

Sustainability Accounting Standards Board

Public Standards Board Meeting

Wednesday, December 15, 2021



**INTEGRATED
THINKING
PRINCIPLES**



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**

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The University of Texas at Austin

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Member of the Sustainable
Investment and Stewardship
Strategies team at the
California State Teachers'
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Chairman Emeritus, Committee
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(COSO)

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Partner, Head of Sustainability,
PwC Denmark

Stephanie Tang, JD

Senior Counsel, Benchling

Mark Vaessen

Partner, Head of Department of
Professional Practice, KPMG



December 13, 2021 Standards Board Meeting



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December 15, 2021 Standards Board Meeting

Agenda

Time	Session	Session Leader	Session Objective
7:30 PST / 15:30 UTC	Welcome, Meeting Overview & Organization Updates	Jeff Hales, Bryan Esterly, Lynn Xia	<ul style="list-style-type: none"> Welcome & meeting overview IFRS & Value Reporting Foundation organization updates Standards Updates Standard-Setting Agenda Overview
	Human Capital: Diversity & Inclusion	Taylor Reed	Standard-setting project proposal: Staff is seeking Board vote to add a multi-industry standard-setting project on the human capital theme of diversity & inclusion
9:15 PST / 17:15 UTC	GHG Emissions in Marine Transportation	Max Le Merle	Standard-setting project proposal: Staff is seeking Board vote to add a standard-setting project to revise metrics in the GHG Emissions and Air Quality disclosure topics in the Marine Transportation Standard
	Raw Materials Sourcing in Apparel	Taylor Reed	Standard-setting project update: Staff to report out on received public comments and discuss path forward on the project
	Standards Technical Updates	Will Meister, Bryan Esterly	Discussion: Discuss criteria and approach for technical updates
	Concluding Remarks	Jeff Hales	Concluding remarks and review upcoming SASB Standards Board meetings
11:15 PST / 19:15 UTC	Adjourn Meeting		

Value Reporting Foundation Updates

December 15, 2021

Jeff Hales, Chair, SASB Standards Board

Bryan Esterly, Chief Technical Officer, SASB Standards



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**SASB
STANDARDS**

At COP26, IFRS Foundation announced:



**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY



**1. Formation of the
International
Sustainability Standards
Board (ISSB)**



**2. Consolidation with
Climate Disclosure
Standards Board (CDSB)
& Value Reporting
Foundation**

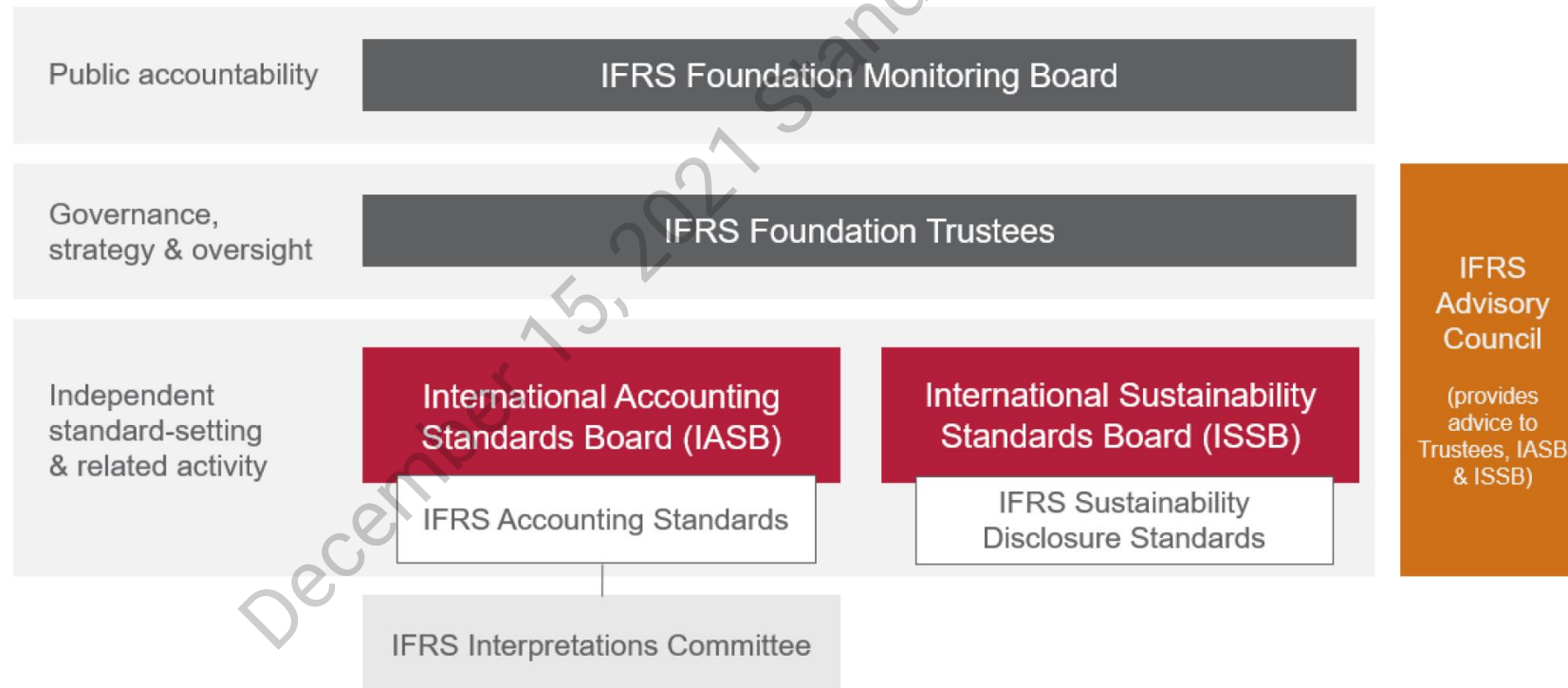


**3. Publication of climate
and general disclosure
prototype requirements**

December 15, 2021 Standards Board Meeting

About the IFRS Foundation

- Not-for-profit, public interest organization
- Sets globally accepted accounting standards – IFRS Standards
- Required in 140+ jurisdictions, permitted in many more (incl. 500+ private issuers in the US)
- Public accountability through global monitoring board led by IOSCO
- Extensive, inclusive due process.



Positioning the Value Reporting Foundation's resources within the IFRS Foundation (subject to IASB and ISSB due process)



Principles and concepts of the <IR> Framework used as a framework to connect the IFRS Accounting Standards and the IFRS Sustainability Disclosure Standards

International Accounting Standards Board (IASB)

- IFRS Accounting Standards required in over 140 jurisdictions globally
- Current home of the Management Commentary Practice Statement.

International Sustainability Standards Board (ISSB)

- IFRS Sustainability Disclosure standards to include general requirements, thematic requirements, and industry-specific requirements
- **SASB Standards** to provide input for industry-specific requirements, subject to ISSB due process.



Strong support from the Technical Readiness Working Group members to simplify the landscape

Will consolidate into the IFRS Foundation



Provided technical advice and contributed content to TRWG deliverables



Publication of summary of TRWG's programme of work

Summary of the Technical Readiness Working Group's Programme of Work

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021



Climate
Disclosure
Standards
Board



- Context of the TRWG
- Overview of the workplan
- Development of deliverables
- Expectation-setting and future due process
- Summary of deliverables
- Implications for preparers.

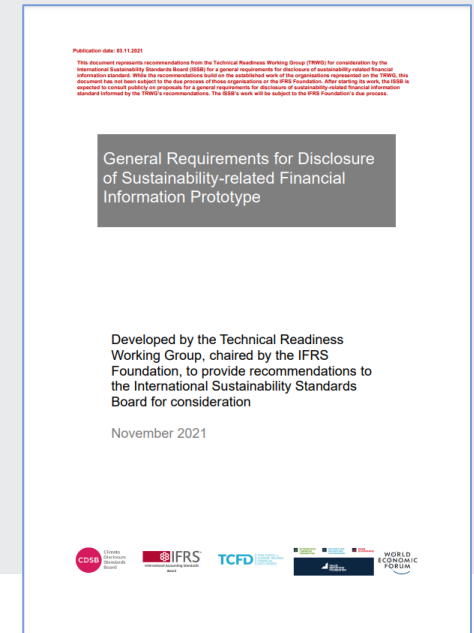
Download at: ifrs.org/groups/technical-readiness-working-group

Publication of prototype requirements

Climate-related Disclosures

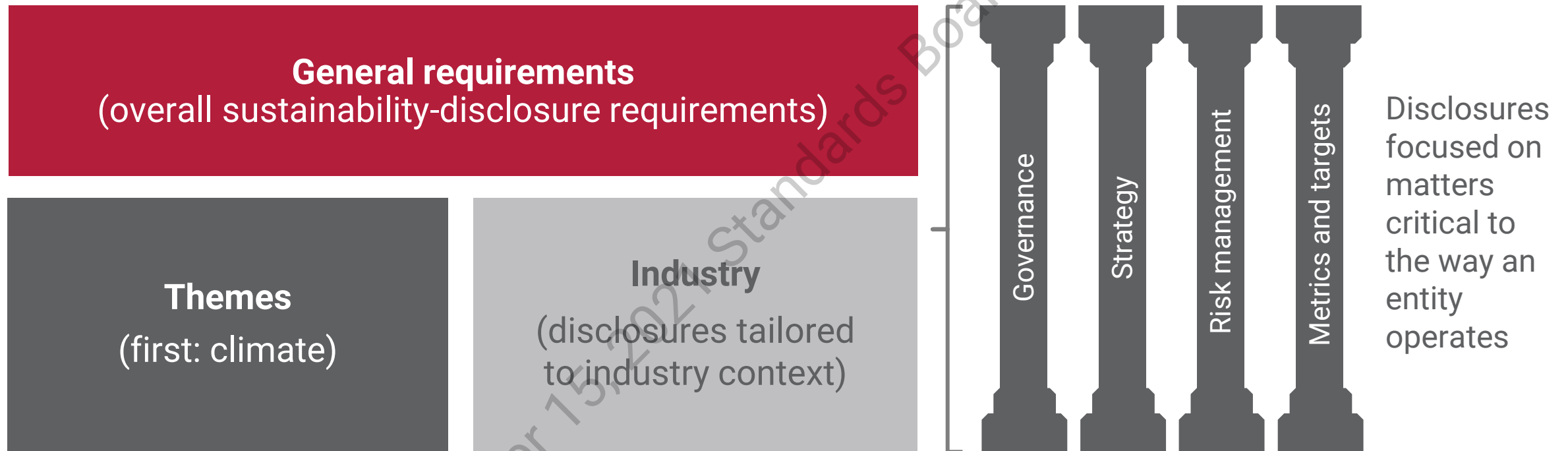


General Requirements for Disclosure of Sustainability-related Information



- Recommendations from Technical Readiness Working Group (TRWG) to ISSB
- ISSB to consider as part of initial work programme.

