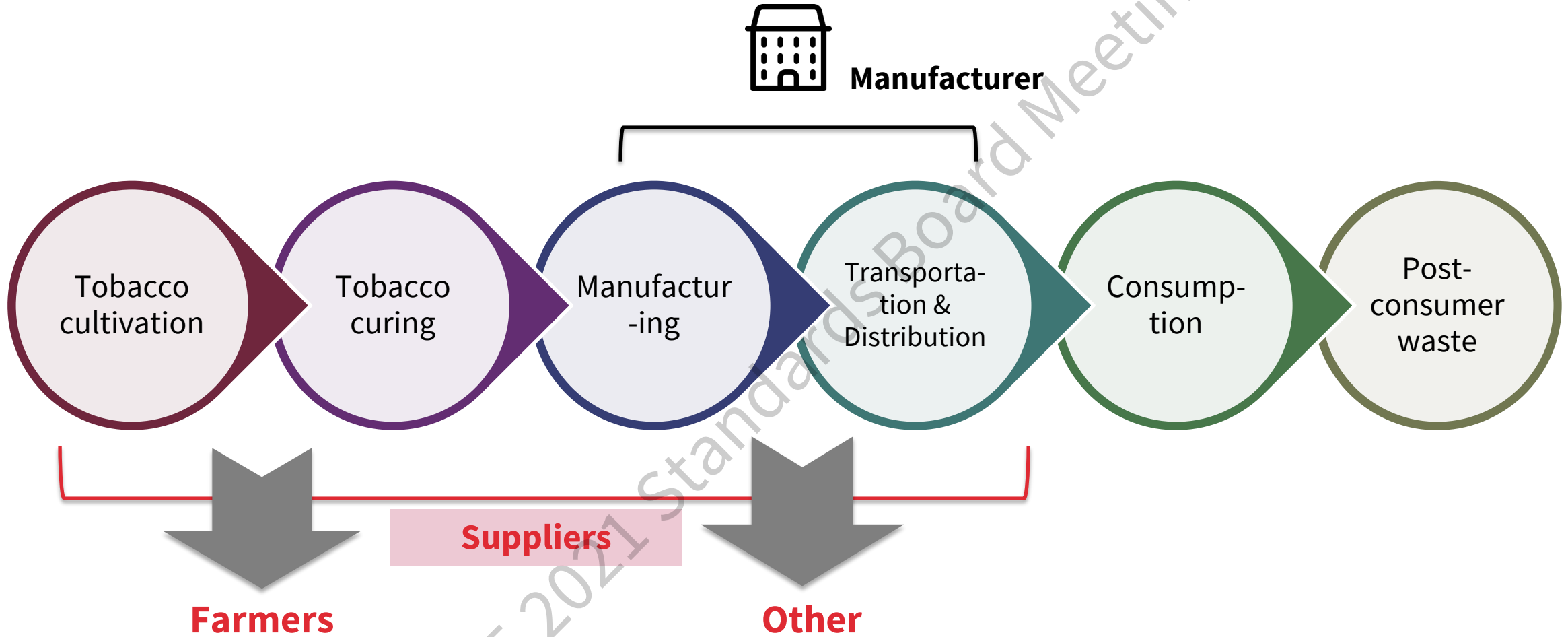
Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Public Health	(1) Gross revenue and (2) revenue net of excise taxes from (a) non-tobacco nicotine products and (b) heated tobacco products	Quantitative	Reporting currency	FB-TB-260a.1
	Discussion of the process to assess risks and opportunities associated with "tobacco harm reduction" products	Discussion and Analysis	n/a	FB-TB-260a.2
Marketing Practices	Total amount of monetary losses as a result of legal proceedings associated with marketing, labeling, and/or advertising practices	Quantitative	Reporting currency	FB-TB-270a.1
	Description of the company's marketing policy and relevant positions on Articles 11 and 13 of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC)	Discussion and Analysis	n/a	FB-TB-270a.2

