

Sustainability Accounting Standards Board

Public Standards Board Meeting

Thursday, July 8, 2021



**INTEGRATED
THINKING
PRINCIPLES**



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**

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Partner, Head of Department of
Professional Practice, KPMG



Table of Contents

Standard-setting agenda overview and other updates	5
Content Governance in the Internet Media & Services Industry	14
Plastics Risks and Opportunities in Pulp & Paper Products and Chemicals Industries	39
Human Capital	60
Renewable Energy in Electric Utilities Industry	100
Concluding Remarks	116

July 8, 2022 SASB Standards Board Meeting

Agenda

Time (PT)	Agenda Item	Session Leader	Session Objective
7:00am	Welcome, Overview & Project Updates	Jeff Hales, David Parham	Meeting overview and review of standard-setting agenda.
7:45am	Content Governance in the Internet Media & Services Industry	Greg Waters	Staff to update the Board on the results of recent consultations and facilitate a discussion of the direction of a potential exposure draft.
	Plastics Risks and Opportunities in Pulp & Paper Products and Chemicals Industries	Gail Glazerman	Staff to update the Board on the results of recent consultations and facilitate a discussion of the direction of a potential exposure draft.
9:15am	Human Capital	Kelli Okuji Wilson, David Parham	Staff to seek a Board decision on its recommendation to add a new project to the standard-setting agenda that addresses diversity and inclusion-related issues across a range of industries. Staff to solicit input on the industry-agnostic information workstream.
	Renewable Energy in Electric Utilities Industry	Will Meister	Staff to seek a Board decision on its recommendation to add a new project to the standard-setting agenda that addresses renewable energy risks and opportunities in the Electric Utilities & Power Generators industry.
11:00am	Concluding Remarks	Jeff Hales, Bryan Esterly	Concluding remarks and review upcoming meetings of the Standards Board.
11:15am	Adjourn Meeting		

Standard-Setting Agenda Overview

July 8, 2021

David Parham, Director of Research - Projects



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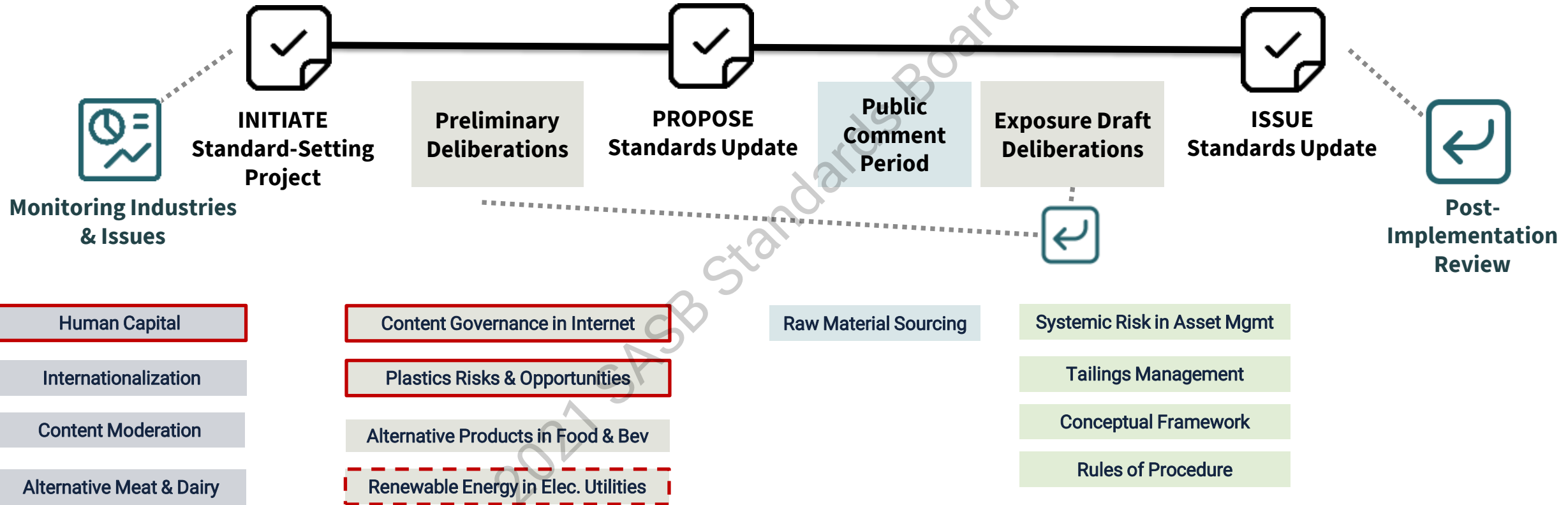
**INTEGRATED
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**SASB
STANDARDS**

Evolving the SASB Standards to meet market needs

Active standard-setting projects are driven by market feedback and evolving evidence



Standard-Setting Agenda Overview – Project Timelines



Standards Board Meetings

Sept 2020

Dec 2020

Feb 2021

May 2021

July 2021

Sep 2021

Raw Materials Sourcing in Apparel

Systemic Risk

Tailings Management

Alternative Products in Food & Beverage

Rules of Procedure

Conceptual Framework

Introducing the Value Reporting Foundation

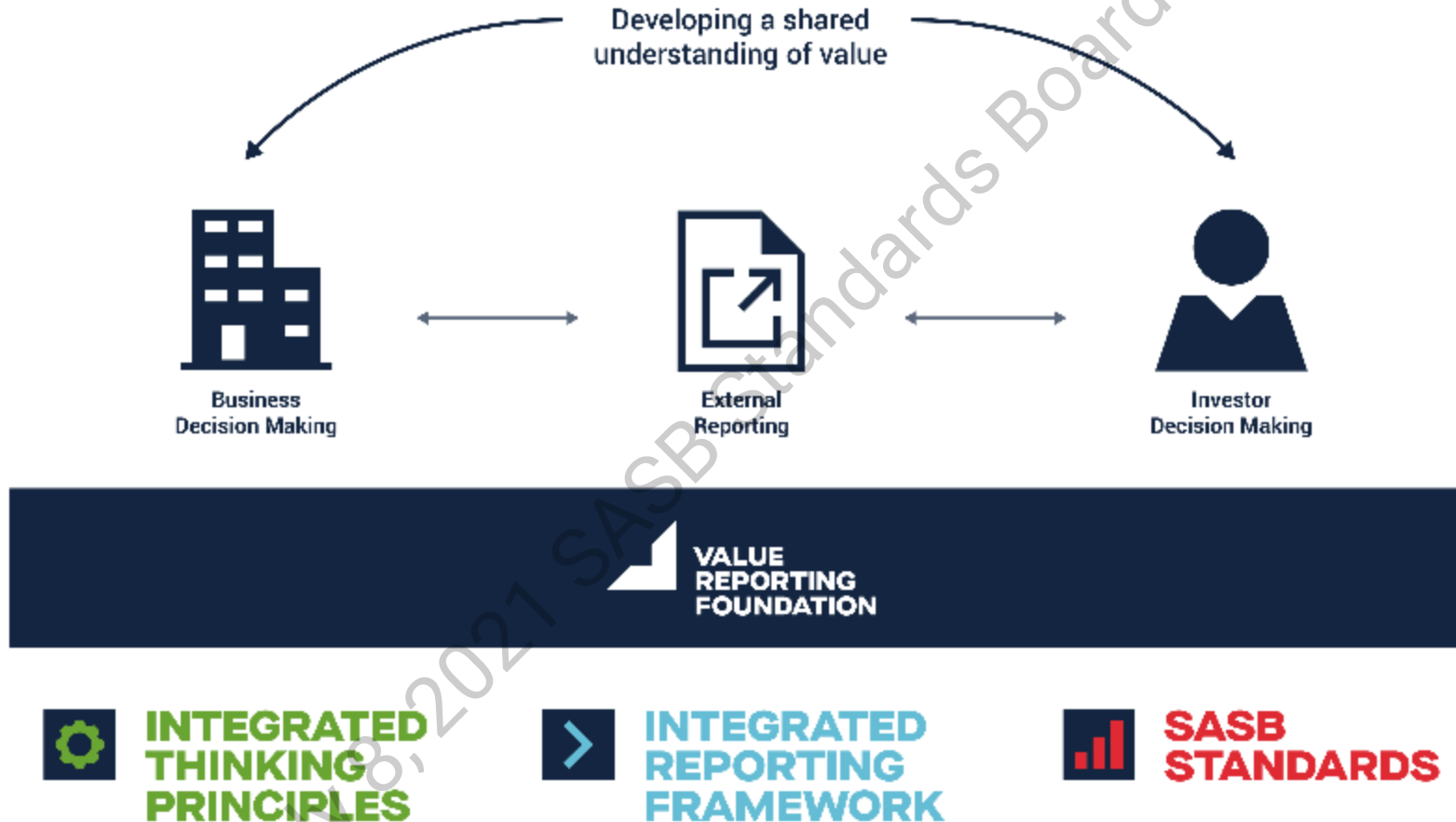
- We are one global organization with a unified strategy and three principal resources:



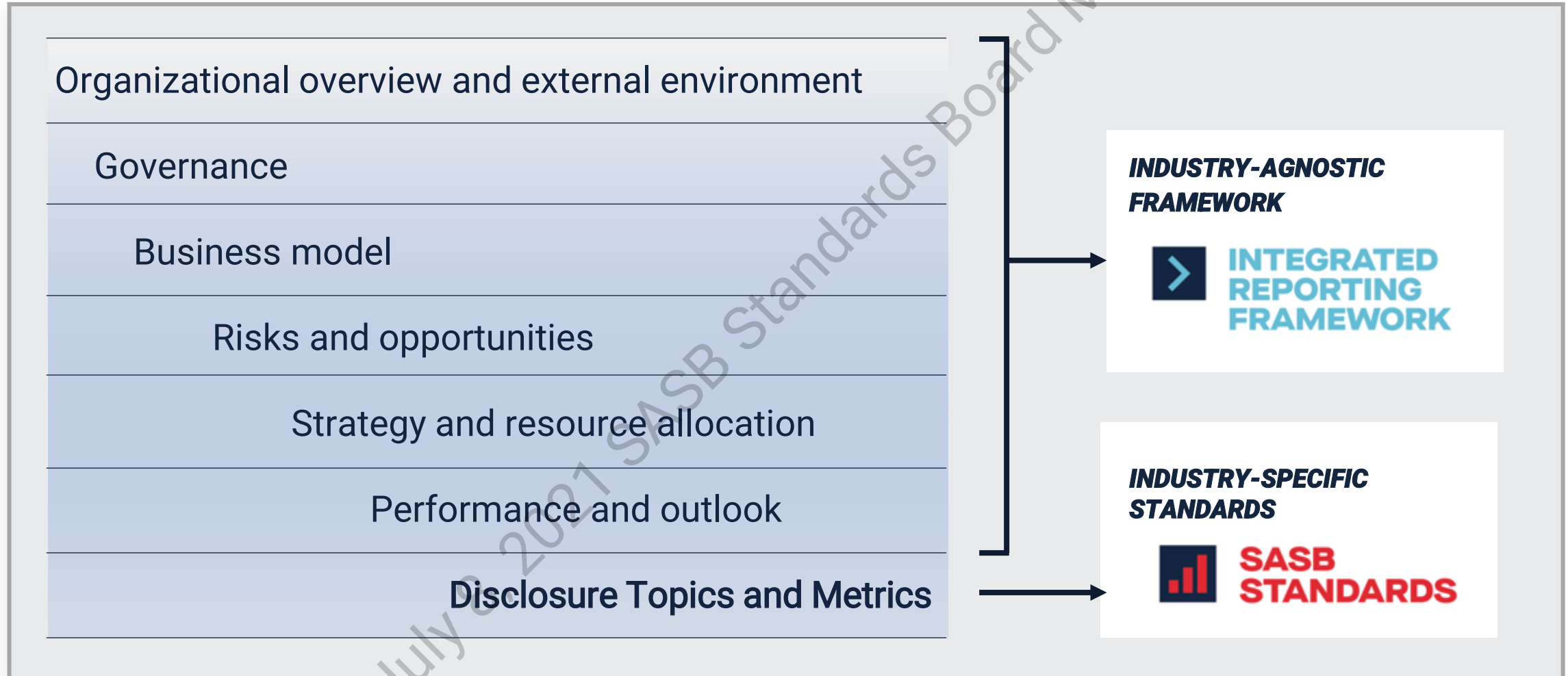
- We will advance a simplified corporate reporting landscape, bringing together our existing framework and standards
- We will provide active support to achieve the ambition of a global International Sustainability Standards Board under the IFRS Foundation's governance