Recommended architecture for ISSB Standards integrates content from all TRWG members into a cohesive whole





What happens to SASB Standards?

SASB STANDARDS

- Starting point for industry-specific requirements. Need to go through full ISSB due process on timeline TBD.

SASB STANDARDS ADVISORY GROUP

- Transition to support the ISSB standard-setting process

SASB STANDARDS INVESTOR ADVISORY GROUP

- Strategic advice to the ISSB
- Advocacy for the ISSB Standards
- Participation in standard development process.

Advice to investors & preparers



Continue applying the <IR> Framework and SASB Standards



Get familiar with the prototypes – early indication of direction of travel



Be ready to share views – public consultation early 2022



Plan to engage in ISSB Standards development on an ongoing basis

December 15, 2021 Standards Board Meeting

Next steps

APPOINTMENTS	Chair, Vice-Chair(s), launch recruitment for remaining ISSB members
CONSULTATIONS	Proposed climate and general disclosure standards, work plan and future priorities (due process)
ADVISORY GROUPS	Finalise advisory group structure
CONSOLIDATION	Complete consolidation with CDSB and Value Reporting Foundation
LOCATION	Implement multi-location approach for global footprint

SASB Standards Board & technical staff to continue advancing ongoing standard-setting activities while planning for effective ISSB transition

Standard-Setting Agenda Overview

December 15, 2021

Lynn Xia | Director of Research – SASB Standards



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Three Standards Updates Issued

Updates effective for reporting periods beginning on or after January 1, 2022



Asset Management & Custody Activities Standard

- Removed Systemic Risk Management disclosure topic & all associated metrics
- This update is specific to the Asset Management & Custody Activities Standard. No changes have been made to the other Financials sector Standards.

See the [Systemic Risk in Asset Management](#) project page and the [Basis for Conclusions](#) for more details



Coal Operations Standard

Metals & Mining Standard

- Added a new Tailings Storage Facilities Management disclosure topic to both Standards with three new associated metrics
- Updated the respective Waste & Hazardous Materials management disclosure topic scope in each Standard and added new metrics

See the [Tailings Management in Extractives](#) project page and the [Basis for Conclusions](#) for more details

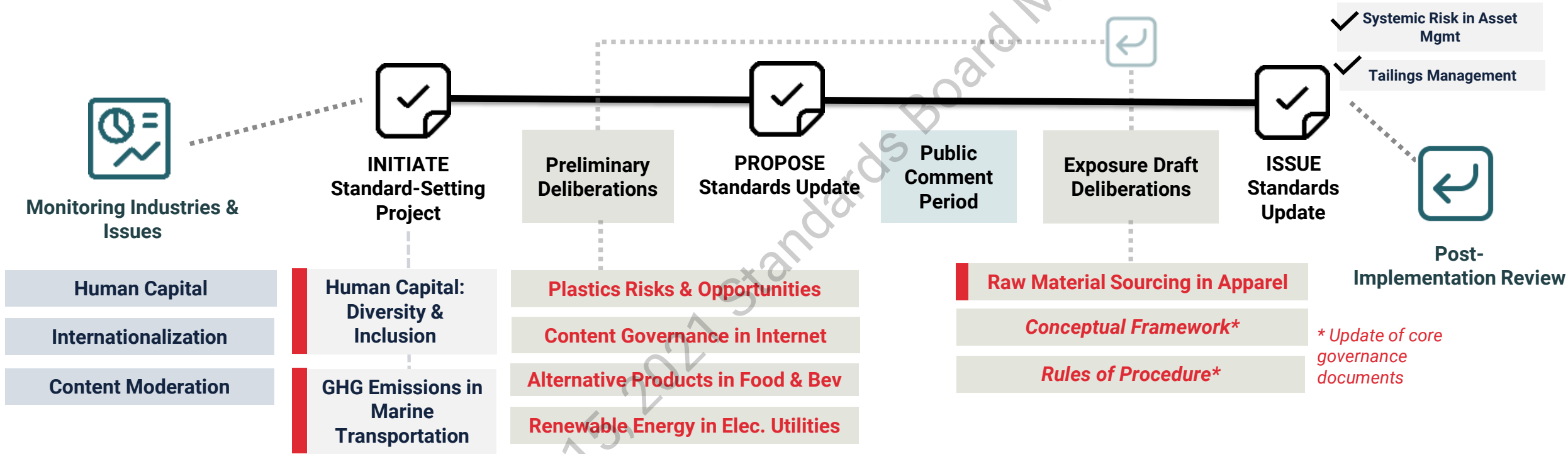


Download updated Standards:

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

Evolving the SASB Standards to meet market needs

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




Research Projects

Determines if standard setting is necessary/appropriate by assessing the financial impacts of a sustainability issue impacting companies.

Standard-Setting Projects

A standard-setting project is subject to due process and is a defined and scoped project likely to result in updates to the standards content

 Project session in today's Board Meeting

Progress Standard-setting Projects

Standard-setting Project	Current Project Status	1H 2022 Target Timeline*
Raw Materials Sourcing in Apparel	Exposure draft deliberations	Issue Standard update <i>or</i> conduct additional public comment period
Plastics Risks & Opportunities	Exposure draft development	Exposure draft out for public comment period
Content Governance in Internet Media Services Industry	Exposure draft development	Exposure draft out for public comment period
Alternative Products in Food & Beverage	Continue research, market consultations & preliminary deliberations; exposure draft development	Exposure draft out for public comment period
Renewable Energy in Electric Utilities	Continue research & preliminary deliberations	Continue market consultations

Additional project proposals to be discussed today:

- Human Capital: Diversity & Inclusion
- GHG Emissions in Marine Transportation

Monitor Key Research Issues



Financed Emissions

- Measurement of greenhouse gas emissions associated with loans and investments of relevant Financials industries



Additional Human Capital Management Themes

- Labor Conditions in the Supply Chain
- Workforce Investment
- Worker Wellbeing
- Alternative Workforce

December 15, 2021 Standards Board Meeting

Diversity, Equity & Inclusion Standard Setting Proposal

December 15, 2021

Taylor Reed | Analyst – SASB Standards
Sam Wallace | Analyst SASB Standards



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Session Agenda

Rationale for Standard Setting

Staff's Approach to Industry Selection for Standard Setting

Staff Proposal

Session Objective

Standards Board vote on the diversity, equity & inclusion standard setting proposal.

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Opportunity to enhance industry specific guidance on DEI disclosures

Problem Statement

Significant investor interest and strong evidence connecting diversity, equity and inclusion to enterprise value creation suggest there are opportunities to strengthen how the Standards capture this issue.

Staff's Recommended Action

Staff recommends that the Standards Board approve a standard-setting project that will address diversity, equity and inclusion in 45 industries, focused on adding or revising topics and/or metrics to better account for how DEI can impact enterprise value within each of these industries.

DEI proposal stems from Human Capital Research Project

Staff's Human Capital Preliminary Framework, market consultations, and industry specific analysis surfaced five key themes that have informed the Standards Board's prioritization of standard setting work on the broad human capital issue



Workplace Culture

- Diversity, equity & inclusion



Workforce Investment



Worker Wellbeing



Alternative Workforce



Labor Conditions in the Supply Chain

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Rationale for Standard Setting

Evidence of Investor Interest

Evidence of Financial Impact

December 15, 2021 Standards Board Meeting

Staff research found increasing investor interest in DEI

Staff analyzed the following sources to understand investor perspective on DEI:



Key conclusions:

1. High degree of investor interest in how firms manage and perform on issues related to diversity, equity and inclusion
2. Investors currently lack decision-useful, comparable data on how firms are managing diversity, equity and inclusion

Staff analysis finds growing investor interest in DEI

A review of proxy voting, stewardship and engagement guides demonstrate growing investor focus on board and workforce diversity



- 85% included policies, engagement practices, or voting guidelines focused on diversity
- While nearly all of these focused on board diversity (84%), a significant share also highlighted workforce diversity (60%)
- While nearly all focused on gender diversity (85%), a significant share also focused on racial/ethnic diversity (75%)

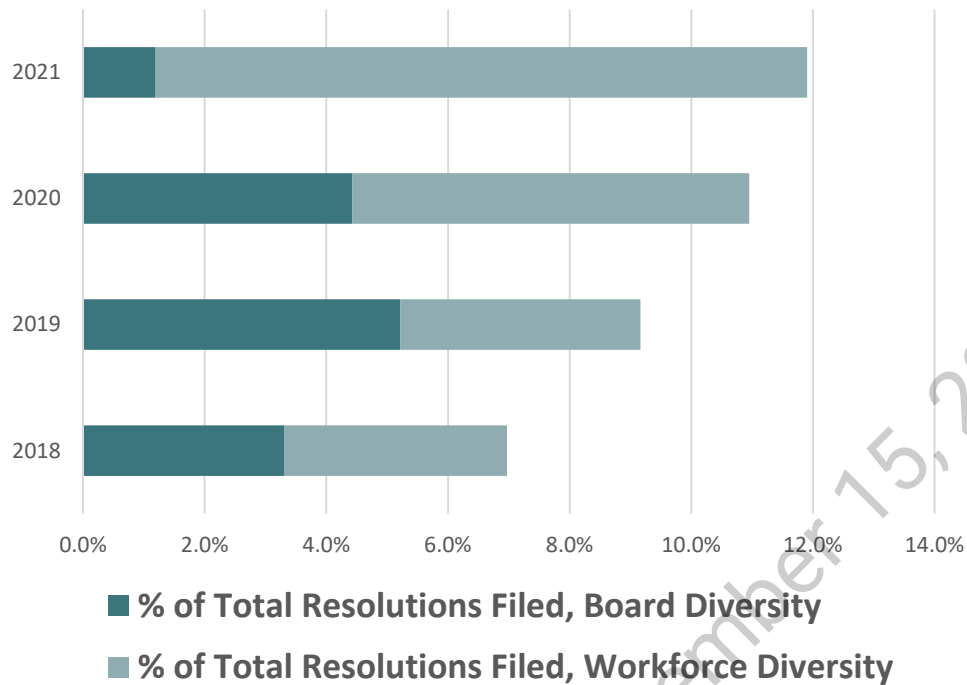
Investor interest in DEI varies by geographic region