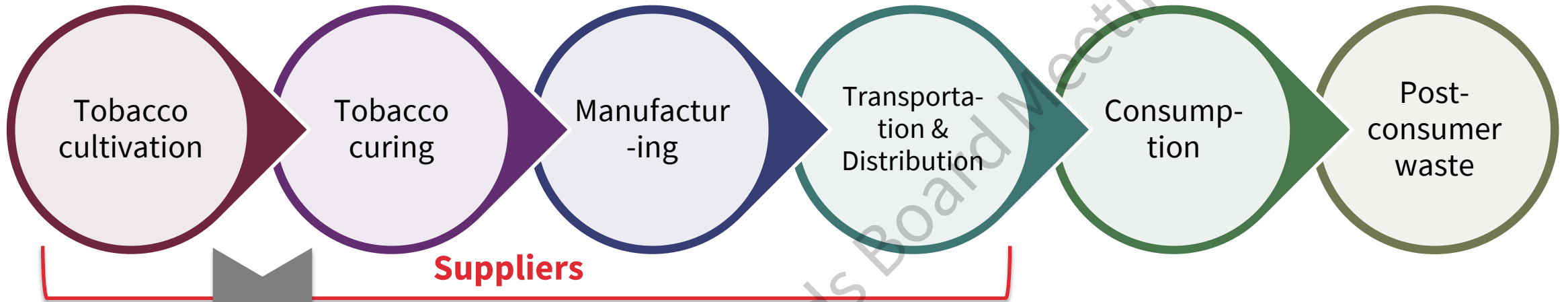
Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Combustible tobacco product sales volume: (1) cigarette, (2) cigar, and (3) other smoked tobacco products ¹	Quantitative	Number, Metric tons (t)	FB-TB-000.A
Non-combustible product sales volume: (1) traditional smokeless tobacco, (2) non-tobacco nicotine products, (3) heated tobacco products, and (4) nicotine replacement therapy products ²	Quantitative	Number	FB-TB-000.B

Tobacco Supply Chain is Broad



Historical Feedback Focused on Agricultural Activities



Farmers
(direct & third-party contracts with manufacturers)

1. **Land, ecological, and biodiversity impacts (E)** – monoculture cropland; agrochemical and pesticide usage
2. **Deforestation (E)**– land clearing for new farmland and timber to cure tobacco
3. **Forced and child labor (S)**
4. **Occupational hazards (S)** – pesticide exposure and nicotine handling
5. **Farmer livelihoods and transition to alternative crops (S)**

Manufacturer and Investor Views of Financial Impact Differ

	Manufacturers	Investors
Going Concern / License to Operate	Disruption to crop production or crop access = business operation disruption	Industry longevity is linked to public health related issues. Not strong emphasis by investors on supply chain.

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Manufacturer and Investor Views of Financial Impact Differ

	Manufacturers	Investors
Going Concern / License to Operate	Disruption to crop production or crop access = business operation disruption	Industry longevity is linked to public health related issues. Not strong emphasis by investors on supply chain.
Brand Reputation		
Litigation & Regulation		
Ingredient Sourcing		

Manufacturer and Investor Views of Financial Impact Differ

	Manufacturers	Investors
Going Concern / License to Operate	Disruption to crop production or crop access = business operation disruption	Industry longevity is linked to public health related issues. Not strong emphasis by investors on supply chain.
Brand Reputation	<p>Important to have specific crop characteristics to deliver consistent product = revenue</p> <p>This is <u>not</u> on how consumer brand perceptions and behaviors are impacted by SCM ESG issue decisions.</p>	General agreement on the importance of maintaining brand value for the industry and minimal impact on consumer behavior
Litigation & Regulation		
Ingredient Sourcing		