A robust, market led toolset to support business and investor decision making



SASB Standards enable robust and comparable integrated reporting



Additional remarks on the Value Reporting Foundation



SASB Response to the US SEC on Climate Disclosure

Full response can be found on SASB's website

Key points from SASB's response:

- **Sustainability information is market infrastructure** essential to making informed investment and voting decisions
- Encourages the SEC to consider the **full range of sustainability factors** that investors consider in their assessment of enterprise value, in addition to climate change
- Emphasizes the value of **industry-specific disclosure** to investment decision making, including with respect to climate risk
- Stresses the importance of **strong governance and a robust, transparent due process** to ensure sustainability standards can evolve along with the market
- Describes the role of **SASB Standards in providing investor-focused disclosure** on the sustainability issues reasonably likely to be financial material for the typical company in an industry
- Makes the case for **leveraging existing standards** (including the SASB Standards and the TCFD recommendations) to establish a common structure for sustainability-related financial information
- Suggests the SEC encourage the **use of third-party standards that meet specified criteria for industry-specific disclosures** (e.g., SASB Standards)
- Encourages the SEC to **engage in efforts of the IFRS Foundation** to ensure international coherence

https://www.sasb.org/wp-content/uploads/2021/05/SASB_SEC_Climate_Letter_2021-05-19_FINAL.pdf

Ongoing support of IFRS Technical Readiness Working Group

TRWG aims to provide a running start for the potential new International Sustainability Standards Board

- The IFRS Trustees have created the Technical Readiness Working Group (TRWG) of leading organisations with **expertise in sustainability and integrated reporting standard-setting** focused on meeting investor's needs.
- TRWG aims to **provide running start for the potential new board** and **respond to IOSCO's call for coordination** of work to drive international consistency of companies' sustainability-related disclosures that focus on enterprise value creation
- TRWG's role is to **provide technical observations and proposals** for consideration by the potential new board



Technical Readiness Working Group

<https://www.ifrs.org/groups/technical-readiness-working-group/#about>

Content Governance in the Internet Media & Services Industry

Project Update

July 8, 2021

Greg Waters, Associate Director of Research, Technology & Communications Sector
Lead



Session Agenda

1. Consultation Period Overview
2. Disclosure Topics- Staff Recommendation
3. Preliminary Discussion of Metrics

July 8, 2024 SASB Standards Board Meeting



Content Governance Project Overview

Objective

The Standards Board approved this standard-setting project in September 2020 to evaluate the inclusion of two “content governance” themes into the Internet Media & Services Industry Standard:

- Companies’ management of harmful online content, including content moderation and its impact on user freedom of expression
- Ranking and recommendations of online content

Background

- Arose from Content Moderation research project initiated in December 2019
- IM standard may be incomplete given lack of coverage of relevant sustainability angles and financial impacts

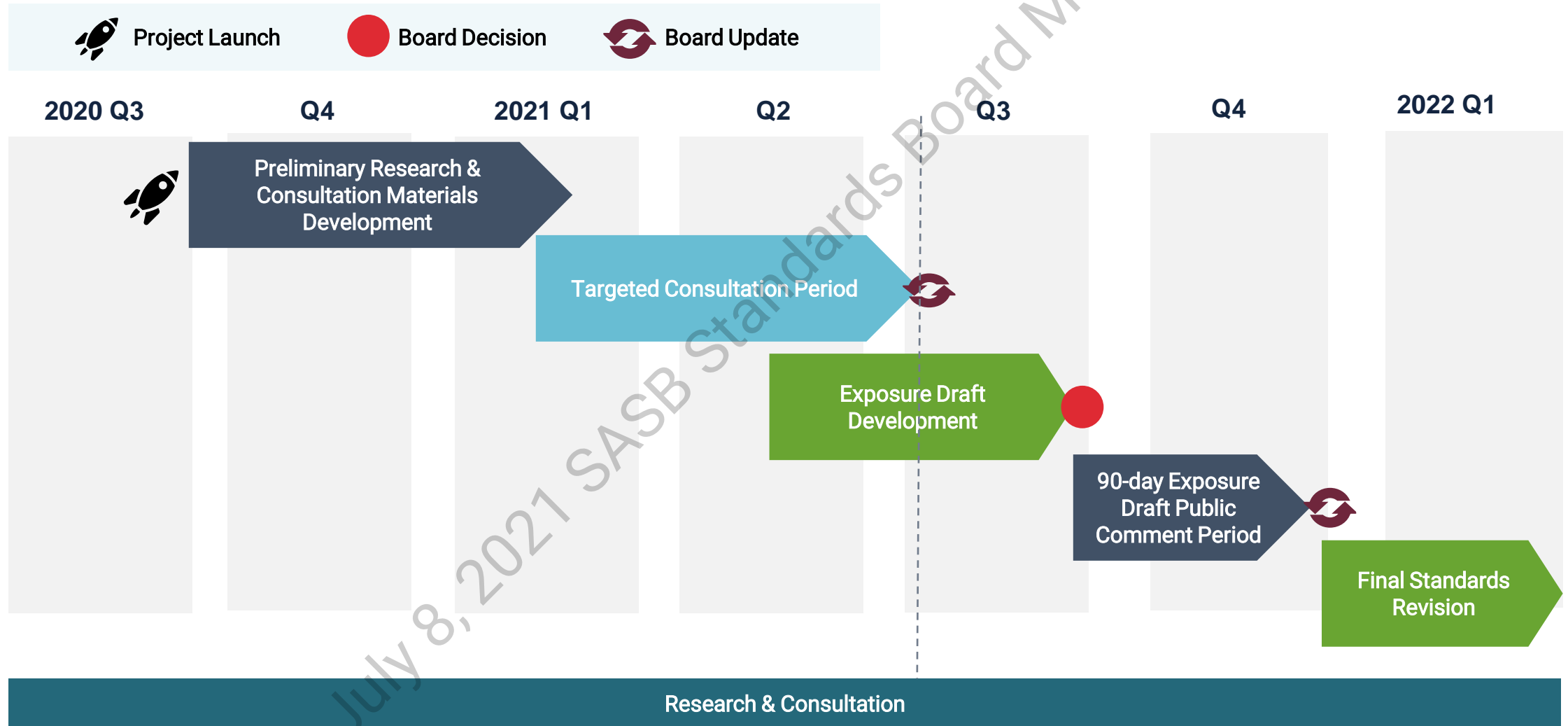
Outcomes

- Expanded scope of disclosure for companies that operate user-generated content platforms
- New metrics that capture relevant risks & opportunities



Project Timeline

Target project completion: 1H 2022





July 8, 2021 SASB Standards Board Meeting

Consultation Period Overview



Staff Prepared a Mock Topic Summary and Metrics to Facilitate Consultations

Consultation Objectives:

- Ensure accurate characterization of content governance risks & opportunities
- Gain deeper understanding of informational needs of investors

Potential Metrics: Content Governance & User Freedom of Expression

Potential metrics associated with each angle of the Topic Description described on page 3 are included below. Metrics are intended to provide representative, useful information that capture performance on each angle associated with the topic. Taken together, the metrics should provide a complete set of information for investors to analyze how companies are holistically performing on the topic.

Concept	Metrics
Platform Scale and Design	<ul style="list-style-type: none">• Number of daily active users (DAUs)• Amount of user-generated content uploaded daily
Content Moderation	<ul style="list-style-type: none">• Content actioned, percentage discovered proactively• Content actions appealed by users, percentage restored after appeal• Description of approach to enforcing community guidelines/terms of use
Content Shaping	<ul style="list-style-type: none">• Description of approach to content ranking and recommendations, and how these systems account for harmful and borderline content
Operating Across Jurisdictions*	<ul style="list-style-type: none">• List of countries where core products and services are subject to government-required monitoring, blocking, content filtering, or censoring*• Number of government requests to remove content, percentage compliance with requests*

*Indicates concepts/metrics already included in SASB's Internet Media & Services Industry Standard

Questions for Respondents

1. Do you agree that the proposed metrics appropriately measure performance on content governance concepts as laid out in the Topic Description starting on page 3?

Profile of Market Participants Consulted



Corporate

- 6 companies consulted
- All US-based
- 5 operate user-generated platforms
- Variety of teams:
 - Trust & Safety
 - Accounting
 - Compliance
 - Privacy & Security



Investors

- 8 investors, plus one group engagement with 10 investors
- 4 US-based, 3 European-based
- All asset managers
- Roles: portfolio managers, sector analysts, ESG/engagement



SMEs

- 7 SMEs consulted
- 3 US-based, 4 European-based
- NGOs focused on privacy/freedom of expression, trust & safety consultants, academics



Key Takeaways from Consultations



Generally strong support from all participants of staff's framing of content governance risks/opportunities



Investors see risks/opportunities as financially material



Designing quantitative metrics will be challenging and involve trade-offs between comparability and usefulness



Investors don't have strong or uniform views on metrics, but strongly support increased disclosure



One of the largest companies in the IM industry believes it is too early for standard setting, given rapid pace of change, regulatory developments, and fledgling nature of online "trust & safety" as a practice





July 8, 2021 SASB Standards Board Meeting

Disclosure Topics

Staff Recommendation



Current Disclosure Topic: Data Privacy, Advertising Standards & Freedom of Expression

Sustainability Angle	Sustainability Impact	Concept to be Measured
Privacy	Use and collection of sensitive user data, including behavioral (targeted) advertising, raises privacy concerns	What is the company's approach to the collection, usage & retention of user information?
Privacy & Freedom of Expression (Law enforcement requests)	User rights such as privacy and freedom of expression can be negatively impacted when individual data is shared with law enforcement	How does the company respond to law enforcement requests for user data?
Freedom of Expression (Gov't requests for content removal)	User freedom of expression can be negatively impacted when governments require platforms to remove content	How does the company respond to government requests for content removal?



Content Governance: New Concepts to Measure

Sustainability Angle	Sustainability Impact	Concept to be Measured
Freedom of Expression (Platform content removal)	Internet platforms, in enforcing content policy, may limit user freedom of expression	Does the company allow users to appeal content moderation decisions? If so, how does it approach the appeals process?
Harmful Content (Content Moderation)	Internet platforms can enable the dissemination of illegal and harmful content, including: <ul style="list-style-type: none"> child sexual abuse material (CSAM) terrorist & violent extremist content (TVEC) hate speech 	<p>What are the company's policies regarding content moderation, i.e. what rules or principles does it follow for determining what content is allowed?</p> <p>What is the company's strategy for reviewing and removing user-generated content?</p>
Harmful Content (Content Shaping)	Internet platforms that optimize for user engagement may amplify forms of potentially harmful content, such as viral misinformation	<p>How does the company determine what users see on their platforms?</p> <p>How do these mechanisms interact with harmful or potentially harmful content?</p>



How should the IM Standard account for content governance impacts?