Firm position on DEI varied by geographic region

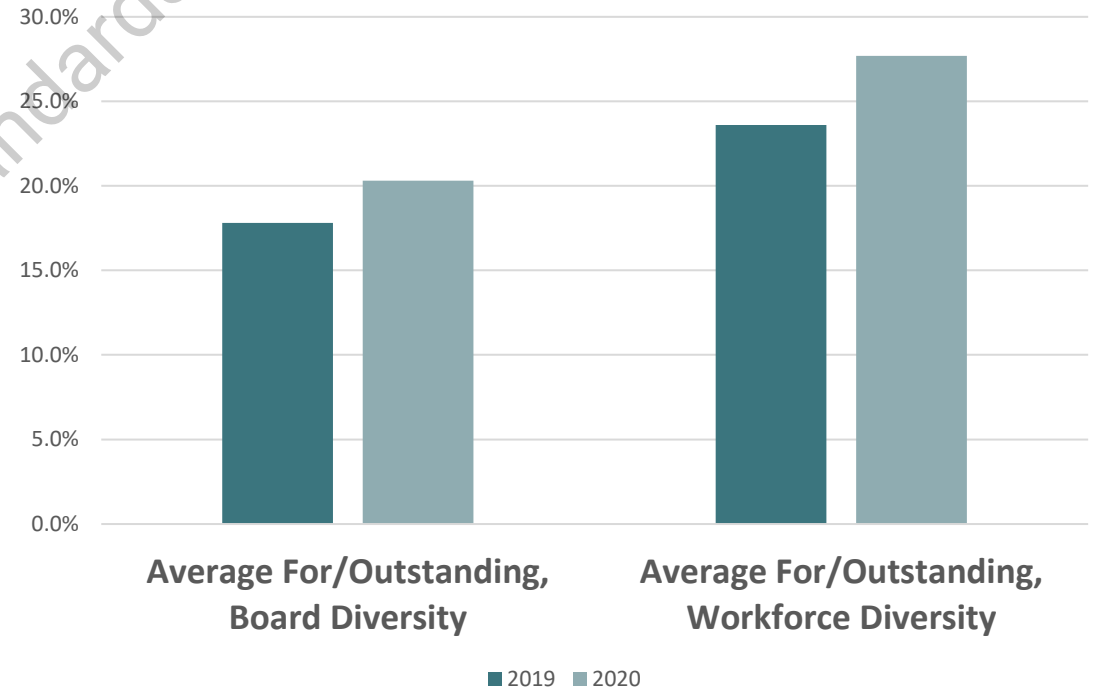
	North America	EU / UK	APAC
Firms with policies, practices, or guidelines related to diversity (board, workforce, or both)	89% (33 of 37 firms)	93% (13 of 14 firms)	40% (2 of 5 firms)
Firms with policies, practices, or guidelines related to workforce diversity	70% (26 of 37 firms)	43% (6 of 14 firms)	20% (1 of 5 firms)

Investor interest in DEI – Shareholder Resolutions

Percentage of resolutions filed on diversity nearly doubled between 2018 and 2021:



The average shareholder support increased for both resolutions focused on Board Diversity and Workforce Diversity from 2019 to 2020 :



Avg shareholder support = votes for the proposal divided by the total shares outstanding

DEI shareholder resolutions gaining investor support

Workplace Diversity (EEO-1 Report)	2021 Vote
Charter Communications*	40.7%
DuPont de Nemours	83.8%
Union Pacific	86.4%

*Liberty Broadband owns 27.6% of the stock.

Workplace Diversity (DEI Report)	2021 Vote
American Express	59.7%
Berkshire Hathaway*	27.1%
Charter Communications**	41.4%
International Business Machines***	94.3%
Union Pacific	81.4%
United Parcel Service	33.7%

*Directors and officers hold 35.3% of the voting power.

**Liberty Broadband owns 27.6% of the stock.

***The board recommended in favor of the proposal.

Racial Audits	2021 Vote
Amazon.com	44.2%
Bank of America	26.5%
Citigroup	38.6%
Goldman Sachs Group	31.3%
Johnson & Johnson	33.9%
JPMorgan Chase	40.5%
State Street	36.8%
Wells Fargo*	13.1%

WHY?

Vanguard, State Street Global Advisors (SSGA), JPMorgan Asset Management and Alliance Bernstein, Institutional Shareholder Services have announced plans to hold nominating committee chairs accountable if their boards fail to disclose or lack racial/ethnic diversity.

DEI's impact on business performance

Staff analyzed the following sources to understand the connectivity between DEI and business performance:



Key conclusions:

1. Academic studies, market research, and industry specific evidence show that DEI can impact business performance
2. These impacts to enterprise value can be broadly organized into specific channels of business relevance

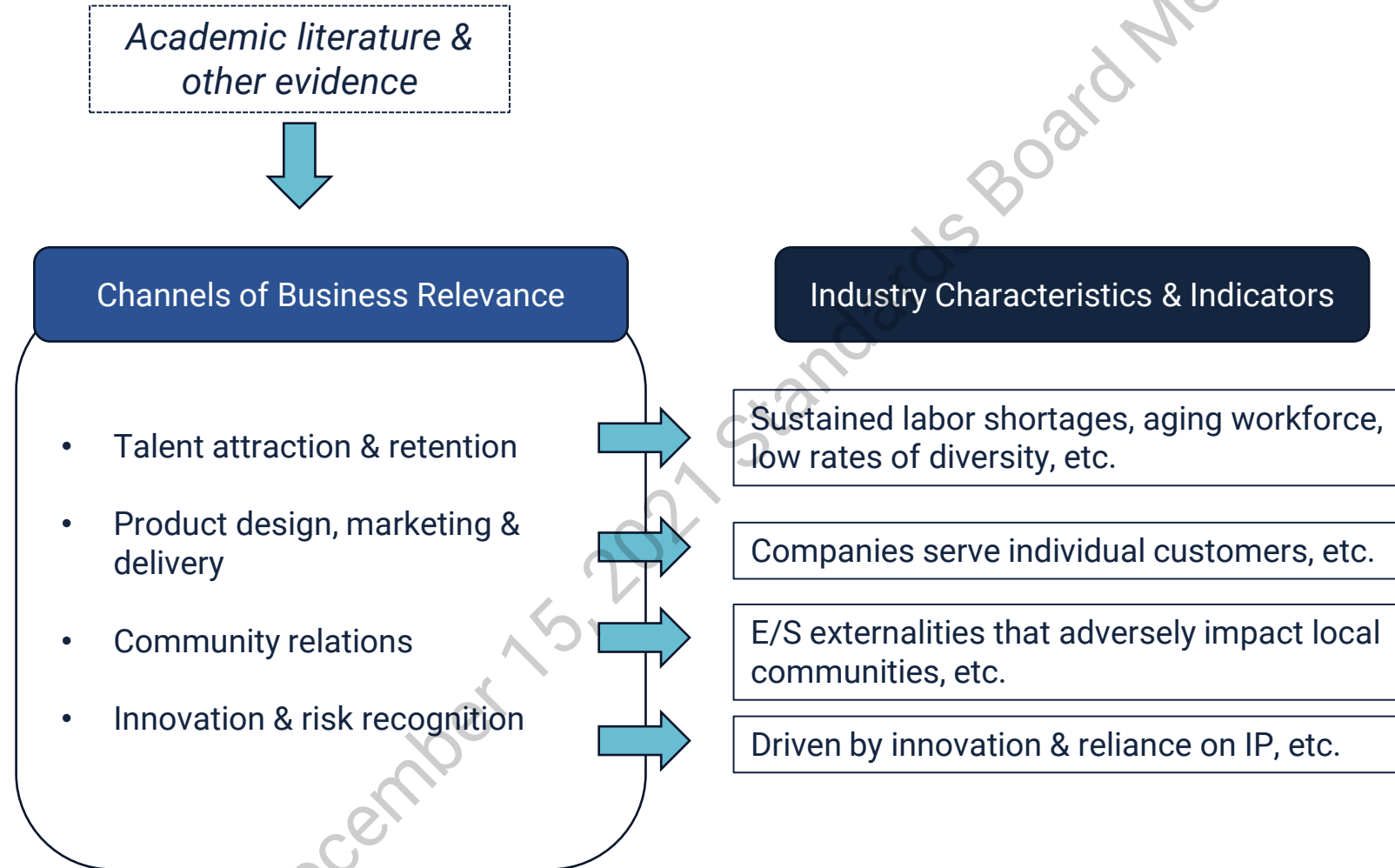
Staff identified four channels where (broadly) DEI is most likely to be business relevant

Channels of Business Relevance	Description
Talent Attraction & Retention	The role DEI plays in a firm's ability to attract and retain talent.
Product Design, Marketing & Delivery	The role DEI plays in enhancing product/service value proposition for consumers.
Community Relations	The role DEI plays in effectively identifying, engaging, and proactively managing issues related to the communities in which a firm operates.
Innovation & Risk Recognition	The role DEI plays in a firm's ability to innovate and recognize risk.