Manufacturer and Investor Views of Financial Impact Differ

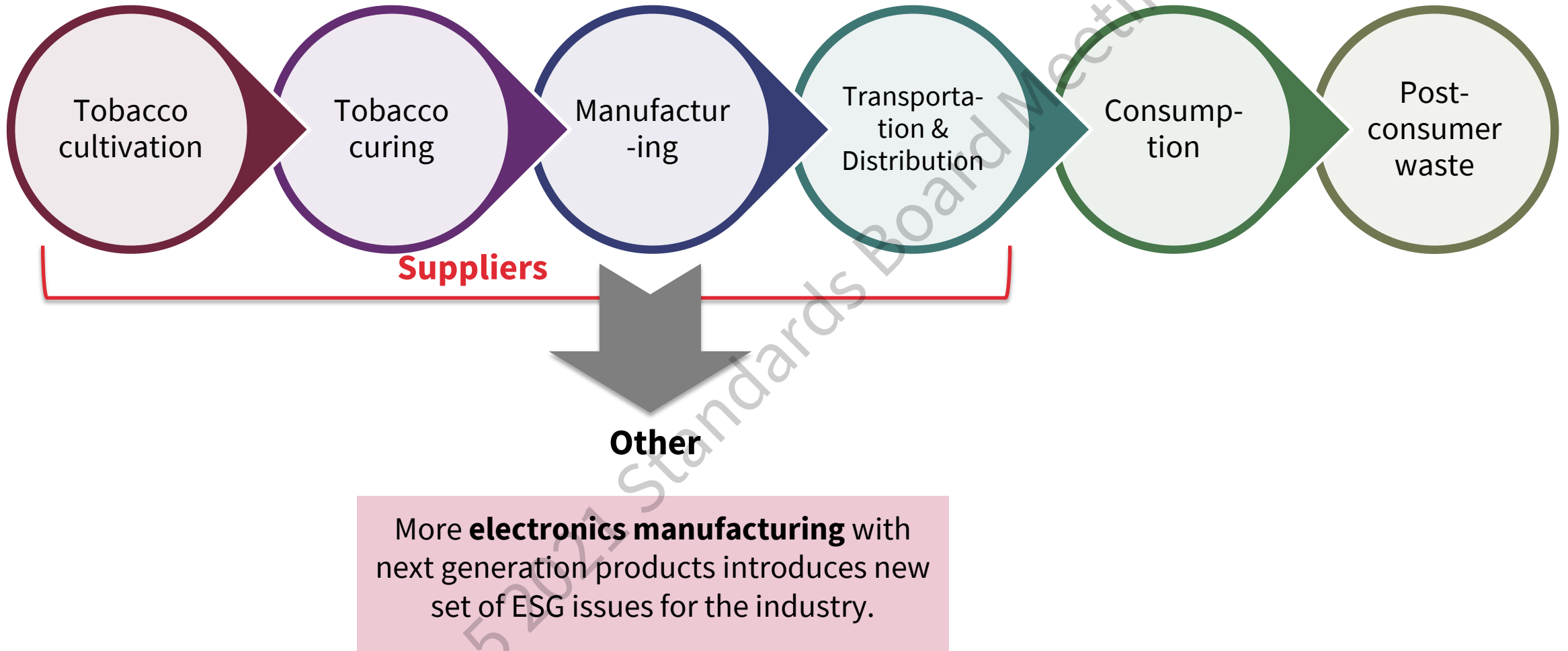
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Litigation & Regulation	Regional import/export activities may be impacted by litigation (short-term) and lead to regulations (long-term) = access to supply; cost	<p>Short-term = supply chain is diverse, and industry is likely resilient to disruptions</p> <p>Long-term = focus on public health related regulations</p>
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Ingredient Sourcing	Important to manage sourcing mix to plan for weather events, price volatility = access to supply; cost	Supply chain is diverse, and industry is likely resilient to short-term disruptions; anticipates minimal margin impact

Emerging ESG Issues in Tobacco Supply Chain



Staff Recommendation

- Evidence indicates supply chain management is a **likely material topic** for the tobacco industry and there is **potential for standard setting**.
- **Do not recommend to proceed to standard setting now. Consider broad, multi-industry supply chain management standard-setting project in the future.**

Rationale for Staff Recommendation

1. **Conflicting signals on investor interest and ability to serve market needs** through standard setting on this topic for the tobacco industry.