Sustainability Angle	Current Standard	Revised Standard
Privacy	Data Privacy, Advertising Standards & Freedom of Expression	?
Law enforcement requests for user data		
Gov't requests for content removal		
FOE- Platform content removal		
Harmful content- Content moderation		
Harmful content- Content shaping		

- Some overlap between existing standard and relevant content governance impacts, especially freedom of expression
- However, impacts of harmful content and data privacy practices are distinct
- Content governance angle largely focuses on user-generated content, whereas privacy angle is ubiquitous across IM industry



Disclosure Topics: Staff Sees 2 Options

		OPTION 1	OPTION 2
Sustainability Angle	Current Standard	ADD Content Governance angles to existing topic	ADD Content Governance Topic; REVISE scope of Privacy Topic
Privacy	Data Privacy, Advertising Standards & Freedom of Expression	Data Privacy, Content Governance & Freedom of Expression	Revised Topic: Data Privacy & Advertising Standards
Law enforcement requests for user data			
Gov't requests for content removal			New Topic: Content Governance & Freedom of Expression (GIC: Customer Welfare)
Freedom of expression - Platform content removal			
Harmful content- Content moderation			
Harmful content- Content shaping			



Disclosure Topics: Staff Sees 2 Options

		STAFF RECOMMENDATION	
		OPTION 1	OPTION 2
Sustainability Angle	Current Standard	ADD Content Governance angles to existing topic	ADD Content Governance Topic; REVISE scope of Privacy Topic
Privacy	Data Privacy, Advertising Standards & Freedom of Expression	Data Privacy, Content Governance & Freedom of Expression	Revised Topic: Data Privacy & Advertising Standards
Law enforcement requests for user data			
Gov't requests for content removal			
Freedom of expression - Platform content removal			New Topic: Content Governance & Freedom of Expression (GIC: Customer Welfare)
Harmful content- Content moderation			
Harmful content- Content shaping			



Discussion: Disclosure Topics

Does the Board agree with staff's recommendation to proceed with Option 2, i.e. revising the current privacy disclosure topic and adding a second topic focused on content governance?

July 8, 2021 SASB Standards Board Meeting





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Metrics

Discussion to aid development of an exposure draft



Discussion Topic 1: Content Categories

Content Category	Amount Removed
Child safety	450,000
Incitement of violence	200,000
Hate speech	300,000
Policy X	400,000

Mock disclosure

1. Is the Board supportive of staff exploring disclosure of content moderation actions broken down by categories, as opposed to in aggregate?

- The harms associated with content differ by category
- Some categories of content are more difficult to identify, others more challenging to adjudicate



Discussion Topic 1: Content Categories

Content Category	Amount Removed
Child safety	450,000
Incitement of violence	200,000
Hate speech	300,000
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Mock disclosure

1. Is the Board supportive of staff exploring disclosure of content moderation actions broken down by categories, as opposed to in aggregate?

- The harms associated with content differ by category
- Some categories of content are more difficult to identify, others more challenging to adjudicate

2. How does the Board view trade-offs between SASB-defined categories and entity-defined categories?

- Outside of CSAM, providing definitions is challenging
- From an implementation perspective, relying on different platform policies is more feasible



Content Moderation is a Balancing Act

At scale, errors are inevitable. The question is which direction platforms will bias

Removing harmful content



Preserving user freedom of expression

Type I Error: platforms remove innocuous or non-infringing content

Type II Error: platforms fail to remove infringing content

A single metric around content removal won't give a complete picture of company performance... but there are a number of concepts we can measure.



Discussion Topic 2: Content Moderation Table Disclosure

Is the Board supportive of staff continuing to explore content moderation disclosures similar to the table below?

Content Category	Amount Removed	Percentage Identified Proactively	Percentage Appealed by Users	Percentage Restored After Appeal	Prevalence
Child safety	450,000	90%	10%	30%	.014
Incitement of violence	200,000	68%	10%	90%	.200
Hate speech	300,000	30%	80%	10%	.070
Policy X	400,000	40%	55%	40%	.002

Mock disclosure



Metrics: Other Notes

- Content Moderation: alternative metrics
 - Views/impressions of harmful content
 - Resourcing/staffing levels
- Content shaping
 - Quantitative approach unlikely to be feasible
 - Potential approach: description of key inputs to ranking/recommendations
- Feedback received suggests current metrics re: government requests require review
 - Aggregate numbers unlikely to be useful
- Number of users, number of uploads: sustainability metrics or activity metrics?

You and the Algorithm: It Takes Two to Tango

Amplification and Its Discontents

As Outbreak Rages, India Orders Critical Social Media Posts to Be Taken Down

Content Governance in the Internet Media & Services Industry

- Staff will continue working towards an exposure draft
- Interested market participants are invited to provide input



<https://www.sasb.org/standards/process/active-projects/content-governance-in-the-internet-media-and-services-industry/>



Greg Waters

Associate Director of Research, Technology & Communications Sector Lead

greg.waters@thevrf.org



Appendix: Content Moderation- Proactive Rate Metric

Content Category	Amount Removed	Percentage Identified Proactively	Percentage Appealed by Users	Percentage Restored After Appeal	Prevalence
Child safety	450,000	90%	10%	30%	.014
Incitement of violence	200,000	68%	10%	90%	.200
Hate speech	300,000	30%	80%	10%	.070
Policy X	400,000	40%	55%	40%	.002

Definition % of content that was removed prior to being viewed by users

- Rationale**
- Investors are interested in understanding whether decisions are automated
 - Could draw out distinctions between content categories, as well as platforms that rely on volunteer moderators



Appendix: Content Moderation- User Appeals Metrics

Content Category	Amount Removed	Percentage Identified Proactively	Percentage Appealed by Users	Percentage Restored After Appeal	Prevalence
Child safety	450,000	90%	10%	30%	.014
Incitement of violence	200,000	68%	10%	90%	.200
Hate speech	300,000	30%	80%	10%	.070
Policy X	400,000	40%	55%	40%	.002

Definitions

Appealed: % of removed content that was appealed by users

Restored: % of appealed content restored by the platform after appeal

Rationale

- Measuring freedom of expression angle: is there an element of due process for moderation decisions?
- Also may provide insight into accuracy of content moderation



Appendix: Content Moderation- Prevalence Metric

Content Category	Amount Removed	Percentage Identified Proactively	Percentage Appealed by Users	Percentage Restored After Appeal	Prevalence
Child safety	450,000	90%	10%	30%	.014
Incitement of violence	200,000	68%	10%	90%	.200
Hate speech	300,000	30%	80%	10%	.070
Policy X	400,000	40%	55%	40%	.002

Definition

How much infringing content remains on a platform after content moderation (achieved by auditing a statistically significant amount of content)

Rationale

- Other metrics don't give clear insight into how effective content moderation is
- Clearer way to measure progress of content moderation efforts over time, or identify challenging areas for a specific platform



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

July 8, 2021

Gail Glazerman, CFA Lead Analyst, Renewable Resources & Resource Transformation Sector Lead



Session Objective

Staff seeks the SASB Standards Board's perspectives on key next steps to advance standard-setting activities related to single-use plastics and bio-alternatives in the Chemicals and Pulp & Paper Industry Standards.

Staff will:

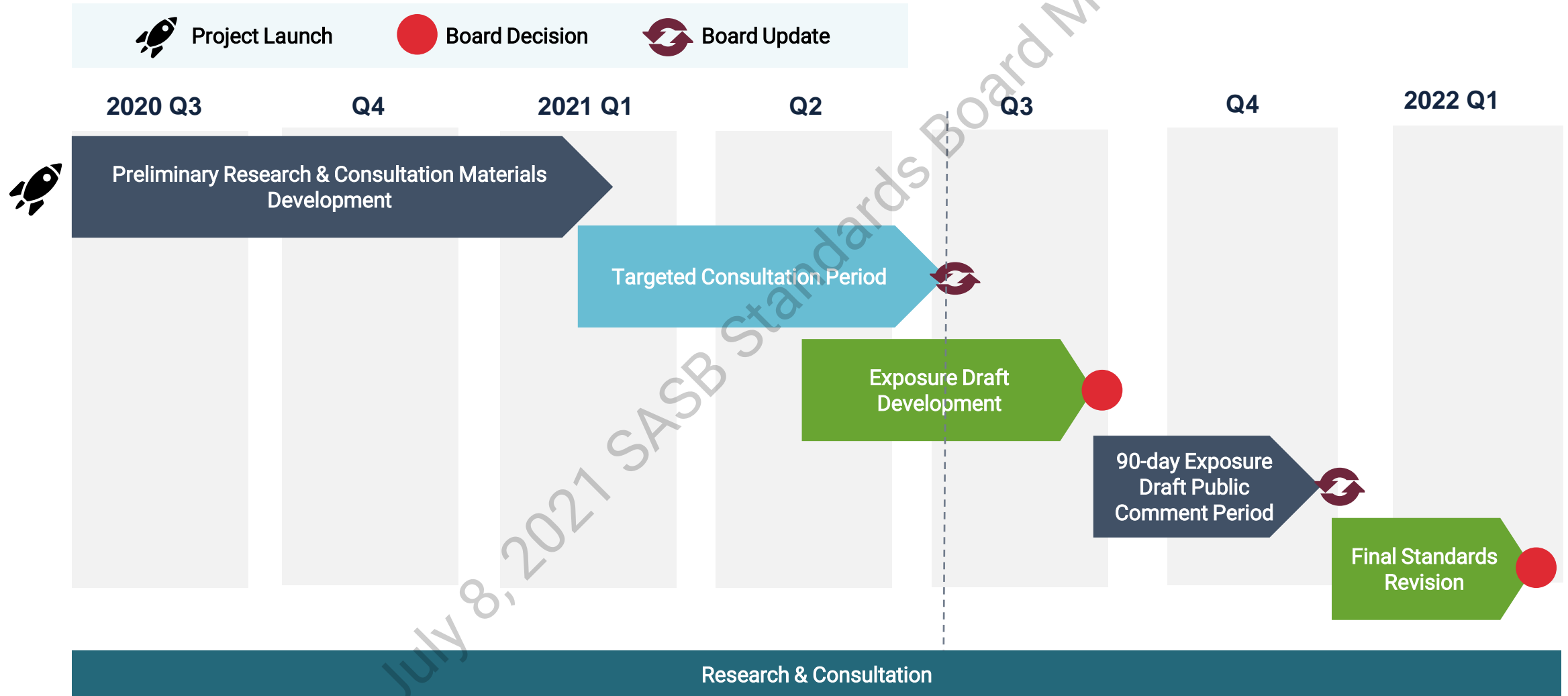
- **Provide an update on project status – focusing separately on the Chemicals and Pulp & Paper industries**
- **Share key questions and challenges for each industry**

July 8, 2021 SASB Standards Board Meeting



Project Timeline

Target project completion: 2022 Q1





July 8, 2021 SASB Standards Board Meeting

Chemicals Industry

Staff Recommendation and discussion



Chemicals – Single-Use Plastics and Bio-Alternatives Update & Recommendation



Problem Statement

Recent developments continue to support standard setting for this issue in the chemicals industry.

Staff believes standard-setting should focus on the Product Design & Lifecycle Management general issue category (GIC)

The existing chemicals standard currently has a related, but not perfectly aligned, topic under this GIC.



Summary of Staff Recommendation

Staff recommends developing a dedicated new topic focused on single-use plastic rather than modifying the existing topic.



Chemicals Industry Question

Should issues related to single-use plastics be incorporated into the Chemicals Standard in a stand-alone disclosure topic, or should the existing Chemicals Standard topic “Product Design for Use-Phase Efficiency” be modified to reflect the issues and metrics associated with single-use plastics?

Considerations

1. The Chemicals Standard currently has a related, though not perfectly aligned, topic that could cover some activities associated with the management of single-use plastics
2. A new dedicated topic would more clearly reflect all the unique activities associated with the management of single-use plastics



Current Chemicals Standard – 12 Topics

Greenhouse Gas Emissions

Hazardous Waste Management

Operational Safety, Emergency Preparedness & Response

Air Quality

Community Relations

GIC: Product Design & Lifecycle Management

Genetically Modified Organisms

Energy Management

Management of the Legal & Regulatory Environment

Safety & Environmental Stewardship of Chemicals

Water Management

Workforce Health & Safety

Product Design for Use-Phase Efficiency:
Revenue from products designed for use-phase resource efficiency

July 8, 2021 SASB Standards Board Meeting



Existing Product Design for Use-Phase Efficiency Topic Description

RT-CH-410a.1. Revenue from products designed for use-phase resource efficiency

Topic Summary As increasing resource scarcity and regulations drive **the need for greater materials efficiency and lower energy consumption and emissions, the Chemicals industry stands to benefit from developing products that enhance customer efficiency**. From reducing automobile emissions through materials optimization to improving the performance of building insulation, chemical industry products can enhance efficiency across a multitude of applications. Companies that develop cost-effective solutions to address customers' needs for improved efficiency can therefore benefit from increased revenues and market share, stronger competitive positioning, and enhanced brand value.