Staff's Approach to Industry Selection for Standard Setting

December 15, 2021 Standards Board Meeting

Project Approach: Channels & Industry Indicators

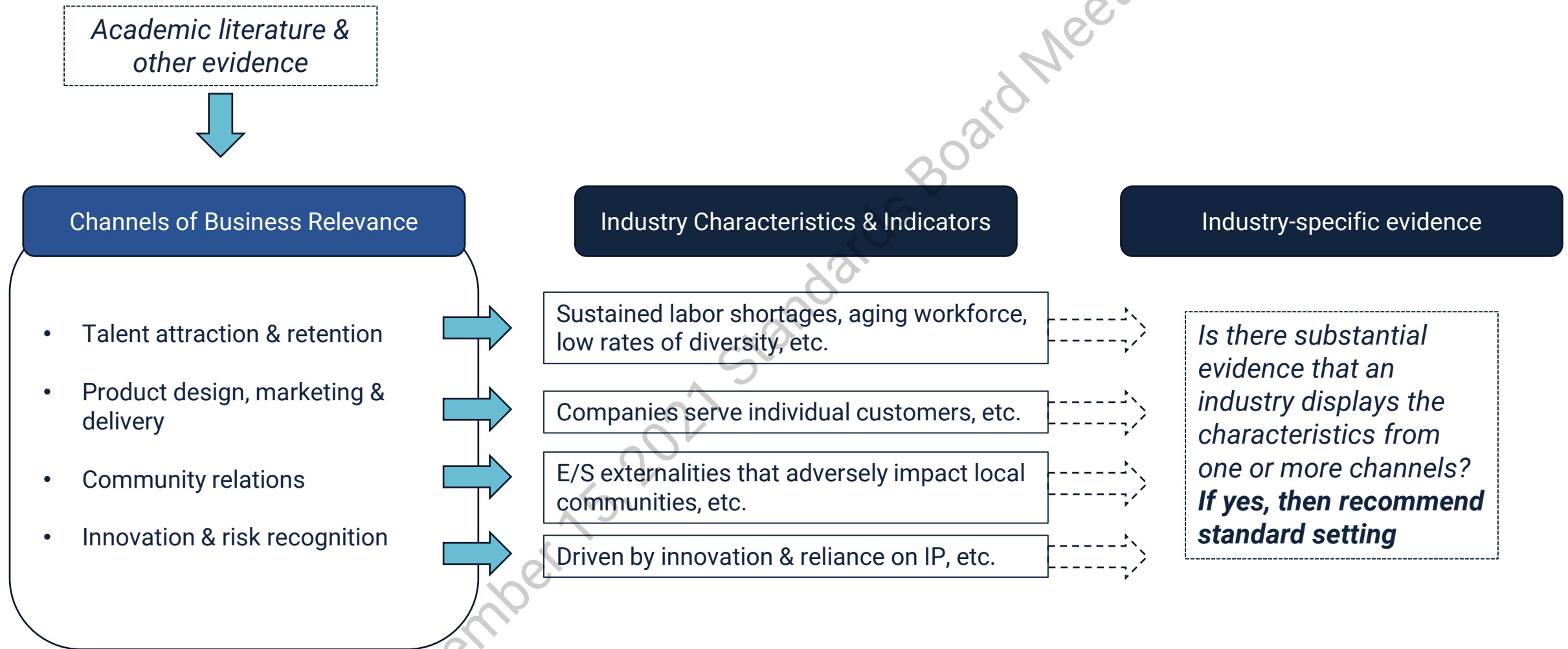


List of sample industry characteristics and indicators

Talent Attraction & Retention	Product Design, Marketing & Delivery	Community Relations	Innovation & Risk Recognition
S A M P L E C H A R A C T E R I S T I C S & I N D I C A T O R S			
<ul style="list-style-type: none"> • Sustained labor shortages and unfilled positions • Low rates of diversity among overall workforce and/or management • Aging workforce • Discrimination lawsuits are prevalent • High attrition among certain demographics 	<ul style="list-style-type: none"> • Companies serve individual consumers • One-on-one interactions between firm/customer where information transfer is an important factor of the sales process or service • Product development, sales, and effective marketing are highly dependent on understanding diverse customer bases and changing consumer trends 	<ul style="list-style-type: none"> • Environmental or social externalities occur as a result of firm operations and adversely impact local communities • Operational delays due to lack of stakeholder cooperation or local conflict are common • Frequent criticism (including demonstrations and media campaigns) from civil society on firm's community relations practices 	<ul style="list-style-type: none"> • Driven by intellectual property and innovation • Characterized by business models driven by advances in technology or research • Face fundamental transition (e.g., oil & gas, electric vehicles)

The complete list of characteristics and indicators for each channel can be found in the Appendix.

Project Approach: Channels & Industry Indicators



Talent Attraction & Retention

CHARACTERISTICS & INDICATORS

- Sustained labor shortages and unfilled positions
- Companies compete over a limited pool of workers with specialized skills
- Low rates of gender and ethnic diversity in overall workforce and/or management
- Aging workforce
- Discrimination lawsuits are prevalent
- Jobs traditionally stereotyped towards specific demographic or group (e.g., gender or socioeconomic status)
- High attrition among workers from underrepresented groups
- Presence of dedicated programs/initiatives for:
 - Attracting and hiring underrepresented groups, and
 - Advancing them into management and executive positions
- Presence of representation data aimed at demonstrating the outcome of such programs/initiatives

Talent Attraction & Retention

EXAMPLE: ENGINEERING & CONSTRUCTION SERVICES and HOMEBUILDERS

Sustained labor shortage	<p>Survey of 400 global industry leaders finds 87% believe skilled-labor scarcity will have high impact on industry</p> <p style="text-align: right;"><small>Source: McKinsey</small></p>
Low rates gender and ethnic diversity	<p>Bureau of Labor Statistics finds 88.6% of the construction workforce is white, and women make up 10.9%</p>
Aging workforce	<ul style="list-style-type: none"> • 41% of current construction workforce will retire by 2031 • Median age of construction workers is 41 <p style="text-align: right;"><small>Source: National Center for Construction Education & Research Source: National Association of Home Builders'</small></p>
Industry faces engrained stereotypes	<p>Survey finds 16.7% of respondents identified wanting to work in the construction industry, putting it at the bottom two desired industries</p> <p style="text-align: right;"><small>Source: Construction Dive</small></p>
Prevalent discrimination	<ul style="list-style-type: none"> • Survey found that 72% of Black or African-American respondents and 66% of women have experienced discrimination or prejudice while at work • Construction Dive documents a “A timeline of racist incidents on US and Canadian construction sites” <p style="text-align: right;"><small>Source: National Institute of Building Sciences</small></p>
Dedicated programs to attract/hire underrepresented groups, and promote them to mgmt/exec roles	<p>The National Association of Home Builders forms Diversity, Equity and Inclusion Task Force to encourage underrepresented categories of workers (e.g., women, minorities, and young people) to fill the hundreds of thousands of open jobs in the trades, with more than a million unfilled jobs expected by 2023.</p>

Project captures a broad set of social impacts

Diversity and inclusion initiatives can result in a variety of social impacts, including but not limited to the following examples:

SASB General Issue Category	Description
Employee Engagement, Diversity & Inclusion	Companies that embed DEI initiatives into recruiting, hiring, and promotion efforts enhance opportunity and equity for traditionally underrepresented individuals; relevant dimensions of diversity include, but are not limited to, gender, race/ethnicity, age, and disability.
Worker Health & Safety	Companies that prioritize building a diverse and inclusive workforce and workplace culture can create and maintain a safe and healthy work environment where individuals are able to voice concerns without fear of repercussions, learn and execute safety precautions, and ultimately reduce injuries, fatalities, illness, etc.
Product Quality & Safety	Companies that integrate DEI into the development of products and services can create better products that meet consumers expectations when it comes to their health and safety and mitigate risks to end-users.

Given the unique industries and social impacts associated with DEI, it's unlikely that the outcome of this project be a uniform DEI metric for all proposed industries.

Staff Proposal

December 15, 2021 Standards Board Meeting

SICS industries proposed for standard setting

Staff established evidence for one or more channel in the following 45 industries:



Consumer Goods

- E-Commerce*
- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Household & Personal Products
- Toys & Sporting Goods



Extractives & Minerals Processing

- Metals & Mining
- Oil & Gas - Exploration & Production
- Oil & Gas - Midstream



Financials

- Commercial Banks
- Consumer Finance
- Insurance
- Mortgage Finance



Food & Beverage

- Alcoholic Beverages
- Food Retailers & Distributors
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants



Health Care

- Biotechnology & Pharmaceuticals*
- Drug Retailers
- Health Care Delivery*
- Medical Equipment & Supplies



Infrastructure

- Electric Utilities & Power Generators
- Engineering & Construction Services
- Gas Utilities & Distributors
- Home Builders
- Water Utilities & Services
- Waste Management



Renewable Resources & Alternative Energy

- Fuel Cells & Industrial Batteries
- Solar Technology & Project Developers
- Wind Technology & Project Developers



Resource Transformation

- Aerospace & Defense
- Industrial Machinery & Goods
- Chemicals



Services

- Education
- Hotels & Lodging
- Leisure Facilities
- Media & Entertainment
- Casinos & Gaming



Technology & Communications

- Semiconductors*
- Telecommunication Services



Transportation

- Air Freight & Logistics
- Airlines
- Automobiles
- Road Transportation
- Cruise Lines

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Proposed industries + industries w/D&I topics or metrics

In addition to the 45 industries proposed for standard setting, eight industries have existing topics/metrics on employee engagement, diversity & inclusion



Consumer Goods

- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Household & Personal Products
- Toys & Sporting Goods
- E-Commerce*
- Multiline and Specialty Retailers & Distributors



Extractives & Minerals Processing

- Metals & Mining
- Oil & Gas - Exploration & Production
- Oil & Gas - Midstream



Financials

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



Food & Beverage

- Alcoholic Beverages
- Food Retailers & Distributors
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants



Health Care

- Drug Retailers
- Medical Equipment & Supplies
- Biotechnology & Pharmaceuticals*
- Health Care Delivery*



Infrastructure

- Electric Utilities & Power Generators
- Engineering & Construction Services
- Gas Utilities & Distributors
- Home Builders
- Water Utilities & Services
- Waste Management



Renewable Resources & Alternative Energy

- Fuel Cells & Industrial Batteries
- Solar Technology & Project Developers
- Wind Technology & Project Developers



Resource Transformation

- Aerospace & Defense
- Industrial Machinery & Goods
- Chemicals



Services

- Education
- Hotels & Lodging
- Leisure Facilities
- Media & Entertainment
- Casinos & Gaming
- Advertising & Marketing
- Professional & Commercial Services



Technology & Communications

- Semiconductors
- Telecommunication Services
- Hardware
- Internet Media & Services
- Software & IT Services



Transportation

- Air Freight & Logistics
- Airlines
- Automobiles
- Road Transportation
- Cruise Lines

■ - Industries proposed for standard setting

■ - Industries with an existing topic on employee engagement, diversity & inclusion

All 77 SICs industries categorized by color



Consumer Goods

- E-Commerce
- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Household & Personal Products
- Toys & Sporting Goods
- Multiline and Specialty Retailers & Distributors
- Building Products & Furnishings



Extractives & Minerals Processing

- Metals & Mining
- Oil & Gas - Exploration & Production
- Oil & Gas - Midstream
- Coal Operations
- Construction Materials
- Iron & Steel Producers
- Oil & Gas - Refining & Marketing
- Oil & Gas - Services



Financials

- Commercial Banks
- Consumer Finance
- Insurance
- Mortgage Finance
- Asset Management & Custody Activities*
- Investment Banking & Brokerage*
- Security & Commodity Exchanges



Food & Beverage

- Alcoholic Beverages
- Food Retailers & Distributors
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants
- Agricultural Products
- Meat, Poultry & Dairy
- Tobacco