- Investor interest in topic varied.
- Companies are managing and disclosing on this material issue.

2. Looking at the supply chain management topic through a **tobacco industry-only lens may be too narrow and suboptimal.**

- ESG issues also apply to other industries with agricultural (and potential electronic) supply chains
- Broader regulatory developments on supply chain disclosure are ongoing.

3. Relative **prioritization** within SASB project portfolio

Board Discussion Question

Do you agree with the staff recommendation to apply the learnings from this research project to a broader supply chain management project across multiple industries in the future?

Areas of Consideration

1. Will standard setting serve current investor/market needs?
2. Is a tobacco industry only project scope too narrow?
3. How do you view this issue relative to prioritization within the SASB project portfolio?

Supply Chain Management in the Tobacco Industry



<https://www.sasb.org/standards/process/active-projects/supply-chain-management-in-the-tobacco-industry/>



Lynn Xia

Associate Director of Research

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May 5 2021 Standards Board Meeting



Alternative Meat & Dairy

Devon Bonney

Analyst, Sector Lead - Food & Beverage

May 5 2021 Standards Board Meeting



Session Objectives

- 1** Research Project Overview
- 2** Research Project Update
- 3** Standard-Setting Project Proposal

May 5 2021 Standards Board Meeting



Alternative Meat & Dairy Research Project Update

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



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

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)

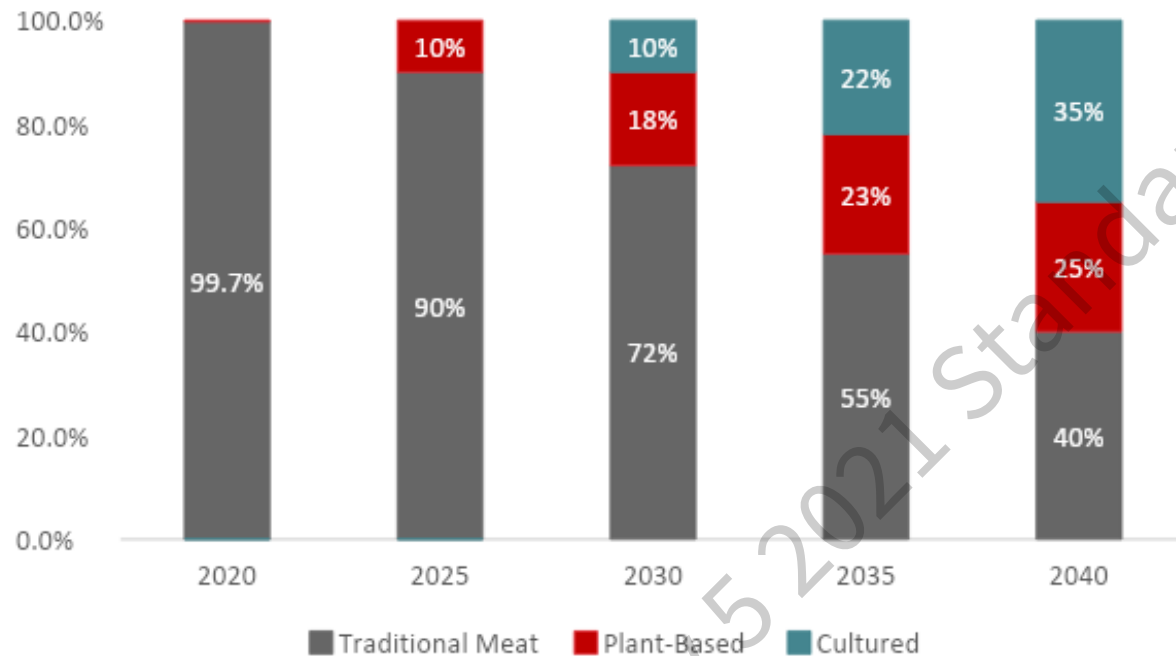
Project website: <https://www.sasb.org/standard-setting-process/active-projects/alternative-meat-and-dairy/>