“...the need for greater materials efficiency and lower energy consumption and emissions, the Chemicals industry stands to benefit from developing products that enhance customer efficiency”

- Topic only covers single lifecycle phase (use), not production or end of life
- Some solutions to plastic waste might prove more resource intensive, but convey better end of life characteristics

Partial Overlap/Gaps in Activities Covered

Sample Business Activities	Current Topic	New Topic
Invest in recycling infrastructure	X	✓
Invest in new recycling technologies	X	✓
Develop products which facilitate recycling	?	✓
Redesign products to improve recyclability	?	✓
Develop new compostable products	✓	✓
Design new reusable products	?	✓
Incorporate recycled and/or renewable feedstocks	?	✓
Design products to help customers reduce water consumption	✓	X
Design lightweight plastics to replace metals/improve fuel efficiency in cars	✓	X

Some companies might not produce materials for single-use plastics but still participate in some of the potential solutions and benefit from new metrics related to plastics.



Discussion Topics

Do you agree with the staff recommendation to develop a separate/ new disclosure topic to incorporate single-use plastics into the Chemicals Standard?

- **Given the partial alignment with the existing Design for Use-Phase Efficiency topic – do you believe it would be preferable to modify that topic to include impacts across other lifecycle phases, possibly incorporating incremental non-plastics related activities as well as single-use plastics?**
- **Do have any concerns about creating a new topic? What potential downsides to you foresee?**

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July 8, 2021 SASB Standards Board Meeting

Pulp & Paper

Staff Recommendation and discussion



Pulp & Paper: Single-Use Plastics and Bio-Alternatives Update & Recommendation



Problem Statement

Staff research and some consultation feedback has yielded information which suggests there could be a benefit to merging the Pulp & Paper and Containers & Packaging Industry Standards.

Even if merged, there may be a justification for standard-setting related to single-use plastics and bio-alternatives

Staff is considering assessing the potential impacts of merging standards prior to proceeding to developing an Exposure Draft.



Summary of Staff Recommendation

Staff recommends forming an opinion about the potential impacts of merging the two industry standards prior to developing an Exposure Draft for Pulp & Paper single-use plastics/bio-alternatives.



Pulp & Paper Key Question

Before proceeding with development of an Exposure Draft related to single-use plastics/bio-alternatives should staff form an opinion on the implications of merging the Pulp & Paper industry Standard into Containers & Packaging?

Considerations

1. Business activities relative to SICS
2. Paper industry set of risks & opportunities related to single-use plastic partially align with paper-based packaging
3. Feedback from companies considering reporting to either the Pulp & Paper and/or Containers & Packaging Standard and project-specific consultations with affected companies
4. Existing overlap between the existing Pulp & Paper and Containers & Packaging Standards



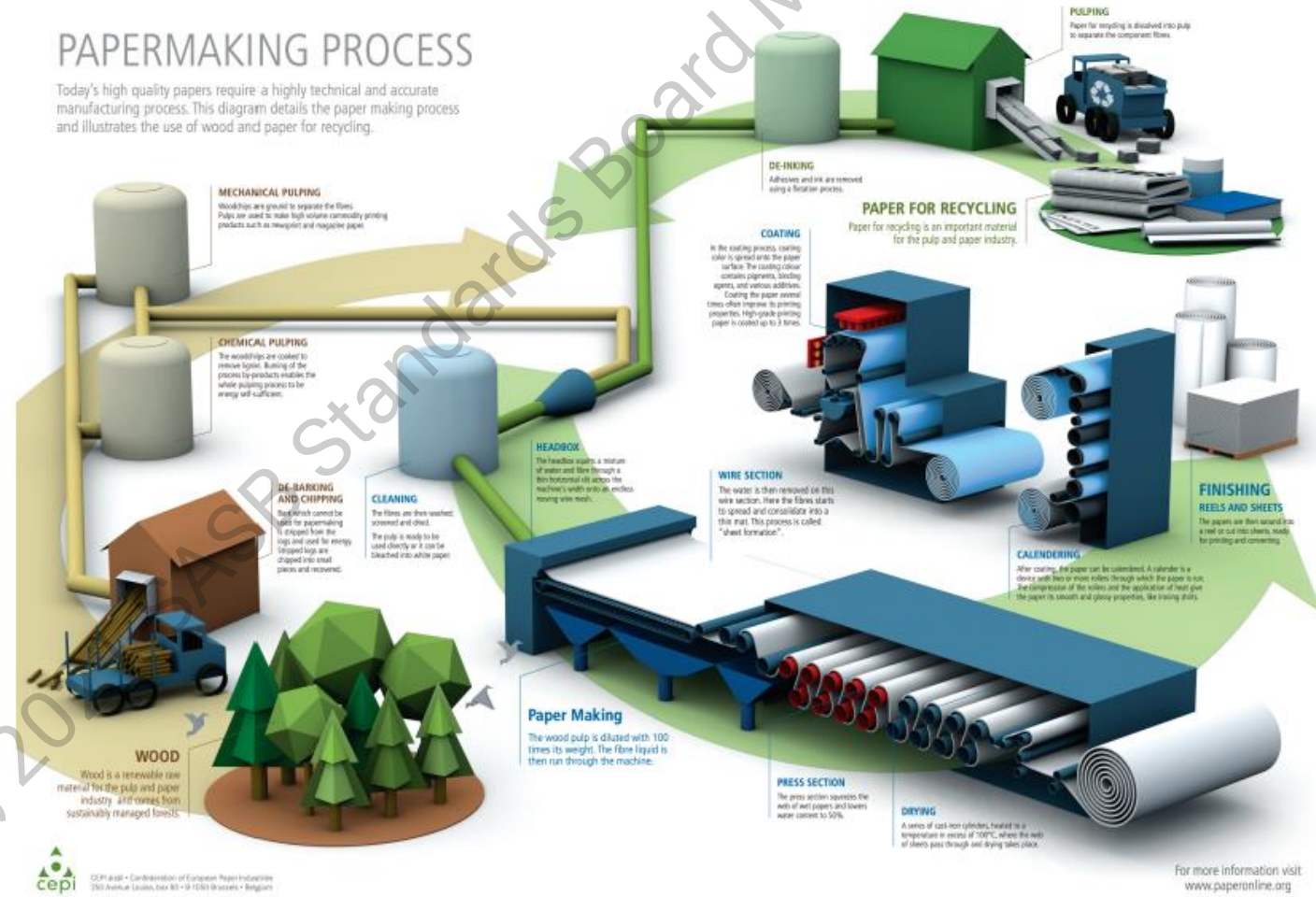
The Paper & Board Making Process

The fundamental process for paper/board is similar

The inputs and fundamentals of making paper are essentially the same as making the heavier paperboard grades used to produce paper-based packaging

PAPERMAKING PROCESS

Today's high quality papers require a highly technical and accurate manufacturing process. This diagram details the paper making process and illustrates the use of wood and paper for recycling.



CEPI
CEPI 2014 • Confederation of European Paper Industries
100 Avenue Louise, box 83 • B-1050 Brussels • Belgium

For more information visit
www.paperonline.org

Paper-based Packaging/Pulp & Paper: Industry Convergence

Business Dynamics Driving Convergence

Due to the economics of falling paper demand and rising packaging demand there have been frequent conversions of paper mills to paper-based packaging Recent examples:



Stora Enso 2019 €350 million conversion in Finland



Domtar's 2020 \$300-350 million conversion in USA



Packaging Corp Feb-2021 \$440 million investment

Scrutiny on Single-Use Plastics Potentially Enhances Opportunity

While not the only channel- the most obvious way for paper companies to participate in the trends associated with single-used plastic is to: convert paper production to paperboard

Trend of Convergence is Not Universal, with Some High-Profile Exceptions

Convergence trend is not absolute: International Paper is in the process of separating its papermaking from pulp/paper-based packaging

Pulp & Paper/Containers & Packaging Standard Alignment

Containers & Packaging	Pulp & Paper
Greenhouse Gas Emissions	Greenhouse Gas Emissions
Air Quality	Air Quality
Energy Management	Energy Management
Water Management	Water Management
Waste Management	
Product Safety	
Product Lifecycle Management	
Supply Chain Management	Supply Chain Management

The Containers & Packaging Standard contains **EVERY** topic currently in the Pulp & Paper Standard



Pulp & Paper/Containers & Packaging Standard Alignment

Three topics from Containers & Packaging standard are not currently included in the Pulp & Paper standard

Waste Management

Product Safety

Product Lifecycle Management



Not yet clear how relevant these topics would be for Pulp & Paper:

Waste Management

Could be relevant for Pulp & Paper

Product Safety

Likely less relevant for Pulp & Paper

Product Lifecycle Management
Incorporates some (not all) single-use plastics/bio-alternatives related activities



Pulp & Paper/Containers & Packaging Possible Gaps

The Pulp & Paper Industry is still pursuing bio-alternatives related activities, which might not be covered by the existing Containers & Packaging Lifecycle topic.

Bloomberg

Hyperdrive

A Paper Company Wants to Make a Wooden Rival to Car Batteries

Japan's Nippon Paper is advancing technology that it claims could one day be capable of powering vehicles.

By [Shiho Takezawa](#) and [Grace Huang](#)
May 18, 2021, 5:00 PM EDT Updated on May 19, 2021, 1:48 AM EDT

sappi Products & Services Sustainability & Impact Innovation & Collaboration

Discover natural alternatives to plastic



Standard-setting on this topic might still be warranted, even if the two Standards are merged

It is possible existing containers & packaging reporters could also benefit from an expanded metric on Product Lifecycle Management



Discussion Topics

Do you agree with staff recommendation that we should form a view on merging the Pulp & Paper and Containers & Packaging Standards, before advancing the Pulp & Paper plastics/bio-alternatives project to the Exposure Draft phase?

- Given that the existing Containers & Packaging metric for Product Lifecycle Management does not necessarily address all the activities associated with Pulp & Paper bio-alternatives, do you believe staff should continue standard-setting activities while separately researching potential implications of merging the two standards?
- Do you believe the overlaps/convergence could potentially warrant merging the two industry standards? What information would you consider to evaluate possibly changing industry structure?



Next Steps

1 Chemicals

- Continue market engagement and research while staff starts preparing an Exposure Draft of potential new topic and metrics

2 Pulp & Paper

- Conduct research related to potentially merging industries
- Continue researching developments to assist in composition of an Exposure Draft

July 8, 2021 SASB Standards Board Meeting



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



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



Gail Glazerman, CFA

Lead Analyst, Sector Lead Renewable Resources & Resource Transformation



Human Capital Research Project

July 8, 2021

David Parham, Director of Research – Projects
Kelli Okuji Wilson, Analyst, Health Care Sector Lead



**INTEGRATED
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**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**