Health Care

- Biotechnology & Pharmaceuticals
- Drug Retailers
- Health Care Delivery
- Medical Equipment & Supplies
- Health Care Distributors
- Managed Care



Infrastructure

- Electric Utilities & Power Generators
- Engineering & Construction Services
- Gas Utilities & Distributors
- Home Builders
- Water Utilities & Services
- Waste Management
- Real Estate
- Real Estate Services



Renewable Resources & Alternative Energy

- Fuel Cells & Industrial Batteries
- Solar Technology & Project Developers
- Wind Technology & Project Developers
- Forestry Management
- Fuel Cells & Industrial Batteries
- Pulp & Paper Products



Resource Transformation

- Aerospace & Defense
- Industrial Machinery & Goods
- Chemicals
- Containers & Packaging
- Electrical & Electronic Equipment



Services

- Education
- Hotels & Lodging
- Leisure Facilities
- Media & Entertainment
- Casinos & Gaming
- Advertising & Marketing
- Professional & Commercial Services



Technology & Communications

- Semiconductors
- Telecommunication Services
- Hardware
- Internet Media & Services
- Software & IT Services
- Electronic Manufacturing Services & Original Design Manufacturing



Transportation

- Air Freight & Logistics
- Airlines
- Automobiles
- Road Transportation
- Cruise Lines
- Auto Parts
- Car Rental & Leasing
- Marine Transportation
- Rail Transportation



Industries proposed for standard setting



Industries with an existing topic on employee engagement, diversity & inclusion



Industries not proposed for standard setting

Board Discussion

Staff recommends that the Standards Board approve a standard-setting project that will address diversity, equity and inclusion in 45 industries, focused on adding or revising topics and/or metrics to better account for how DEI can impact enterprise value within each of these industries.

December 15, 2021 Standards Board Meeting

Next Steps

- Pursue research and market consultations to:
 1. Continue to build body of (globally-applicable) evidence for 1) industry characteristics; and 2) industry specific evidence of financial impact
 2. Refine industry list and list of industry characteristics/indicators, if needed
 3. Develop a preliminary view on disclosure topic(s) scope and general issue category mapping for each industry based on channels of business relevance
 4. Examine channels and industries across international markets

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Diversity, Equity & Inclusion Standard Setting Project

Staff will pursue market consultations beginning in 2022, please contact staff if you would like to participate.



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



Taylor Reed – taylor.reed@thevrf.org

Analyst, Consumer Goods

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Appendix

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Channels of Business Relevance and Industry Characteristics

Channels of Business Relevance	Industry Characteristics
Talent Attraction & Retention	Industries characterized by (1) worker shortages at key positions which impact financial performance, (2) talent turnover/retention is highly linked to firm performance, and/or (3) disparity among groups, classes, or other categories in hiring, compensation, promotion, or other disparate access to opportunities within firms.
Customer Representation	Industries that (1) sell to or serve individual consumers, (2) require an understanding of a diverse set of customer needs in order to reach broad and/or new customer base.
Community Relations	Industries that generate significant social or environmental externalities which disproportionately adversely impact local communities.
Innovation	Industries that are driven by intellectual property and innovation and/or face a fundamental transition or disruption.

Talent Attraction & Retention

CHARACTERISTICS & INDICATORS

- Sustained labor shortages and unfilled positions
 - Companies compete over a limited pool of workers with specialized skills
 - Low rates of gender and ethnic diversity in overall workforce and/or management
 - Aging workforce
 - Discrimination lawsuits are prevalent
 - Jobs traditionally stereotyped towards specific demographic or group (e.g., gender or socioeconomic status)
 - High attrition among workers from underrepresented groups
- Presence of dedicated programs/initiatives for:
 - Attracting and hiring underrepresented groups, and
 - Advancing them into management and executive positions
 - Presence of representation data aimed at demonstrating the outcome of such programs/initiatives

Product Design, Marketing & Delivery

CHARACTERISTICS & INDICATORS

- **Companies are consumer facing and cater to individual consumers**
- **One-on-one interactions between firm/customer where information transfer is an important factor of the sales process or service**
- **Presence of programs/initiatives to enhance experience for diverse consumers (e.g., interpreters, inclusive dietary offerings, etc.)**
- **Product development, sales, and effective marketing are highly dependent on understanding diverse customer bases and changing consumer trends**
- **Products may be easily substitutable and therefore branding and maintaining consumer trust is important**
- **A lack of proactive management can result in boycotts, social media campaigns, or negative outcomes for customers should marketing, products, or services fail to address diverse consumer needs or reinforce stereotypes (e.g., implicit bias in health care delivery, inclusive sizing, gendered toys)**

Community Relations

CHARACTERISTICS & INDICATORS

- **Firm operations with significant negative environmental or social externalities on local communities, particularly in areas inhabited by indigenous groups**
- **Operational delays due to lack of stakeholder cooperation or local conflict are common**
- **Presence of dedicated community relations programs/initiatives aimed at engaging local stakeholders**
- **Frequent criticism (including demonstrations and media campaigns) from civil society on firm's community relations practices**

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Innovation & Risk Recognition

CHARACTERISTICS & INDICATORS

- **Driven by intellectual property and innovation**
 - **Large spend on R&D functions, number of new products produced each year, revenue derived from new products**
 - **The current SASB industry standard contains topic(s) under the Business Model & Innovation dimension, and specifically, under the Product Design & Lifecycle Management and Business Model Resilience GICs**
- **Characterized by business models driven by advances in technology or research**
- **Face fundamental transition or disruption (e.g., oil & gas, electric vehicles)**
- **Rely on workforce with specialized education, skills, and/or on-the-job training**
- **Turnover may be highly disruptive**

Product Design, Marketing & Delivery

EXAMPLE: HEALTH CARE DELIVERY

<p>Companies serve individual, important transfer between firm/customer</p>	<p>The Health Care Delivery industry owns and manages hospitals, clinics, and other health care-related facilities. Companies provide a range of services, including inpatient and outpatient care, surgery, mental health, rehabilitation, and clinical laboratory services. Source: SASB Health Care Delivery Standard</p>
<p>Documented neglect of diverse consumers</p>	<p>The 2019 National Healthcare Quality & Disparities Report found that for ~40% of quality measures, Blacks (82 of 202) and American Indians and Alaska Natives (47 of 116) received worse care than Whites. For more than one-third of quality measures, Hispanics (61 of 177) received worse care than Whites.</p>
<p>Product design for diverse consumers</p>	<p>The American Hospital Association, representing ~5,000 hospitals/health care systems, identifies D&I and cultural competence as imperative for its organizations to enhance service offerings, improve customer experience, and health outcomes</p>
<p>Programs to enhance experience for diverse consumers</p>	<p>The Agency for Healthcare Research and Quality identifies the following initiatives as ways to improve cultural competence and decrease patient disparities: Language Assistance, Cultural Brokers, and Cultural Competence Training</p>
<p>Programs/initiatives to enhance experience for diverse consumers</p>	<p>Research suggests “excellent evidence that cultural competence training improves the knowledge of health professionals (17 of 19 studies demonstrated a beneficial effect), and good evidence that cultural competence training improves the attitudes and skills of health professionals (21 of 25 studies evaluating attitudes demonstrated a beneficial effect and 14 of 14 studies evaluating skills demonstrated a beneficial effect). Source: US National Library of Medicine National Institute of Health</p>

Greenhouse Gas Emissions in Marine Transportation

Standard-Setting Project Proposal

December 15, 2021

Max Le Merle | Analyst – SASB Standards



Session Objectives

Rationale for standard setting

Staff recommendation

December 15, 2021 Standards Board Meeting

Greenhouse Gas Emissions

Standard-setting Project

Problem Statement

The current metrics in the Greenhouse Gas Emissions and Air Quality disclosure topics in the MT Standard lack completeness and comparability in measuring performance regarding greenhouse gas emissions and non-greenhouse gas pollutants

Project Objective

Evaluate improvements to the metrics in the Greenhouse Gas Emissions and Air Quality disclosure topics in the Marine Transportation Standard

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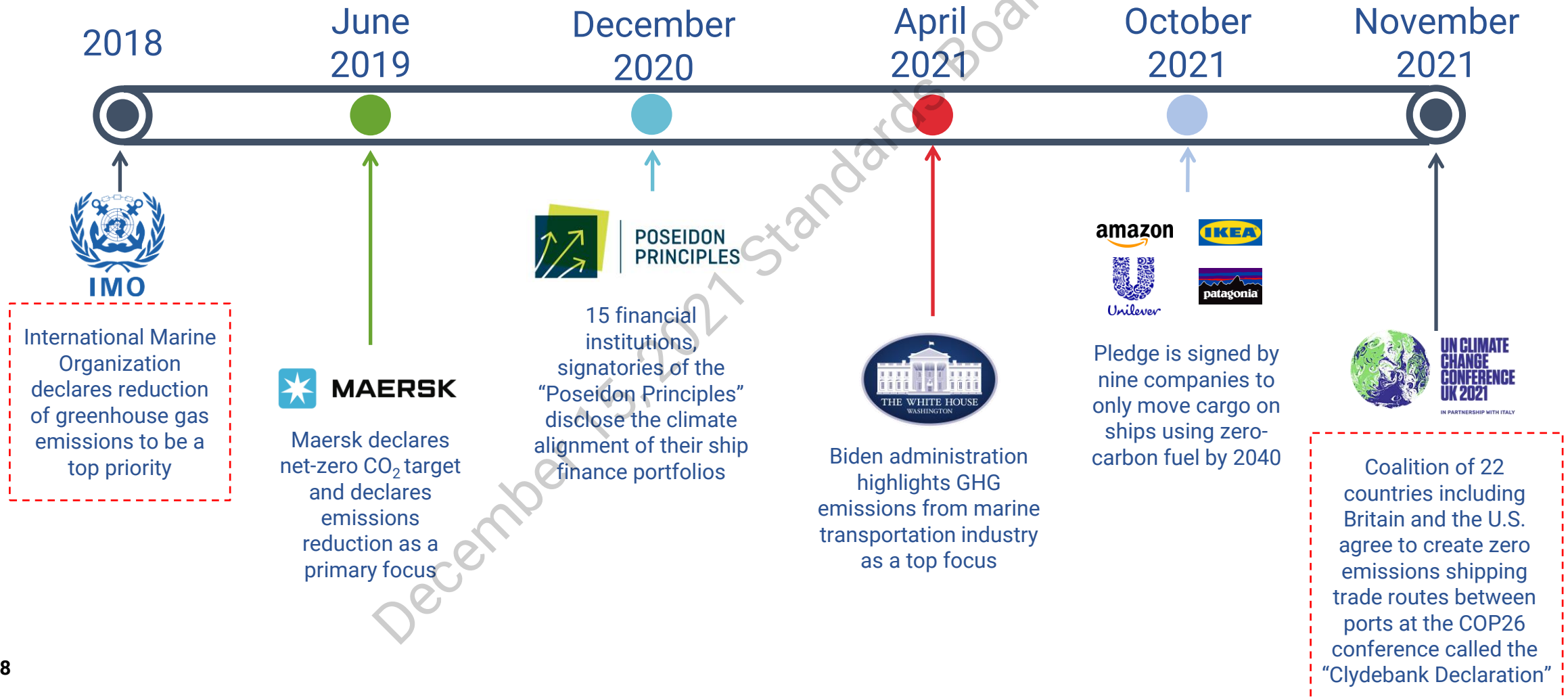
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Rationale for Standard Setting