Financial Impact

Markets are shifting and companies will have to diversify product portfolios to capture market share

Meat Market

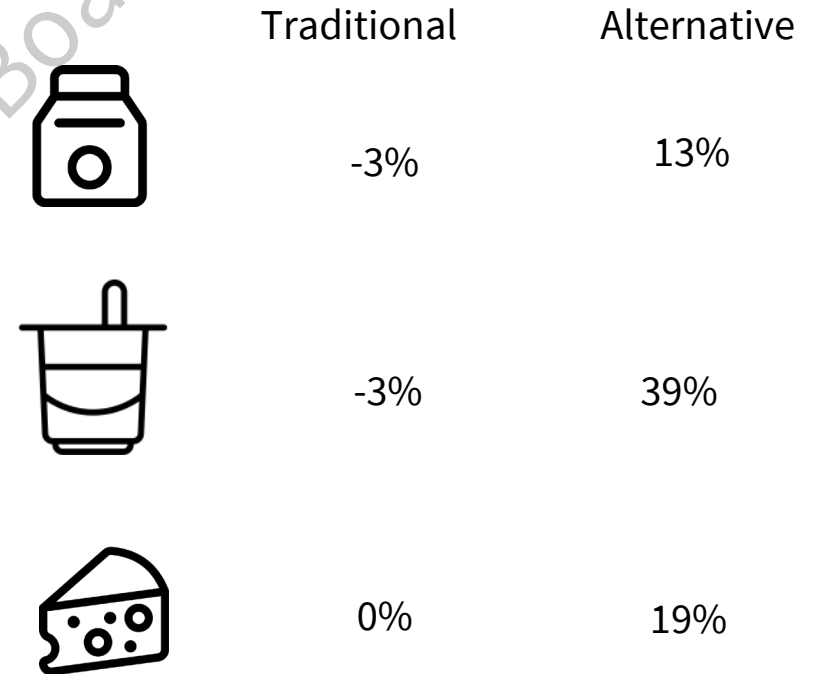
Percentage of Meat Market by Product Type



Sources: Businesswire. 2020. "Global Meat Industry Almanac 2020: Market Value and Volume 2015-2019 and Forecast to 2024." December 24. Accessed March 21, 2021. <https://www.businesswire.com/news/home/20201224005114/en/Global-Meat-Industry-Almanac-2020-Market-Value-and-Volume-2015-2019-and-Forecast-to-2024---> ResearchAndMarkets.com#:~:text=The%20global%20meat%20market%20had,14%2C449.3%20million%20kilograms%20in%202019 ATKearney. 2019. "How Will Cultured Meat and Meat Alternatives Disrupt the Agricultural and Food Industry?"

Dairy

Sales of Dairy Products 2018-2019



Source: Settembre, Jeanette. 2019. *People are willing to pay nearly twice as much for plant-based milk*. November 16. Accessed March 10, 2021.

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Alternative Products in Food & Beverage Standard-Setting Proposal



Alternative Products in Food & Beverage

Standard-Setting Project Proposal



Problem Statement

Alternative product innovation/strategies can help companies respond to consumer demand and manage the ESG impacts of product portfolios over the long term.

Alternative product innovation and strategies is not accounted for in the SASB standards.



Summary of Staff Recommendation

A standard-setting project to evaluate the inclusion of alternative product strategy within the Meat, Poultry, & Dairy Standard (MP) and the Food Retailers & Distributors (FR) Standard



Highlights of Recommendation

Scope of Project– Determine appropriate disclosure topics/metrics associated with alternative product strategy within Meat, Poultry & Dairy and Food Retailers & Distributors

Potential Outcomes – Addition of a new disclosure topic and/or revision of existing topics; addition of metrics

Preliminary Timeline – Target exposure draft in Q4 2021

Alternative Products & ESG Impacts

Investors & companies see alternative products as critical way to manage ESG Impacts

Inputs

1. Strong level of investor interest

Investors are concerned about ESG impacts and lack of diversification in portfolio's away from meat could be a significant risk moving forward

2. Corporate feedback

Companies are using alternative products to manage ESG impacts and meet consumer demand

3. Research

Research suggests the consumer demand for alternative products is here to stay and business models will have to adapt

Meat, Poultry & Dairy

Food Retailers & Distributors

Impacts managed by offering alternative products



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/>.