Session Objectives

Brief review of prior work and orientation for today's discussion

Discussion of approach to industry-agnostic human capital information

Discussion of preliminary staff proposal on diversity and inclusion

July 8, 2021 SASB Standards Board Meeting



Project Timeline

Target project completion: TBD

Sept 2019 →

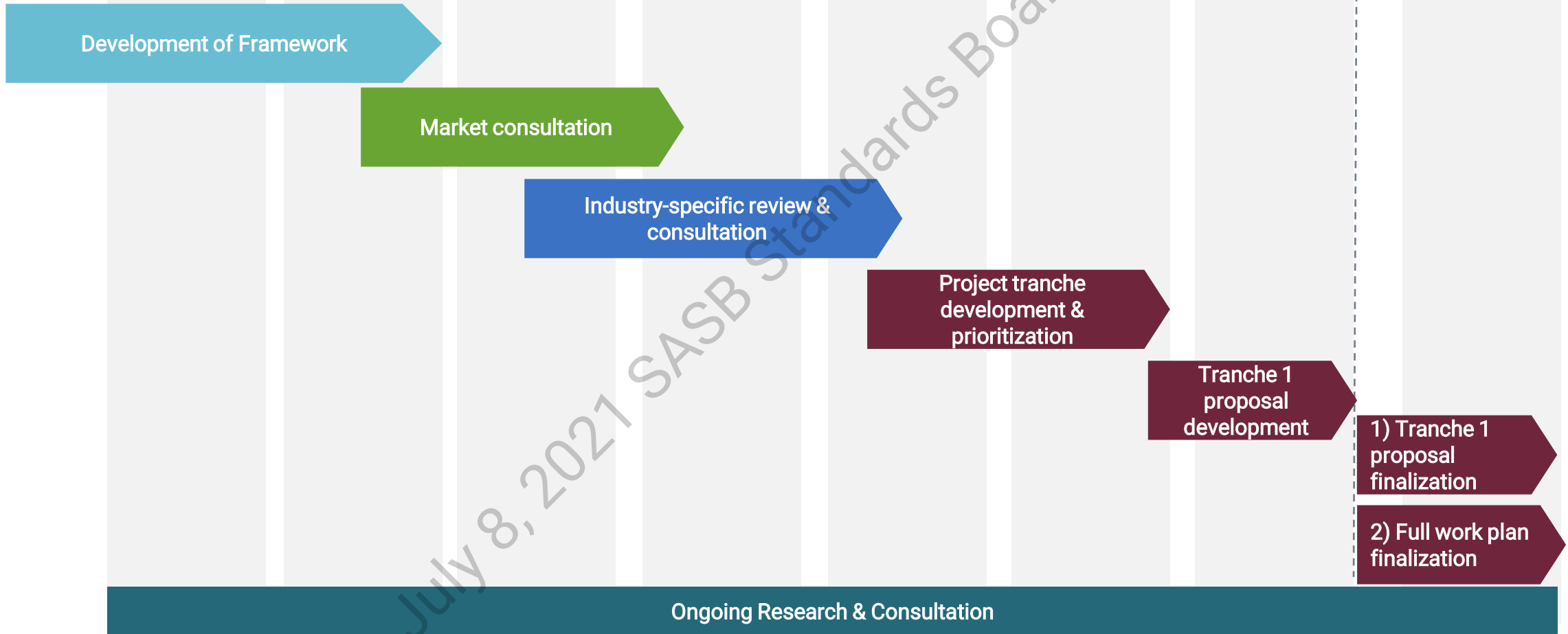
Dec 2020

March 2021

May 2021

Today

Sep 2021



Prior meeting focused on tranche prioritization

Staff's focus has been on preparing proposals for the priority tranche



(a) Workplace Culture
(b) Industry-Agnostic Human Capital Information

1

Labor Conditions in the Supply Chain

2

Workforce Investment

3

Worker Wellbeing

4

"Alternative Workforce"*

*Note: Staff plans to rename this tranche when finalizing its work plan



Overall objectives of the discussion

Staff is soliciting the Board's input to enable the staff to finalize its proposals

1. Discuss potential approaches to producing guidance for industry-agnostic human capital information
2. Discuss diversity and inclusion, including the staff's recommendation that an industry-specific approach best meets investor needs for decision-useful information

Staff is seeking the Board's input to inform the finalization of its proposals for how to address broad, industry-agnostic human capital information as well as diversity and inclusion.



July 8, 2021 SJSB Standards Board Meeting

Industry-Agnostic Human Capital Information



Background and Context

In May Board meeting, the staff and board agreed to focus on industry-agnostic information as a priority

In the May Board meeting:

- The staff shared its broad recommendations for how to prioritize forward work based on its Human Capital Research Project
- The staff presented its view that addressing industry-agnostic human capital information should be a priority
- Following the meeting, the staff planned to evaluate a range of solutions to address broadly-applicable, fundamental human capital informational needs in the market

In today's meeting:

- The staff plans to review the work it has conducted since the May Board meeting to evaluate this range of solutions



Session Objectives and Expected Outcome

Session objective:

To solicit the SASB Standard's Board feedback on the Staff's proposed view relating to:

- What information could be included in industry-agnostic human information guidance;
- What form this guidance should take

Session expected outcome:

Board input enabling the Staff to subsequently develop a proposal for how SASB can address industry-agnostic human capital information.



Problem Statement

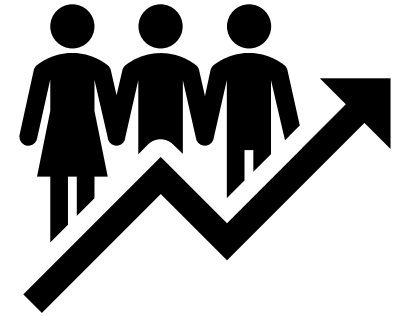
Combination of industry-agnostic and industry-specific human capital information to meet investor needs

1 Industry-specific human capital information may not fully meet investor needs for decision-useful human capital information

2 Investor demand for relevant, enterprise value-creating human capital information across all companies and industries is currently not being met

3 Lack of consistent disclosure guidance on fundamental human capital information leading to:

- Sporadic reporting and
- Inconsistent and incomparable data



Considerations for Mission-Aligned Industry-Agnostic Versus Industry-Specific Information

Key criteria to consider when defining mission-aligned industry-agnostic versus industry-specific information

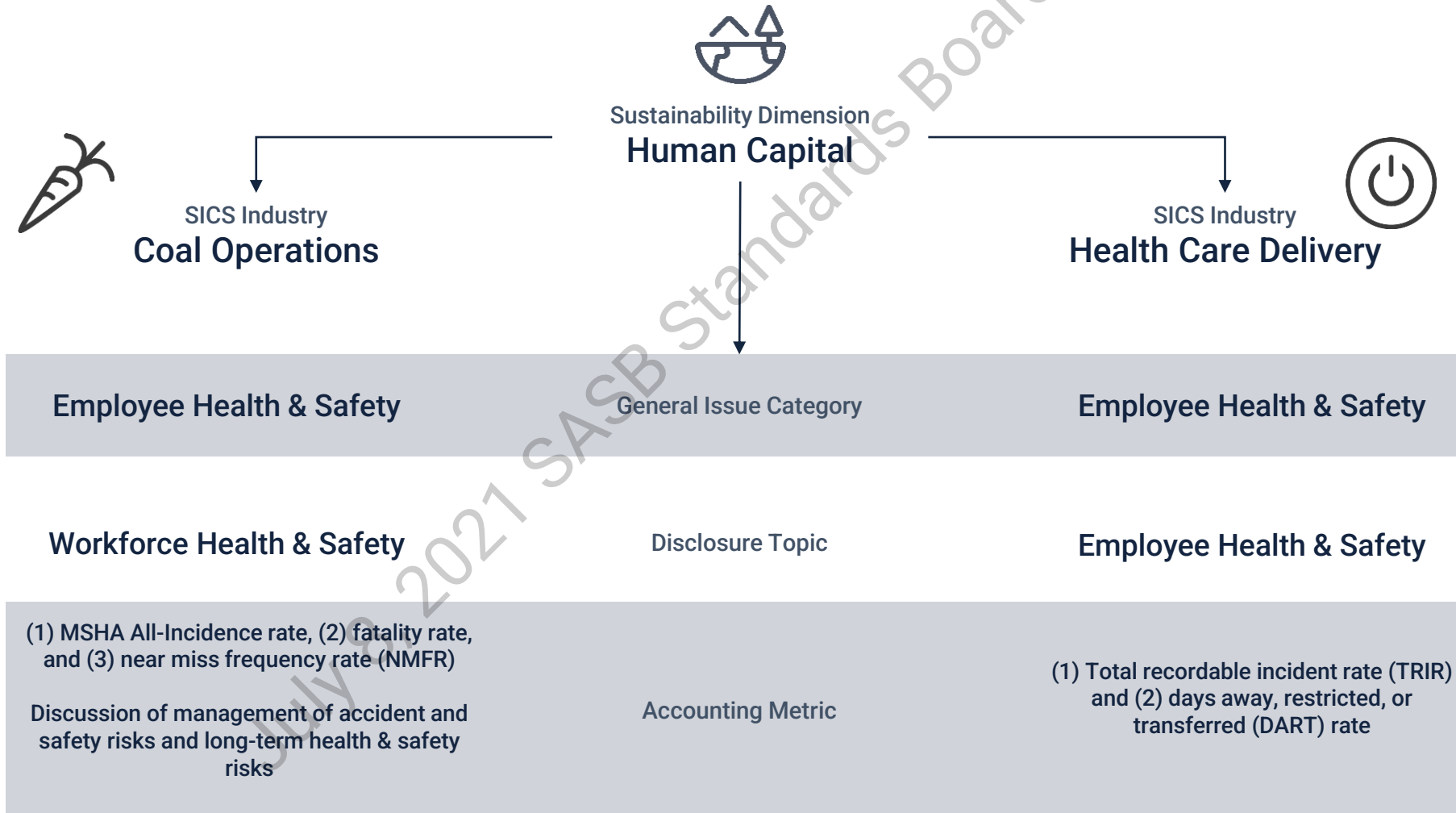
	Industry-agnostic criteria	Industry-specific criteria
✓	Provides information on a sustainability issue (e.g., a social or environmental externality) that is relevant to enterprise-value creation ;	
✓	Is decision-useful for investor decision-making	
✓	Is cost-effective for companies to report	
	<ul style="list-style-type: none">• Applicable across all 77 industry standards and performance measurement does not vary by industry	<ul style="list-style-type: none">• Applicable in certain industries where performance measurement does vary by industry



Industry-Specific Information

Example of how SASB addresses industry-specific information in the SASB Standards

Example: Human capital dimension in Coal Operations vs. Health Care Delivery



Possible Industry-Agnostic Outputs for Consideration

Output name	Metric for consideration	Unit of measure
Workforce composition	Number and percentage of workers that are (a) full-time employees, (b) part-time employees, and (c) contingent	Number, Percentage (%)
Workforce costs	Salaries and wages, social security costs, other pension costs, share-based compensation costs, and contracted workers costs	Reporting currency
Workforce turnover	(a) Voluntary and (b) involuntary turnover rate for (a) full-time employees and (b) part-time employees.	Rate
*Workforce diversity/ demographics	-	-

* A detailed rationale on why diversity & inclusion theme should be addressed through an industry-specific approach is discussed in the Diversity & Inclusion standard-setting memo and presentation.



Workforce Composition

✓ Provides information about a sustainability issue

✓ Relevant to enterprise-value creation

✓ Decision-useful

✓ Cost-effective

? Applicable across all 77 industries

- Sustainability implication. Provides insight on the growth of various types of work arrangements, including alternative employment across various industries, which relates to other issues around worker compensation, benefits, equity, and precarity of work
- Value relevance/decision-usefulness. Provides information about the labor structure and supplements information about labor cost; however, no existing standard definition for various types of work arrangements, including alternative work
- Cost-effectiveness. Many companies already report information about FTE, headcount; but there could be some challenges in categorizing workers appropriately
- Applicability. Decisions about workforce composition are common to all industries; however, use of various types of work arrangements including contractual work arrangements may be more concentrated in certain industries



Workforce Turnover

- ✓ Provides information about a sustainability issue
 - ✓ Relevant to enterprise-value creation
 - ✓ Decision-useful
 - ✓ Cost-effective
 - ✓ Applicable across all 77 industries
- Sustainability implication. Voluntary and involuntary turnover provide information on firm culture, inclusivity, and worker engagement.
 - Value relevance/decision-usefulness. Provides information worker retention, providing insight into costs associated with talent attrition and worker replacement; however, this metric could be supplemented by additional, qualitative context to be more decision-useful
 - Cost-effectiveness. Relatively cost-effective as many companies currently report this information
 - Applicability. All businesses have workers exiting the workforce, which generates additional direct and indirect costs to the business, from replacement costs to loss of institutional knowledge, productivity, etc.