Increasing Regulatory and Industry Emphasis on Emissions

- Over the past two years, major industry and regulatory bodies have become increasingly focused on emissions in marine transportation



Working Group Focus on Emissions-related Topics

- The working group identified the metrics associated with the Greenhouse Gas Emissions and Air Quality disclosure topics as the **highest priority items to update**
- The working group indicated **strong concerns** that existing disclosure metrics do not faithfully or completely represent the emissions performance of reporting companies

Disclosure Topics	
Greenhouse Gas Emissions	Employee Health & Safety
Air Quality	Business Ethics
Ecological Impacts	Accident & Safety

Greenhouse Gas Emissions

Concerns that select metrics are not fully representationally faithful or complete

Topic 1: Greenhouse Gas Emissions

TR-MT-110a.1
Gross global Scope 1 emissions

TR-MT-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

TR-MT-110a.3
(1) Total energy consumed, (2) percentage heavy fuel oil, (3) percentage renewable

TR-MT-110a.4
Average Energy Efficiency Design Index (EEDI) for new ships

Working Group Feedback

- Suggestion to include “transition fuels” versus “renewables”
- Suggestion to replace reference to the EEDI to a different operational efficiency performance indicator such as EEOI, EEXI, or AER
- Suggestion to include Scope 2 emissions metric
- Suggestion to include an intensity metric
- Suggestion to clearly define “well-to-wake” vs “tank-to-wake” emissions measurement methodologies

Air Quality

Concerns that the metric is challenging to measure and not cost effective to do so

Topic 2:
Air Quality

TR-MT-120a.1
Air emissions of the
following pollutants: (1)
NO_x (excluding N₂O), (2) SO_x,
and (3) particulate matter
(PM₁₀)

Working Group Feedback

- Suggestion to replace the metric and/or add a qualitative component / narrative discussion of non-GHG emission reduction strategy
- **Noted that there is generally no agreed upon methodology to accurately measure non-GHG pollutants**
- Members stated that non-GHG emissions measurement is very costly and not particularly decision useful

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Disclosure Analysis Findings

- Staff analyzed 17 company disclosures aligned with the MT Standard and listed as reporters on SASB's website
- Of all topics analyzed, Metrics in the Greenhouse Gas Emissions topic and the Air Quality topic had atypically low alignment and higher omittance rates

Disclosure Topics	
Greenhouse Gas Emissions	Employee Health & Safety
Air Quality	Business Ethics
Ecological Impacts	Accident & Safety

Disclosure Analysis Findings

- Disclosure alignment for the Greenhouse Gas Emissions topic was strong overall with the exception of TR-MT-110a.3 “Percentage Renewable” and TR-MT-110a.4

Greenhouse Gas Emissions Disclosure Topic

Metric Code	Accounting Metric	% Alignment	% Modified	% Omitted
TR-MT-110a.1	Gross global Scope 1 emissions	71%	29%	0%
TR-MT-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	71%	12%	17%
TR-MT-110a.3	(1) Total energy consumed,	88%	0%	12%
	(2) percentage heavy fuel oil	76%	12%	12%
	(3) percentage renewable	47%	6%	47%
TR-MT-110a.4	Average Energy Efficiency Design Index (EEDI) for new ships	47%	29%	24%
Average Greenhouse Gas Emissions		67%	15%	18%
Overall Reporting Average		61%	17%	22%

Disclosure Analysis Findings

- Disclosure alignment for the Air Quality topic was low, with less than half of companies in full alignment

Air Quality Disclosure Topic

Metric Code	Accounting Metric	% Alignment	% Modified	% Omitted
TR-MT-120a.1	Air emissions of the following pollutants: ⁽¹⁾ NO _x (excluding N ₂ O)	53%	29%	18%
	⁽²⁾ SO _x	53%	29%	18%
	⁽³⁾ particulate matter (PM ₁₀)	34%	29%	35%
Average Air Quality Emissions		47%	29%	24%
Overall Reporting Average		61%	17%	22%

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Staff Recommended Action



Staff Recommends Standard Setting for the Marine Transportation Industry

Staff believes the evidence of investor, industry, and regulatory interest suggest **standard setting** is warranted for the **Marine Transportation Standard**.

1

Increase in **regulatory and customer pressure** over the past year:

- Increase in potential government and regulatory body action including penalties and incentives to transition to zero emission operations
- Pledge by large shipping customers to only move cargo on ships using zero-carbon fuel

2

Feedback received and disclosure analysis indicates current standard needs improvement

- Industry participants and investors mention it is an **“urgent issue”** and that the existing standard does not provide a representative picture of a company’s emissions profile

Proposed Project Supports our Standard-Setting Agenda Priorities



CLIMATE



MARKET
RESPONSIVENESS



INTERNATIONALIZATION

1. **Advances the VRF's priority on climate-related research and standard-setting** The proposed project addresses priority areas of direct GHG emissions and non-GHG emissions.
2. Demonstrates **responsiveness to the market** and furthers the VRF's strategic and targeted forward-looking research.
3. Advances the VRF's priority to promulgate **internationally applicable** standards

Criteria for Standard-Setting Projects



Mission alignment

Staff believes there is clear mission alignment to improve communication by companies to investors on a key climate-related risk and opportunity to the industry.



Scope/prevalence

The reduction in GHG and non-GHG emissions is a prevalent issue for companies in this industry globally.



Feasibility

Staff is confident that a proposed solution with the outlined scope focused on GHG and non-GHG emissions can be put forth to the Board.



Capacity

Despite uncertainty related to the ISSB transition, staff believes it has capacity to prioritize this project.

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Next Steps



Engage additional industry experts (investors, corporates, subject matter experts) on the issues



Assess the project portfolio prioritization and staff resource capacity



Identify changes that will have the most significant impact on cost-effectiveness and decision-usefulness, and provide the most accurate picture of a company's emissions profile

December 15, 2021 Standards Board Meeting

Contact

- Staff will continue working to identify possible updates to the MT standard
- Interested market participants are invited to provide input



<http://www.sasb.org/feedback>



Max Le Merle

Analyst, SASB Standards

max.lemerle@thevrf.org

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Appendix



Disclosure Topic Table

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO ₂ -e	TR-MT-110a.1
	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	TR-MT-110a.2
	(1) Total energy consumed, (2) percentage heavy fuel oil, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	TR-MT-110a.3
	Average Energy Efficiency Design Index (EEDI) for new ships	Quantitative	Grams of CO ₂ per ton-nautical mile	TR-MT-110a.4
Air Quality	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO _x , and (3) particulate matter (PM ₁₀)	Quantitative	Metric tons (t)	TR-MT-120a.1
Ecological Impacts	Shipping duration in marine protected areas or areas of protected conservation status	Quantitative	Number of travel days	TR-MT-160a.1
	Percentage of fleet implementing ballast water (1) exchange and (2) treatment	Quantitative	Percentage (%)	TR-MT-160a.2
	(1) Number and (2) aggregate volume of spills and releases to the environment	Quantitative	Number, Cubic meters (m ³)	TR-MT-160a.3
Employee Health & Safety	Lost time incident rate (LTIR)	Quantitative	Rate	TR-MT-320a.1
Business Ethics	Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Quantitative	Number	TR-MT-510a.1
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption ²	Quantitative	Reporting currency	TR-MT-510a.2
Accident & Safety Management	Number of marine casualties, percentage classified as very serious ³	Quantitative	Number, Percentage (%)	TR-MT-540a.1
	Number of Conditions of Class or Recommendations	Quantitative	Number	TR-MT-540a.2
	Number of port state control (1) deficiencies and (2) detentions	Quantitative	Number	TR-MT-540a.3

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of shipboard employees ⁴	Quantitative	Number	TR-MT-000.A
Total distance traveled by vessels	Quantitative	Nautical miles (nm)	TR-MT-000.B
Operating days ⁵	Quantitative	Days	TR-MT-000.C
Deadweight tonnage ⁴	Quantitative	Thousand deadweight tons	TR-MT-000.D
Number of vessels in total shipping fleet	Quantitative	Number	TR-MT-000.E
Number of vessel port calls	Quantitative	Number	TR-MT-000.F
Twenty-foot equivalent unit (TEU) capacity	Quantitative	TEU	TR-MT-000.G

Profile of Working Group Participants



Corporate

- 6 corporates consulted
- 2 US-based, 4-Europe-based
- Largely sustainability roles



Investor

- 1 investors consulted
- 1 Europe-based



Subject Matter Expert

- 5 SMEs consulted
- 5 Europe-based
- Sustainable shipping experts, industry expert consultants, emissions and logistics experts

December 15, 2021 Standards Board Meeting

Raw Materials Sourcing in Apparel

Standard-Setting Project Update

December 15, 2021

Taylor Reed | Sector Analyst, Consumer Goods Sector Lead



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Session Objectives

- **Review public comment letters**
- **Discuss possible next steps**

December 15, 2021 Standards Board Meeting

Raw Materials Sourcing in Apparel

Standard-setting Project

Problem Statement

Market input and internal review suggest that the two metrics associated with the Raw Materials Sourcing disclosure topic provide insufficient guidance that may result in inconsistent calculations and noncomparable disclosures. In addition, market input suggests that improvements to the completeness in which the metrics measure performance on the topic, along with further alignment with existing industry approaches should be considered.