Proposed Project Supports Our Standard-Setting Agenda Priorities

Aligns with the climate priority, while furthering project portfolio diversification and forward-looking research



CLIMATE



INTERNATIONALIZATION

- 1. Advances SASB's priority on climate-related research and standard-setting.**
The proposed project addresses priority areas including direct emissions (MP), indirect or supply chain emissions (MP and FR), and emissions related to land use (MP and FR).
- 2. Advances SASB's priority to promulgate internationally applicable standards.**
- 3. Furthers SASB's strategic and targeted forward-looking research**
- 4. Diversifies the standard-setting project portfolio**

Alternative Meat & Dairy & Standard-Setting Criteria

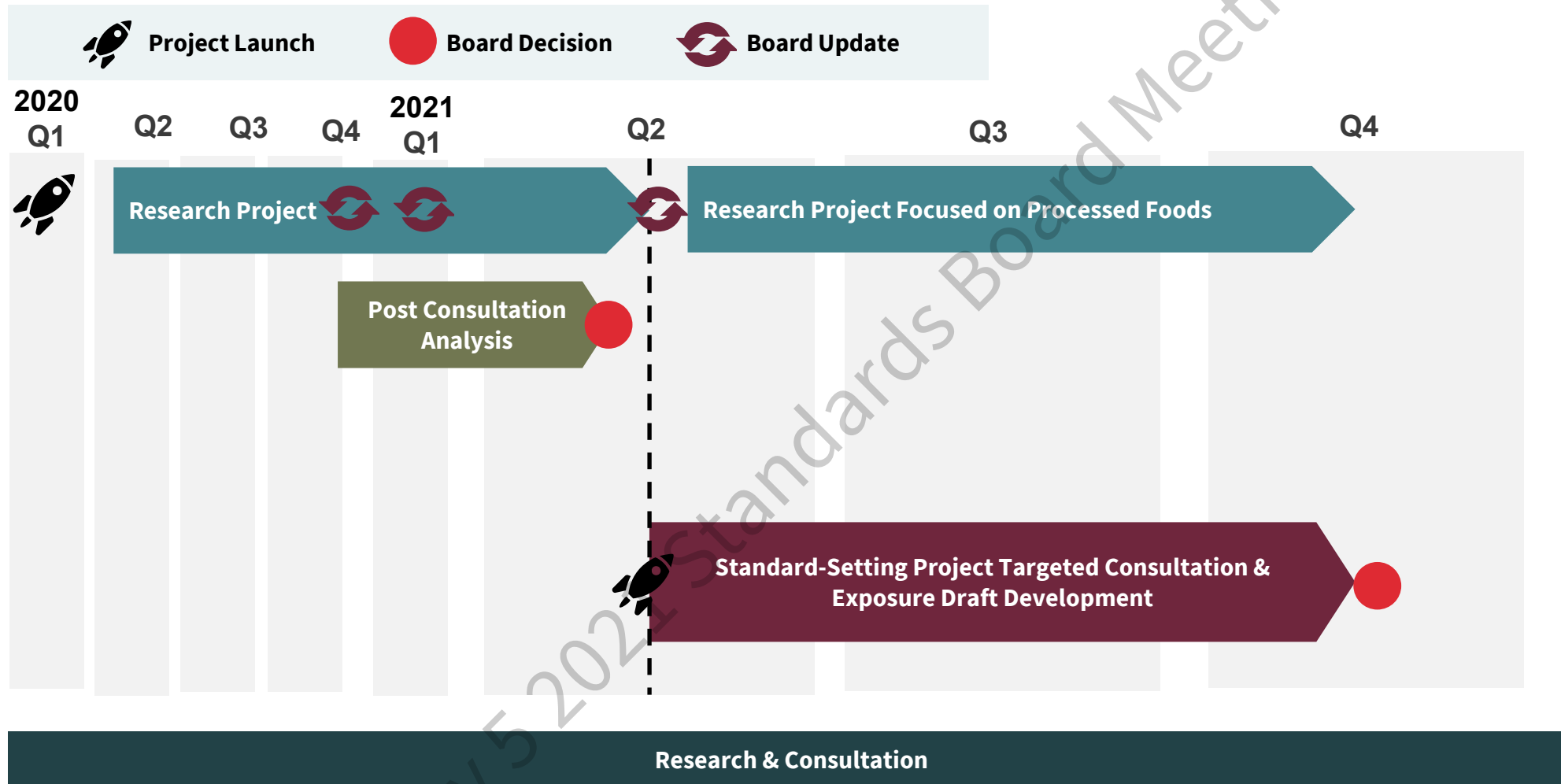
Staff proposes standard setting for Meat, Poultry & Dairy and Food Retailers