Workforce Costs (Disaggregation)

- ? Provides information about a sustainability issue
 - ✓ Relevant to enterprise-value creation
 - ? Decision-useful
 - ? Cost-effective
 - ? Applicable across all 77 industries
- Sustainability implication. SASB may be best suited to provide metrics that capture sustainability impacts related to equity within the workforce (e.g. fair and equitable compensation). This may not take the form of disaggregated workforce costs.
 - Value relevance/decision-usefulness. Provides all labor-related costs associated with the operations of the entity
 - Cost-effectiveness. Feasible to do, but not necessarily cost-effective
 - Applicability. Labor costs are a key component of any business; however, performance measurement may vary by industry



Workforce Diversity / Demographics

✓ Provides information about a sustainability issue

✓ Relevant to enterprise-value creation

✓ Decision-useful

? Cost-effective

✗ Applicable across all 77 industries

- **Sustainability.** The demographic composition of the workforce can be an indicator of equity & inclusion for marginalized or underrepresented groups
- **Value relevance/decision-usefulness.** Provides information on how a company's ability to attract and retain a diverse workforce, with benefits to innovation, inclusivity, retention, engagement, and other contributors of firm financial performance
- **Cost-effectiveness.** Many companies currently disclose demographic / diversity data. However, this data is largely non-standardized. In some cases, companies may be prevented from collecting certain types of demographic data.
- **Applicability.** Linkage between workforce diversity and firm enterprise value highly dependent on industry context. SASB best positioned to provide investors with useful data through performance measures that reflect this industry context (See Diversity & Inclusion memo for further context)



Discussion Topic

1

Does the SASB Standards Board have feedback or suggestions regarding the set of industry agnostic metrics being considered by the Staff? What additional information would help the Board in its assessment?

July 8, 2021 SASB Standards Board Meeting



Possible Approaches to Industry-Agnostic Human Capital Project

Approach	Criteria	Opportunities	Challenges
Industry-agnostic standard	<ul style="list-style-type: none"> Information must represent information relevant to enterprise-value creation across all industries Must be supported by evidence of (a) financial impact and (b) investor interest 	<ul style="list-style-type: none"> Formalized standard meeting a critical market need Rigor of a standards-development process, including market engagement and due process 	<ul style="list-style-type: none"> Conceptually and technically must meet guiding principles established in Conceptual Framework
Industry-agnostic activity metric(s)	<ul style="list-style-type: none"> Metrics must demonstrate that they are necessary to assist in accurate evaluation and comparability of reporting 	<ul style="list-style-type: none"> Provides important contextual data to enhance investor understanding of a company's overall sustainability performance 	<ul style="list-style-type: none"> Must provide evidence showing that industry-agnostic human capital information meets the intent and purpose of activity metrics
Technical bulletin	<ul style="list-style-type: none"> Bulletin advises companies on how to report industry-agnostic human capital information to investors in a standardized, comparable, and decision-useful manner 	<ul style="list-style-type: none"> Allows for more timely response to market feedback Opportunity to leverage guidance for further market engagement 	<ul style="list-style-type: none"> Guidance not part of the SASB Standards



Discussion Topics

2

Does the Board have preliminary feedback, suggestions, or guidance on how the Staff should further evaluate potential channels through which the SASB Standards might issue guidance on how companies may report industry agnostic human capital information?

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Next Steps

- 1** Additional research and targeted consultations to expand upon existing analysis and respond to SASB Standards Board feedback
- 2** Staff to prepare a proposal based on this additional work to present to the Board in the September Board Meeting

July 8, 2021 SASB Standards Board Meeting





July 8, 2021 SASB Standards Board Meeting

Diversity and Inclusion Project Proposal



Diversity and Inclusion

Preliminary Standard-Setting Project Proposal



Problem Statement

- Strong investor interest and evidence connecting diversity and inclusion to enterprise value creation suggests there are clear opportunities to strengthen the SASB standards.
- Evidence suggests industry-specificity is key to providing decision-useful information to investors.
- Staff is seeking in the Board's view on the proposed industry-specific approach, including considerations from the prior conversation on industry-agnostic human capital information.



Summary of Staff Recommendation

A standard-setting project to address diversity and inclusion across multiple industry standards.



Highlights of Recommendation

Scope of Project – Staff is soliciting the Board's input on the Staff's rationale and the preliminary set of industries included in the standard-setting proposal

Potential Outcomes – Addition of topics and metrics as well as revisions to existing topics and metrics

Preliminary Timeline – Staff anticipates a 12-18 month project duration



Connectivity between diversity and inclusion and enterprise value

Staff proposal based on evidence of investor interest and evidence of financial impact

Investor Interest

Staff reviewed and analyzed:

- Consultation feedback (survey)
- Investor engagement, stewardship, and proxy guides
- Proxy voting results
- Comment letters
- Communications from investors

Evidence of Financial Impact

Staff reviewed and analyzed:

- Academic studies
- Other published research
- Bottom-up industry analysis, including company disclosure analysis



Connectivity between diversity and inclusion and enterprise value

Staff proposal based on evidence of investor interest and evidence of financial impact

Investor Interest

Key conclusions:

1. High degree of investor interest in how firms manage and perform on issues related to diversity and inclusion
2. While broadly applicable, investor interest is **based on specific channels of financial impact that vary by relevance depending on industry context**
3. Investors currently lack decision-useful, comparable data on how firms are managing diversity and inclusion

Evidence of Financial Impact

Key conclusions:

1. Academic studies show that diversity can impact firm value
2. These impacts to **enterprise value can be broadly organized into specific channels of financial impact**
3. These **channels of financial impact are associated with general industry characteristics**



Evidence supports five broad channels of financial impact

Channels of financial impact consistent across both sources of evidence

- 1 Cognitive diversity:** Individuals within a group have different ways of thinking, viewpoints, experiences, and/or skillsets.
- 2 Talent Attraction / Retention:** The role diversity plays in a firms' ability to attract and retain talent
- 3 Discrimination:** Legal protections for workers against differential treatment based on groups, classes, or other categories of belonging
- 4 Customer Representation:** The extent to which a company's workforce reflects its customer or client-base
- 5 Community Relations:** The extent to which a company's workforce reflects the communities impacted by the firm's operations

Investor Interest

Evidence of Financial Impact

Connecting financial impact channels to industry characteristics

Based on the evidence, there are clear connections to industries based on common or shared characteristics

Financial Impact Channel	Description	Industry Characteristics
Cognitive Diversity	Individuals within a group have different ways of thinking, viewpoints, experiences, and/or skillsets.	Industries where financial performance is highly linked to innovation, risk-recognition, or decision-making under conditions of high uncertainty
Talent Attraction / Retention	The role diversity plays in a firms' ability to attract and retain talent	Industries (1) characterized by shortages in workers at key positions that drive financial performance and/or (2) where firm performance is highly linked to the company's ability to retain talent at key positions.
Discrimination	Legal protections for workers against differential treatment based on groups, classes, or other categories of belonging	Industries that are characterized by disparity among groups, classes, or other categories in hiring, compensation, promotion, or other disparate access to opportunities within firms.
Customer Representation	The extent to which a company's workforce reflects its customer or client-base	Likely to be value relevant in industries that (1) involve "high touch" interactions and information transfer in the sales process, (2) where the product/service value proposition is dependent on marketing to diverse customer bases, and (3) where product or service design require must meet the requirements of a diverse customer base
Community Relations	The extent to which a company's workforce reflects the communities impacted by the firm's operations	Industries that (1) generate significant social or environmental externalities as part of their operations and where (2) those externalities may disproportionately adversely impact communities



Example of industry characteristics driving financial impacts

The ways in which workforce diversity impacts firm enterprise value may vary by industry

Industry	Topic	Topic Description Excerpt
Professional & Commercial Services	Workforce Diversity & Engagement	Enhancing workforce diversity, particularly among management positions, is likely to help companies attract and develop the best talent.



Talent Attraction / Retention

Industry	Topic	Topic Description Excerpt
Advertising & Marketing	Workforce Diversity & Inclusion	Companies have clients across the globe and must employ a diverse workforce to effectively reach diverse audiences. Connecting with a target markets has been shown to rely, to a large extent, upon employing a workforce that is reflective of the community served.



Customer Representation



Example of industry characteristics driving financial impacts

The ways in which workforce diversity impacts firm enterprise value may vary by industry

Industry	Topic	Topic Description	Accounting Metric
Professional & Commercial Services	Workforce Diversity & Engagement	Enhancing workforce diversity, particularly among management positions, is likely to help companies attract and develop the best talent.	Percentage of gender and racial/ethnic group representation for (1) executive management and (2) all other employees

Industry	Topic	Topic Description	Accounting Metric
Advertising & Marketing	Workforce Diversity & Inclusion	Companies have clients across the globe and must employ a diverse workforce to effectively reach diverse audiences. Connecting with a target markets has been shown to rely, to a large extent, upon employing a workforce that is reflective of the community served.	Percentage of gender and racial/ethnic group representation for (1) management, (2) professionals, and (3) all other employees

Performance measurement is dependent on the way in which diversity affects firm value



Discussion Topic 1

Does the Board agree that an industry-specific approach to standard-setting for diversity and inclusion is appropriate and mission-aligned?

Additional discussion questions:

- **Does the Board have any concerns, suggestions, or input to the staff regarding the evidence and analysis supporting its conclusions?**
- **Does the Board agree with the staff's characterization of the channels of financial impact and their value relevance based on industry characteristics?**



Identifying potential standard-setting opportunities

Financial impact channels map to SASB's general issue categories, providing connectivity to disclosure topics

	Human Rights & Community Relations	Access & Affordability	Product Quality & Safety	Customer Welfare	Selling Practices & Product Labeling	Employee Engagement, Diversity & Inclusion	Product Design & Lifecycle Management	Business Model Resilience	Critical Incident Risk Management	Systemic Risk Management
Cognitive Diversity								1		
Customer Representation										
Discrimination										
Talent Attraction / Retention										
Community Relations		2								



Staff is finalizing its proposed set of industries for standard-setting

Illustrative examples of how financial impact channels can be used to define the scope of standard-setting activities

Sector	Industry	Topic(s)	Financial Impact Channel(s)	Additional notes
Healthcare	Health Care Delivery	Quality of Care & Patient Satisfaction	Customer Representation	Effects of implicit bias impacting patient health outcomes
Technology & Communications	Semiconductors	Employee Engagement, Diversity & Inclusion	Cognitive Diversity Talent Attraction / Retention	Effect of workforce diversity on ability for firms to attract and retain key technical talent as well as to drive innovation
Extractives & Minerals Processing	Oil & Gas – Exploration & Production	Community Relations Business Model Resilience	Community Relations Cognitive Diversity	Ensuring communities where operations are taking place are represented in the workforce is a critical driver of social license to operate. Cognitive diversity among senior management may enhance climate-related risk management and strategic planning



Discussion Topic 2

Does the Board agree with the staff's approach to identifying industries to be included in the scope of standard-setting focused on diversity and inclusion?

Additional discussion questions:

- **What additional evidence or analysis would be helpful in seeking a board decision to add a project to the standard-setting agenda?**

July 8, 2021 SASB Standards Board Meeting



Next Steps

- 1** Staff will finalize the proposal based on the Board's feedback
 - Staff will conduct additional evidence-gathering or targeted consultation, as appropriate
 - Staff will finalize the set of industries to be included in the final proposal
 - Staff will finalize the project execution strategy based on the final scope
- 2** Staff will communicate the final proposal to the Board
- 3** Staff will seek the Board's approval to add a project to the standard-setting agenda focused on diversity and inclusion

July 8, 2022 SASB Standards Board Meeting



Human Capital Research Project



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



Kelli Okuji Wilson

Project Manager – Human Capital

Sector Lead, Analyst – Health Care

David Parham

Director of Research - Projects



July 8, 2021 SASB Standards Board Meeting

Appendix



Diversity and inclusion in the SASB standards

Diversity and inclusion in two ways: (1) As a stand-alone General Issue Category (GIC)

Diversity, Inclusion, & Engagement GIC:

- Appears in twelve (12) industry standards
- Of these, calls for disclosure of workforce diversity in nine (9) industries

GIC Definition:

“This category addresses a company’s ability to ensure that its culture and hiring and promotion practices embrace the building of a diverse and inclusive workforce that reflects the makeup of local talent pools and its customer base. It addresses the issues of discriminatory practices on the basis of race, gender, ethnicity, religion, sexual orientation, and other factors.”