Project Objective

Revise, clarify, and consider improvements to the following metrics:

- CG-AA-440a.1: Description of environmental and social risks associated with sourcing priority raw materials
- CG-AA-440a.2: Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard

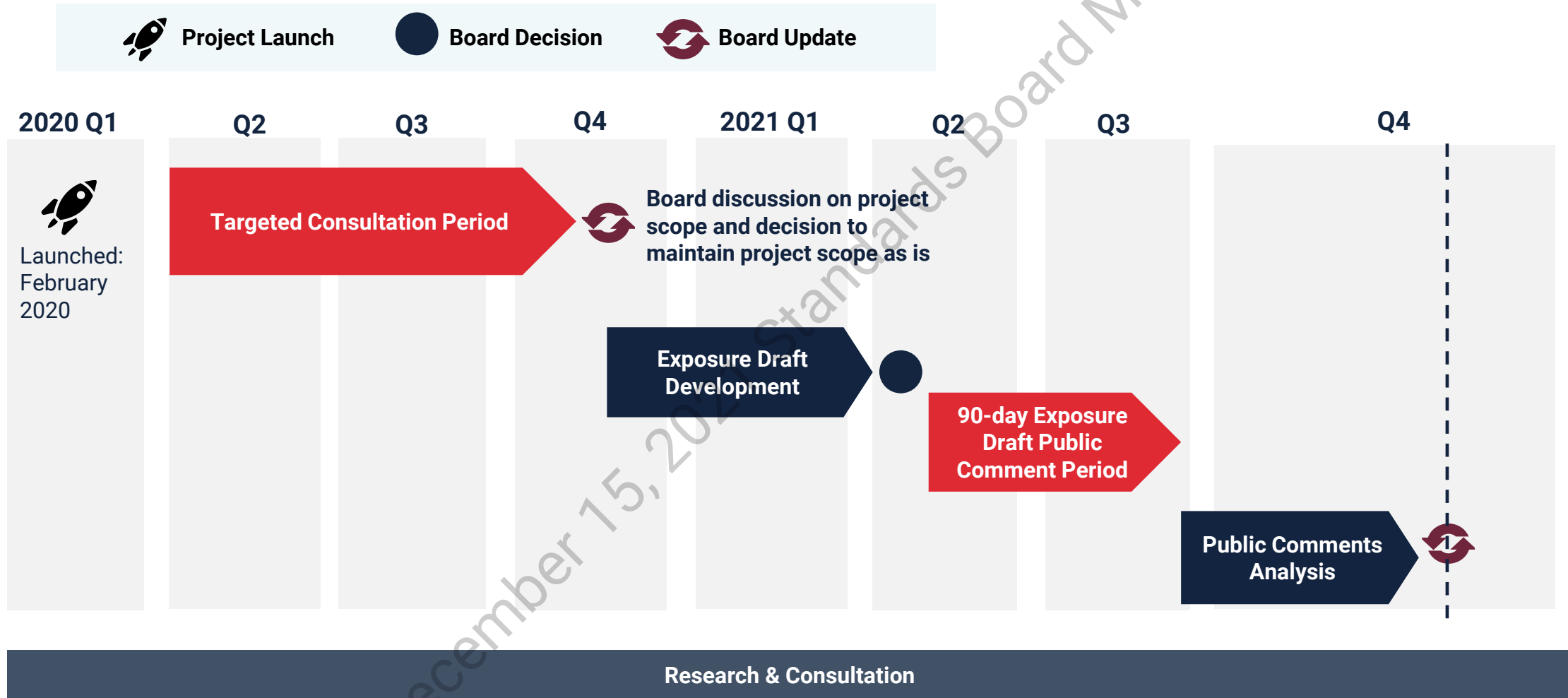


See project webpage for more details:

<https://www.sasb.org/standards/process/active-projects/raw-materials-sourcing-in-apparel/>

Project Timeline

Public Comment Period: June 2, 2021 – September 3 2021



Exposure Draft Recommended Revising Metrics & TPs

Current Metrics:

Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials	Discussion and Analysis	n/a	CG-AA-440a.1
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard	Quantitative	Percentage (%) by weight	CG-AA-440a.2

Proposed Metrics:

Raw Materials Sourcing	(1) List of priority raw materials; for each priority raw material: (2) environmental and/or social factor(s) most likely to threaten sourcing, (3) discussion on business risks and/or opportunities associated with social and/or environmental factors, and (4) management strategy for addressing business risks and opportunities	Discussion and Analysis	n/a	CG-AA-440a.1
	(1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is third-party certified to a social and/or environmental standard, by standard	Quantitative	Metric tons (t)	CG-AA-440a.2

Key Sections in the Basis for Conclusions

- Aligning the definition of “priority raw materials” with existing industry standards;
- Expanding disclosure on the following for each priority raw material: environmental and social factors most likely to impede sourcing, associated business risks and opportunities, and management’s plan to address these risks;
- Disclosing 1) the total amount of priority raw materials purchased, and 2) the amount of certified priority raw materials purchased instead of the percentage in finished products;
- Providing a rationale for why third-party standards or certifications are selected for each priority raw material; and
- Suggesting a tabular reporting format for disclosure.

Public Comment Period

90-day Public Comment Period from June 2, 2021 – September 3, 2021

13 public comment letters received

- 2 Companies
- 3 Investors
- 8 other interested parties

December 15, 2021 Standards Board Meeting

Public Comments Summary

Questions	Summary of Responses
<p>Question 1 - Does the proposed change to the “priority raw materials” definition in the qualitative metric (CG-AA-440a.1) improve (1) alignment with common industry practices and guidance, (2) cost of implementation for companies, and (3) usefulness of disclosures?</p>	<p>No recommended changes</p> <p>Overall support, no new proposed solutions or input provided</p>
<p>Question 3 - Do the proposed changes to the quantitative metric (CG-AA-440a.2) improve the comparability, completeness, and usefulness of disclosures?</p>	<p>No recommended changes</p> <p>Most responses supported proposed changes, two respondents raised concerns over the guidance’s applicability to accessories and footwear. Staff believes that these concerns are addressed by guidance in the Standards Application Guidance on “Estimates”.</p>
<p>Question 5 - Do you agree with the Board’s conclusion to not expand the scope of the Raw Materials Sourcing disclosure topic to include materials used for packaging?</p>	<p>No recommended changes</p> <p>Responses were split; however, staff did not receive any new information that pointed to other solutions or information that would imply additional necessary changes.</p>
<p>Question 6 - Do the proposed changes improve the usefulness of disclosures for companies identified in the industry scope (companies involved in design, manufacturing, wholesaling, and retailing)?</p>	<p>No recommended changes</p> <p>Overall support, no new proposed solutions or input provided</p>

Public Comments Summary

Questions	Summary of Responses
<p>Question 2 - Do you agree with the rationale to structure metrics by priority raw material (e.g., cotton, leather, etc.) versus by another component such as sourcing region or environmental/social factor (e.g., water scarcity, animal welfare, etc.)?</p>	<p>Staff recommends further discussion</p> <p>Most responses were supportive, however, roughly half of respondents cited sourcing country/region as an important element of disclosure.</p>
<p>Question 4 - The Board considered two approaches to revise the list of certifications/standards included in metric CG-AA-440a.2. Do you have a preference between the two approaches, and if so, why? What principles would you consider when evaluating the credibility and/or selection of third-party certifications/standards?</p>	<p>Staff recommends further discussion</p> <p>Most responses were supportive; however, respondents made several recommendations to further enhance guidance on certification/standard selection.</p>

Issue #1 – Opportunity to expand guidance on sourcing region/country

Question #2 for Respondents: Do you agree with the rationale to structure metrics by priority raw material (e.g., cotton, leather, etc.) versus by another component such as sourcing region or environmental/social factor (e.g., water scarcity, animal welfare, etc.)?

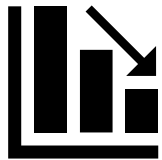
- **What most investors said:** This is important information what would enhance completeness.
- **What some companies said:** It is not cost effective to disclose this information and would require a high degree of estimation, especially for companies sourcing finished goods.
- **What experts said:** This is important information to understand sourcing risks and companies have this data and could disclose it without too much additional work.

Possible Next Steps

Given the widespread market support for supplemental guidance on sourcing region/country, staff could pursue the following next steps:



Disclosure analysis to better understand the feasibility of disclosure on the issue



Develop mock disclosures (good, better, best) on the issue to gain input from companies and investors on what is decision useful for investors and cost effective for companies to produce



Market consultations with companies and investors to gain market input and understand if there's a middle ground on the issue

Discussion Points for the Board

- Given the widespread market input recommending supplemental guidance on sourcing region/country, staff would like to understand the Board's views on possible next steps around this issue.
- Is there specific information that staff should pursue to further support the Board's decision making on this issue?

December 15, 2021 Standards Board Meeting

Issue #2 – Guidance on identifying and selecting credible certifications/standards

GOAL: Facilitate company identification of credible certifications/standards that contribute to an entity's a management of E/S factors that are likely to threaten its supply of priority raw materials

Staff presented to possible approaches in the Basis for Conclusions:

Approach #1: Standard lists specific certifications/standards

Pros: Guides companies to a clear list of third-party certifications/standards, may improve comparability

Cons: Requires ongoing maintenance, list may suggest a preference for specific certifications/standards, which is not the intent

Approach #2: Provide a set of principles that companies can use to identify credible certifications/standards

Pros: likely requires less maintenance and provides more objective guidance

Cons: No industry consensus on common set of principles, may result in less comparable disclosures

Staff proposed the following changes in the Exposure Draft

List of possible certifications/standards for use:

2 For each priority raw material, the entity shall disclose the amount, in metric tons, purchased that is certified to a third-party environmental and/or social standard, by standard.

2.1 Third-party environmental and/or social standards are defined as standards that are developed by a third party and address environmental and/or social factors that are likely to threaten a company's ability to reliably source its priority raw materials.

2.2 Third-party environmental and social standards include, but are not limited to:

2.2.1 Textile Exchange's Recycled Claim Standard (RCS), Global Recycled Standard (GRS), Organic Content Standard (OCS), Responsible Down Standard (RDS), Responsible Wool Standard (RWS), and Responsible Mohair Standard (RMS);

2.2.2 Global Organic Textile Standard (GOTS);

2.2.3 Cotton Made in Africa (CmiA);

2.2.4 Fair Trade Certified;

2.2.5 Organic Fair Trade;

2.2.6 Leather Working Group (LWG);

2.2.7 Forest Stewardship Council (FSC) Certification;

2.2.8 Programme for the Endorsement of Forest Certification (PEFC); and

2.2.9 Better Cotton Initiative.

Excerpt from Apparel Exposure Draft

Requests additional information on certification selection:

3 For each priority raw material, the entity shall discuss:

3.1 Why it has chosen the specified third-party certification(s)/standard(s);

3.2 How the certified materials contribute to managing the entity's business risks and opportunities; and

3.3 Any quantitative targets it has set for certified priority raw materials.

Excerpt from Apparel Exposure Draft

Staff asked the market for input on the two possible approaches

Question #4 for Respondents: The Board considered two approaches to revise the list of certifications/standards included in metric CG-AA-440a.2. Do you have a preference between the two approaches, and if so, why? What principles would you consider when evaluating the credibility and/or selection of third-party certifications/standards?