Criteria for Standard-Setting	Meat, Poultry & Dairy	Food Retailers & Distributors	Processed Foods	Restaurants	Non-Alcoholic Beverages
Mission Alignment	<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>
Scope/Prevalence	<i>Globally pervasive</i>	<i>Globally pervasive</i>	<i>Applies in some instances</i>	<i>Not prevalent</i>	<i>Not prevalent</i>
Feasibility	<i>Ideas for solution already identified</i>	<i>Alignment</i>	<i>Complexity of product scope</i>	NA	NA



Project Timeline

Staff proposes that the Research Project Remain ongoing while pursuing Standard Setting



Discussion Topics

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

- Is the scope of the project sufficiently clear?
- Do you agree with the project scope, focusing on Meat, Poultry & Dairy and Food Retailers & Distributors?
- Do you agree with the recommended approach of maintain the Alternative Meat & Dairy research project to focus on the Processed Foods Industry?
- Does you have any concerns, suggestions, or input you would like to ensure staff is aware of in executing this standard-setting project, if approved by the Board?

Proposed Next Steps

- 1** Targeted consultations to determine appropriate disclosure topics
 - Companies in Meat, Poultry & Dairy and Food Retailers & Distributors
 - Subject matter experts
 - Investors that focus on Meat, Poultry & Dairy and Food Retailers & Distributors
- 2** Development of Exposure Draft
- 3** Continue research and consultation for Processed Foods industry as part of the research project

Alternative Products in Food & Beverage

The standard-setting project, Alternative Products in Food & Beverage, will focus on the Meat, Poultry & Dairy and Food Retailers & Distributors industries

Staff recommends keeping the Alternative Meat & Dairy research open and focusing on the PF industry



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



Devon Bonney

Analyst, Sector Lead Food & Beverage

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Concluding Remarks

Jeff Hales

Chair of the SASB Standards Board

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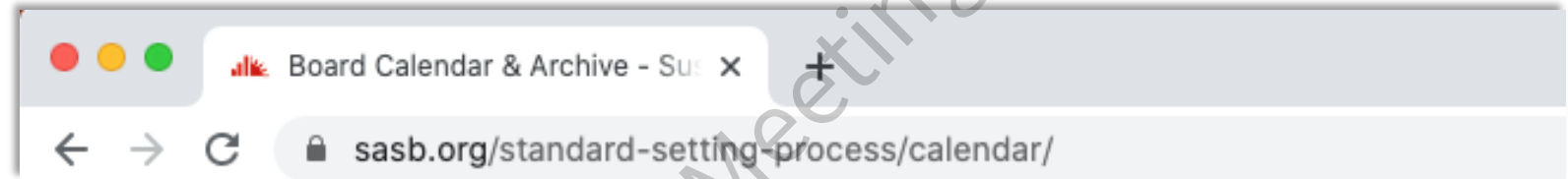


2021 Standards Board Meetings*

July 7th & 8th

**September 30th &
October 1st**

December TBD



[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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**Accounting for a
Sustainable Future**

May 5 2021 Standards Board Meeting