Sector	Industry	Disclosure Topic
Consumer Goods	E-Commerce	Employee Recruitment, Inclusion & Performance
Consumer Goods	Multiline and Specialty Retailers & Distributors	Workforce Diversity & Inclusion
Financials	Asset Management & Custody Activities	Employee Diversity & Inclusion
Financials	Investment Banking & Brokerage	Employee Diversity & Inclusion
Healthcare	Biotechnology & Pharmaceuticals	Employee Recruitment, Development & Retention
Healthcare	Health Care Delivery	Employee Recruitment, Development & Retention
Services	Advertising & Marketing	Workforce Diversity & Inclusion
Services	Professional & Commercial Services	Workforce Diversity & Engagement
Technology & Communications	Internet & Media Services	Employee Recruitment, Inclusion & Performance
Technology & Communications	Semiconductors	Recruiting & Managing a Global & Skilled Workforce
Technology & Communications	Software & IT Services	Recruiting & Managing a Global, Diverse & Skilled Workforce
Technology & Communications	Hardware	Employee Diversity & Inclusion



Diversity and inclusion in the SASB standards

Diversity and inclusion in two ways: (2) As a performance measure for other GICs

Media & Entertainment Industry standard includes a topic for Media Pluralism:

- This topic is mapped to the Customer Welfare GIC
- The topic includes a metric which asks companies to disclose the diversity of their workforce at various levels

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Media Pluralism	Percentage of gender and racial/ethnic group representation for (1) management, (2) professionals, and (3) all other employees ²	Quantitative	Percentage (%)	SV-ME-260a.1
	Description of policies and procedures to ensuring pluralism in news media content	Discussion and Analysis	n/a	SV-ME-260a.2
Journalistic Integrity & Sponsorship Identification	Total amount of monetary losses as a result of legal proceedings associated with libel or slander ³	Quantitative	Reporting currency	SV-ME-270a.1
	Revenue from embedded advertising	Quantitative	Reporting currency	SV-ME-270a.2
	Description of approach for ensuring journalistic integrity of news programming related to: (1) truthfulness, accuracy, objectivity, fairness, and accountability, (2) independence of content and/or transparency of potential bias, and (3) protection of privacy and limitation of harm	Discussion and Analysis	n/a	SV-ME-270a.3
Intellectual Property Protection & Media Piracy	Description of approach to ensuring intellectual property (IP) protection	Discussion and Analysis	n/a	SV-ME-520a.1



Investor interest in diversity and inclusion

Investor survey results demonstrated broad value-relevance with specific channels of financial impact

- 100% of survey respondents indicated that diversity and inclusion was relevant to enterprise value in all or nearly all industries
- However, detailed comments suggested that this broad value-relevance was based on several channels of financial impact

Financial Impact Channel	Investor survey responses
Cognitive Diversity	Diverse teams are characterized by improved decision-making, risk recognition, and/or innovation, both at the board level and within the workforce (72%)
Talent Attraction / Retention	Diversity improves a firm's ability to attract and retain talent (100%)
Discrimination	Firms that better manage diversity and inclusion are less likely to face claims of discrimination and associated financial impacts (39%)
Customer Representation	Diverse firms can better anticipate, understand, and respond to the needs of a diverse customer or client base (56%)
Community Relations	Firms can better identify, engage, and proactively manage issues relating to the communities in which they operate by hiring a more representative workforce (17%)



Investor interest in diversity and inclusion

Other sources of evidence point to a growing investor focus on workforce diversity

Investor engagement, stewardship, and proxy guides

- Staff reviewed materials from 67 firms comprising over \$50T in AUM
- 85% included policies, engagement practices, or voting guidelines focused on diversity
- While nearly all of these focused on Board diversity, a significant share also highlighted workforce diversity (60%)
- While nearly all focused on gender diversity, a significant share also focused on racial/ethnic diversity (75%)

Shareholder resolutions

- Staff analyzed resolutions filed between 2018-2021
- The share of total resolutions focused on diversity and inclusion grew from 7% in 2018 to nearly 12% in 2021
- Of these, shareholder resolutions focused on workforce diversity grew significantly relative to those focused on board diversity



Investor interest in diversity and inclusion

Comment letters and other communications from investors suggest current disclosure does not meet investor needs

SEC Comment letters:

- Staff reviewed 98 comment letters filed in response to the SEC's proposed rulemaking regarding the modernization of Regulation S-K items 101, 103, and 105.
- Of these, 19 were submitted by investment firms, with 15 (79%) calling for diversity disclosures to be a required part of SEC rulemaking
- Of the 4 organizations that did not mention diversity, 3 broadly supported human capital disclosure.
- Overall, significant focus on human capital broadly, and diversity specifically

Other communications from investors:

- The majority of firms reviewed have issued statements or created stand-alone materials communicating the firm's positions and actions related to investee disclosure and performance on issues related to diversity
- Many investors cite gaps in current disclosure, including:
 - Policies/practices related to diversity
 - Measures of diversity at the board and senior leadership level as well as within the workforce



Renewable Energy in Electric Utilities

Standard-Setting Project Proposal

8 July 2021

Will Meister, Analyst, Infrastructure Sector Lead



Session Objective: Board Decision

- Seeking SASB Standards Board approval to initiate standard-setting
- Project proposal focused on the transition to renewable energy in the Electric Utilities & Power Generators industry

Staff will:

- Provide an overview of the proposed project
- Ask if a standard-setting project can be initiated

July 8, 2021 SASB Standards Board Meeting



Background on Disclosure Topic of Interest

Greenhouse Gas Emissions & Energy Resource Planning topic

Sector: Infrastructure

Industry: Electric Utilities & Power Generators

Disclosure Topic: Greenhouse Gas Emissions & Energy Resource Planning

- Understand how companies can reduce their emissions in line with regulations
- Create a competitive advantage through proactive measures

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions & Energy Resource Planning	(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations	Quantitative	Metric tons (t) CO ₂ -e, Percentage (%)	IF-EU-110a.1
	Greenhouse gas (GHG) emissions associated with power deliveries	Quantitative	Metric tons (t) CO ₂ -e	IF-EU-110a.2
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	IF-EU-110a.3
	(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market ²	Quantitative	Number, Percentage (%)	IF-EU-110a.4



Feedback and Research Indicate Issues with Current Set of Metrics

Staff recommends standard setting to improve decision-usefulness



Problem Statement

- Metrics may not be complete in measuring performance on the topic considering transition underway to renewable energy by the industry
- Metric IF-EU-110a.4 on renewable portfolio standards (RPS) has limited applicability



Summary of Staff Recommendation

- Initiate standard-setting project to improve decision-usefulness of metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions & Energy Resource Planning	(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations	Quantitative	Metric tons (t) CO ₂ -e, Percentage (%)	IF-EU-110a.1
	Greenhouse gas (GHG) emissions associated with power deliveries	Quantitative	Metric tons (t) CO ₂ -e	IF-EU-110a.2
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	IF-EU-110a.3
	(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market ²	Quantitative	Number, Percentage (%)	IF-EU-110a.4



Proposed Project Scope Focused on Transition to Renewable Energy

Areas in and out of scope

Issues Guiding Scoping

- Metrics incomplete
- Renewable energy as a key decarbonization pathway
- Shift in capital allocation
- Evolving regulations and policies
- RPS metric is not globally applicable
- Broader opportunities to measure topic performance

In Scope

Transition to renewable energy

- Investigate company performance beyond RPS

Out of Scope

- Reassess financial materiality of disclosure topic
- All decarbonization pathways
 - Emerging technologies
 - Other pathways addressed in other disclosure topics like end-use efficiency

Staff will apprise the Board if market feedback suggests an alternative scope would better fulfill standard-setting criteria



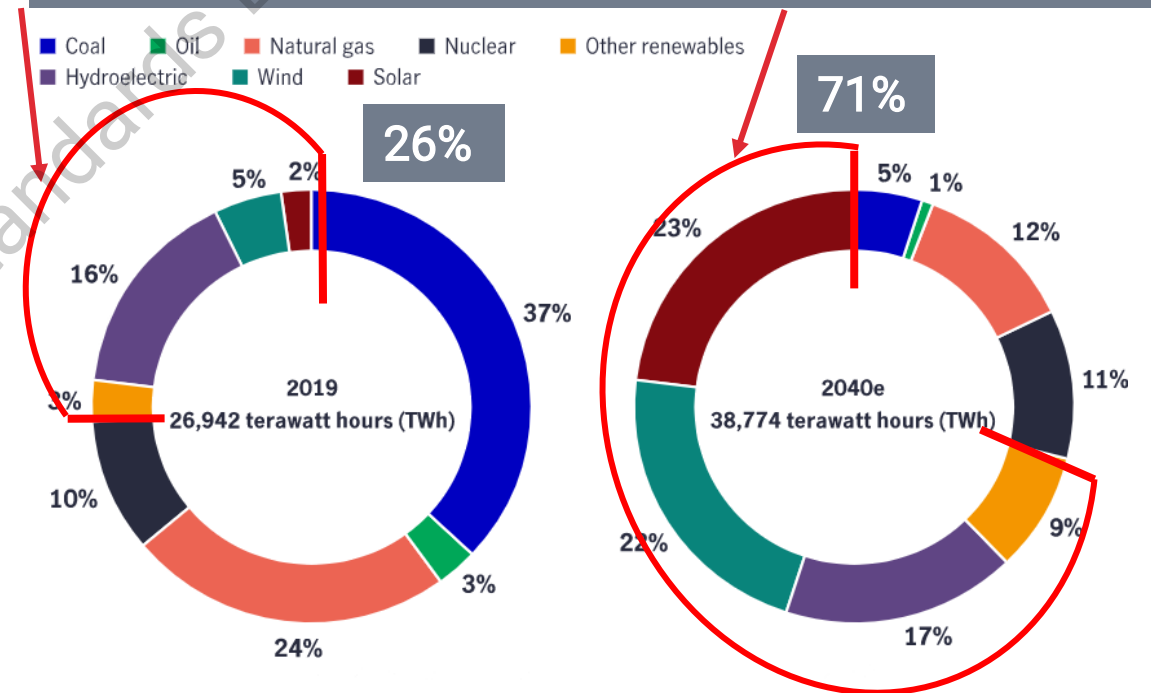
Key Considerations in Proposal Development

Increasing demand and impacts of regulations and policies focused on renewable energy

Key Considerations

- Greater demand for renewable energy through increased electrification of market sectors like transportation
- Significant increase in electricity generation from renewable energy to meet reduced emissions targets
- Government policy support to transition to renewable energy such as feed-in tariffs in some countries
- Evolving regulatory landscape like E.U. Renewable Energy Directive
- Expansion of areas to develop renewable energy like offshore wind along U.S. coastlines
- Considerations around stranded assets as countries phase out coal
- More attractive development and operational cost considerations

Renewables expected to become major sources of electricity by 2040



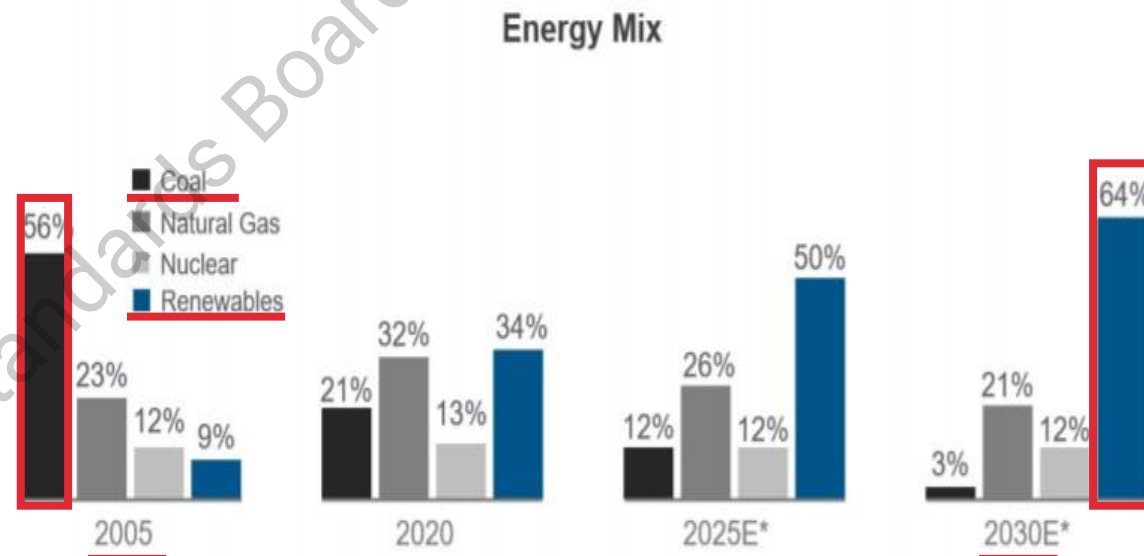
"Source: World Energy Outlook 2020, Sustainable Development Scenario," International Energy Agency, 2020. No forecasts are guaranteed.

Industry Examples Considered in Proposal Development

Evidence of the transition to renewable energy by the industry

- Estimated investment of USD 22.5 trillion in new renewable power capacity needed between 2016-2050 to stay on transformation path¹
 - USD 800 billion in annual investment or triple current level of investment
- 13 of 30 largest publicly traded U.S. utilities have zero/net zero GHG emissions by 2050 or clean electricity by 2040 goals
- Ørsted (Danish company) plans to invest USD 57 billion by 2027 in renewable energy
- Iberdrola (Spanish company) plans to invest USD 182 billion by 2030 to triple renewable capacity

Xcel Energy, energy mix 2005 – 2030E



Significant increase in renewables planned

* Potential scenarios that achieve carbon reduction goal

Source: Xcel Energy, 2020 Form 10-K

¹ Estimated by International Renewable Energy Agency (IRENA)

Market Feedback and Research on Jurisdictional Challenges

RPS metric limited in its applicability across jurisdictions



Companies in several jurisdictions provided feedback on lack of applicability of RPS metric (IF-EU-110a.4)



~23% countries with renewable energy policies have RPS

110 countries with renewable energy policies do not have RPS



Variety of renewable energy policies in place globally like feed-in tariffs, competitive auctions/tendering



Capital expenditures on renewable energy suggested as alternative measure of performance

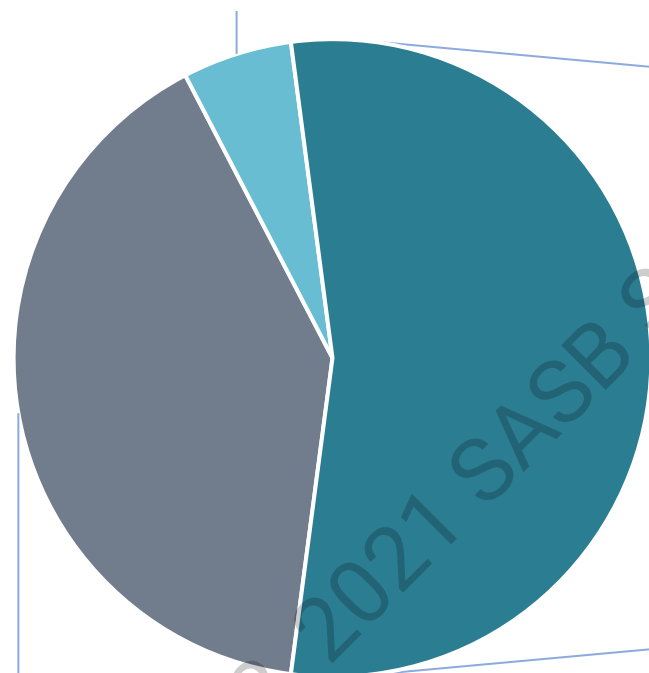


Some SASB Standards Reporters omit RPS Metric ¹

Omissions largely made by non-U.S. reporters indicating lack of global applicability

Percentage of SASB Reporters that disclose or omit metric IF-EU-110a.4 on RPS

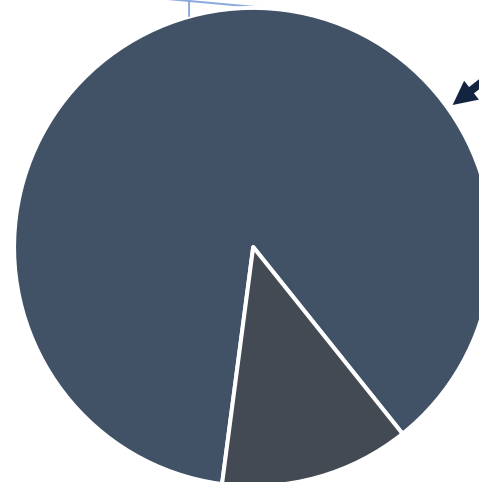
Disclosure (non-U.S.), 6%



Disclosure (U.S.),
40%

Omit, 54%

Non-U.S., 87%



U.S., 13%

Omissions skewed towards non-U.S. companies

Metric IF-EU-110a.4 does not account for 110 countries with renewable energy policies other than RPS

¹ As of 28 June 2021



Ideas Guiding Proposed Project Development

Focus first on concepts and then understand metrics

1) Concepts

Which concepts describe a company's strategy and performance on the transition to renewable energy?

2) Metrics

Which metrics improve the completeness and comparability of performance on the disclosure topic?

Possible areas to investigate to improve completeness and comparability of performance

Historical performance

How have companies allocated their capital towards renewable energy?

Strategy

- What strategy does a company have to transition?
- How will it execute its strategy?
- How do renewable energy policies factor into this strategy?

Forward-looking information

- What estimates do companies have of their future energy mix?
- How will capital be allocated towards the transition?



Key Challenges to Consider for the Proposed Project

Complexities within this industry

Key Challenges	
Different regulations and policies	Industry is not regulated the same way or subject to the same policies in each jurisdiction → Challenges to developing globally applicable metrics
Changing regulations and policies	Regulations and policies change over time → Challenges to developing globally applicable metrics
Electric power value chain differs regionally	Market structures differ regionally related to differences in regulations → Challenges to developing metrics applicable to all components of the value chain



Fulfillment of Standard-Setting Criteria and Agenda Priorities

How does this proposal fulfill the criteria and priorities?



CLIMATE



INTERNATIONALIZATION



MARKET FEEDBACK

- Seeks to improve the completeness and comparability of metrics
- Responds to market feedback on global applicability
- Sufficient staff capacity based on current workload and anticipated future work
- Allocates staff capacity to key climate-related risk and opportunity in industry

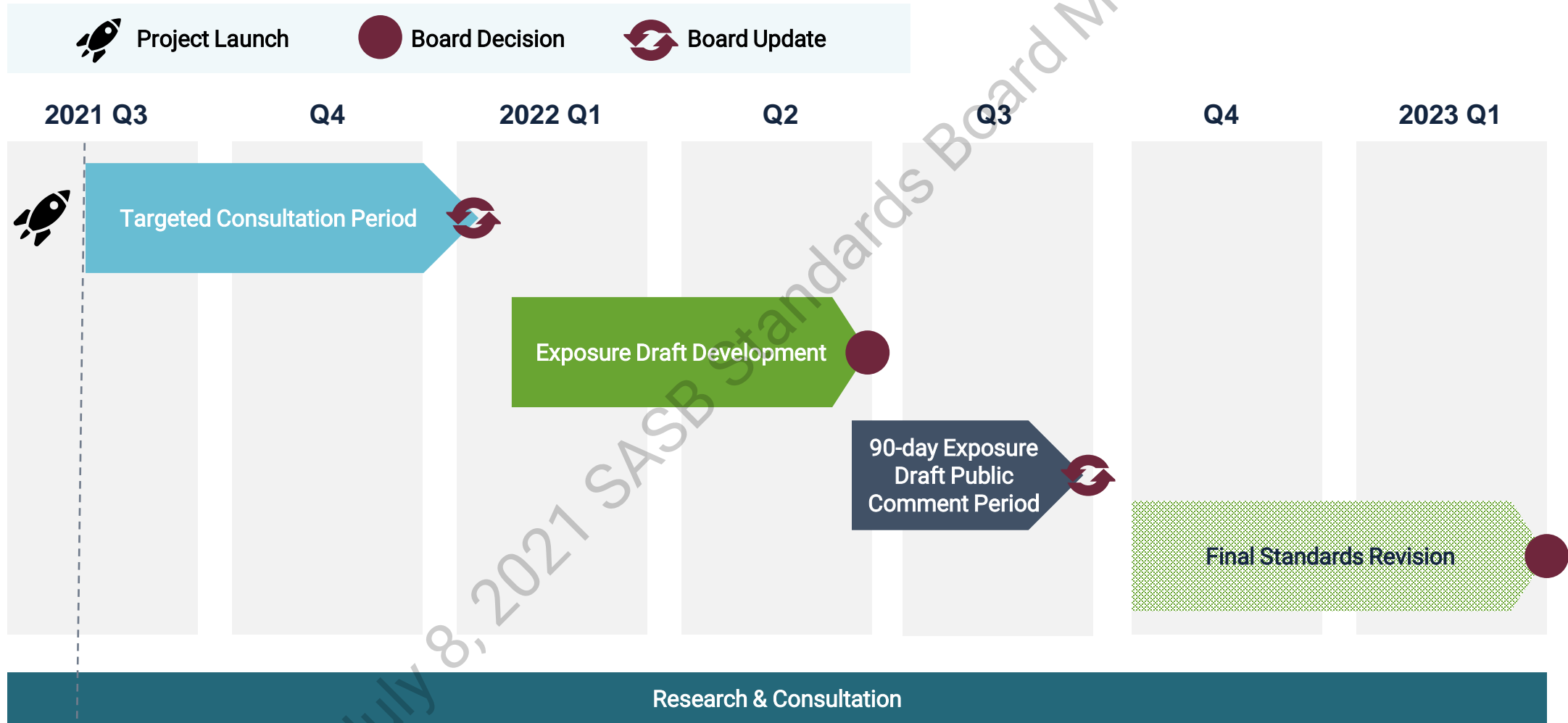


- Globally prevalent issue
- Renewable energy policies implemented in a significant number of jurisdictions
- Confident that proposed scope will lead to a solution in a timely manner



Proposed Project Timeline

Target public comment period: 2022 Q3



Discussion Questions for the Board

Board decision to initiate standard-setting

Do you agree with the staff recommendation to initiate standard-setting as proposed?

- Do you have any initial views on the proposed project scope and potential areas to investigate within that scope (e.g. historical performance, strategy, government policy impacts, forward-looking information) or recommendations on other areas to consider?
- If approved, do you have any concerns, suggestions, or input for staff in executing this standard-setting project?



Next Steps

1 Conduct market consultations

- Companies
- Investors
- Subject-matter experts

2 Explore alignment opportunities with other disclosure tools

3 Continue general research on topic



Contact

Staff requests feedback on the concepts that should be measured to describe electric utilities and power generators' performance on the transition to renewable energy.



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



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Concluding Remarks



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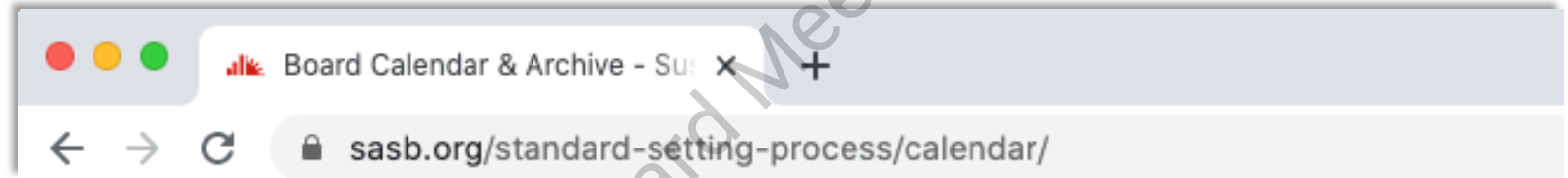


**SASB
STANDARDS**



2021 Standards Board Meetings*

- September 30 & October 1
- December 14 & 15
- *2022 meeting dates will be announced shortly*



[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.



Thank you

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