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Respondents supported elements in current approach & provided additional recommendations

Summary of detailed recommendations:

Respondents recommended disclosure on the bullet items for each category:

Standards / Certifications	Standard setters	Third-party certifiers	Social Auditors
<ul style="list-style-type: none"> • Objective • Scope • Approach to evaluate agricultural or business practices being certified • Level of rigor (this would need to be defined) • Percent of raw material purchased that is covered by the standard 	<ul style="list-style-type: none"> • Membership in recognized standards organization (e.g., ANSI), • Approach to criteria development • Frequency of standards review and updates • Stakeholder engagement process for developing requirements • Transparency of the evaluation criteria 	<ul style="list-style-type: none"> • Accreditation to relevant standards that cover certifying bodies (e.g., ISEAL credibility principles) • Approach to constructing market facing claims per ISO 14021 	<ul style="list-style-type: none"> • Membership in Association of Professional Social Compliance Auditors (APSCA) and individual auditor certification to the Certified Social Compliance Auditor (CSCA) program

Discussion Points for the Board

- Given the large amount of mixed input staff received on the issue, staff would like to understand the Board's views on possible next steps around this issue.
- Is there specific information that staff should pursue to further support the Board's decision making on this issue?

December 15, 2021 Standards Board Meeting

Next Steps

- 1** Work with the Board to revise the exposure draft based on additional research/consultations (if needed).

December 15, 2021 Standards Board Meeting

Raw Materials Sourcing in Apparel



<https://www.sasb.org/standards/process/active-projects/raw-materials-sourcing-in-apparel/>



Taylor Reed – taylor.reed@thevrf.org

Analyst, Consumer Goods

December 17, 2021 Standards Board Meeting

Technical Updates and Editorial Corrections Processes

Staff recommendations and discussion

15 December 2021

Bryan Esterly | Chief Technical Officer, SASB Standards

Will Meister | Analyst, SASB Standards



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Session Objectives

Understand need for technical updates and editorial corrections processes

Review and discuss staff's recommendations for technical updates and editorial corrections processes

December 15, 2021 Standards Board Meeting

Context around ISSB Announcement

The ISSB announcement has led to re-evaluation of path forward for technical updates & editorial corrections process

- With the ISSB announcement, staff's view is that the technical updates and editorial corrections processes are important areas for the Board to consider and provide input on, but staff should not proceed with investing in establishing what was originally envisioned to be an annually recurring process
- However, resources already invested in the process development could likely benefit the ISSB and sustainability standard setting more broadly
- Furthermore, staff is seeking to determine how known technical updates & editorial corrections can be advanced forward with the new ISSB context established



Technical Updates and Editorial Corrections Processes

Overview

- **Need to efficiently clarify and correct minor, narrow-scope issues in the Standards through a defined and transparent process**
- **Staff believes it would be inefficient and not timely to apply the current project-based model to address such issues**

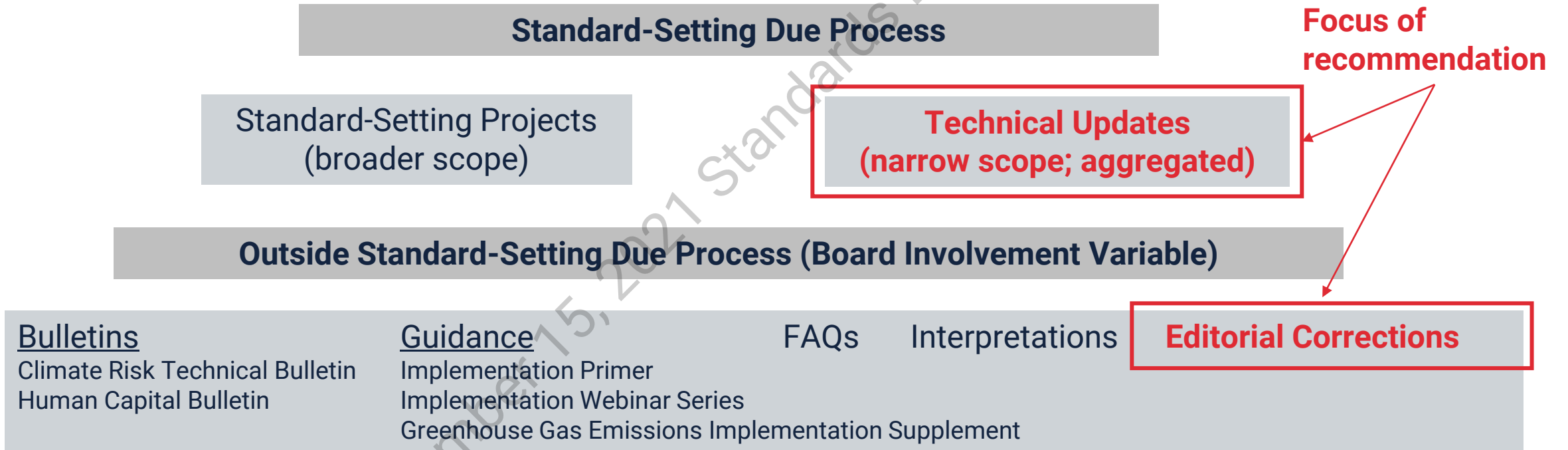
Staff instead recommends putting in place additional technical updates and editorial corrections processes to address such necessary updates

- Technical updates: Minor or narrow scope issues that clarify wording in the Standards while maintaining current principles
 - Editorial corrections: Correct minor inaccuracies like spelling errors or grammatical corrections that do not change the meaning of the text

Tools to Address Market Needs

Different options to assist the market

Categorization of different tools available to the Board and staff through the lens of due process



How Staff's Recommendations Were Developed

Insights from financial accounting standard setters

Staff looked to the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) to develop its recommendations



December 15, 2022 Standards Board Meeting



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Staff Recommendations on Technical Updates Process



Technical Updates

How can a technical update be characterized?

As explained in the IASB's Due Process Handbook:

- Minor or narrow in scope
- Widespread and material to those affected now or in the future
- Well-defined
- Cannot be resolved through current guidance
- Can be addressed through existing standards and Conceptual Framework
- Corrects relatively minor unintended consequences, oversights, or conflicts between existing requirements
- Clarifies wording in standards
- Replaces unclear wording
- Provides requirements where absent and creates concern
- Maintains current principles and does not propose a new principle or change an existing principle
- Can be resolved in a timely manner

Technical Updates

Process attribute recommendations

Attribute	Staff Recommendation	Rationale
Project	Establish an agenda project with an aggregation of multiple updates (e.g., add project to Active Projects web page)	<ul style="list-style-type: none">• Creates transparent process• Initiates due process• Resource optimization to avoid continually adding narrow-scope projects and release Standards updates• Consistent with FASB and IASB
Decision criteria	Adopt IASB's criteria	<ul style="list-style-type: none">• Principles based to create space for healthy debate and flexibility in standard setting• Can look to existing IASB criteria based on similar needs• Globally accepted• FASB uses similar criteria
Recommendations made by	Staff to Board (<i>Differs from IASB</i>)	<ul style="list-style-type: none">• Simplifies process• No need to create an expert committee which could be a major investment to stand up and inefficient use of resources given the state of development of sustainability standards

Technical Updates

Process attribute recommendations (continued)

Attribute	Staff Recommendation	Rationale
Board involvement	Conduct reviews; discussion and approval at public Board meeting	<ul style="list-style-type: none"> • Follows due process with Board oversight of updates made to Standards • Transparent; supports market view as credible standard-setter • Improves quality of updates and mitigates risk of making an inappropriate update through Board review and public transparency
Staff fieldwork	No outreach or consultation explicitly required (but may be pursued when advantageous)	<ul style="list-style-type: none"> • Focuses staff's time on projects that require research to solve
Public exposure	Expose recommended updates for public comment	<ul style="list-style-type: none"> • Follows due process • Transparent with opportunity for public input; supports credibility as a standard setter • Consistent with IASB and FASB
Frequency	Annual process with defined timeline and effective date	<ul style="list-style-type: none"> • International norm based on IASB • Establishes both internal and external accountability to update the Standards • Manages users' expectations based on transparent timeline and would know when to expect updates • Could always address more urgent issues outside the annual update cycle

Technical Update Example

Multiline and Specialty Retailers & Distributors → Product Sourcing, Packaging & Marketing

CG-MR-410a.1. Revenue from products third-party certified to environmental and/or social sustainability standards

1 The entity shall disclose its revenue from products that are third-party certified to environmental or social sustainability standards.



Could be updated to (illustrative example only):

The entity shall disclose its **gross** revenue from products that are third-party certified to an environmental or social sustainability standard and **accounted for by the entity only once**.

- Preparer question on **whether revenue should be counted more than once** if a product is certified to more than one standard and how the amount should be calculated
- **Technical update – clarify wording:** How should the revenue amount be calculated
- **Technical update – consistent with other Standards**

Technical Update Example

Oil & Gas – Midstream → Ecological Impacts

EM-MD-160a.4. Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume in Unusually Sensitive Areas (USAs), and volume recovered

7 *The entity shall calculate the volume of spills recovered as the amount of spilled hydrocarbons (in bbls) removed from the environment through **short-term** [emphasis added] spill response activities ...*



Could be updated to include (illustrative example only):

Short-term is defined as a period of less than two years.

- Preparer question on **how a short-term spill is defined** and what the threshold is when a spill would change from short-term to long-term
- **Technical update – clarify wording:** Define short-term spill based on commonly accepted practice or guidance from industry source that places the time horizon at less than two years

Technical Update Example

Oil & Gas – Exploration & Production → Reserves Valuation & Capital Expenditures

EM-EP-420a.2. Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves

1 The entity shall calculate and disclose an estimate of the carbon dioxide emissions embedded in its proved hydrocarbon reserves.

- Preparer question on **what embedded means** and whether it would **include Scope 3 emissions potential**
- **Technical update? Unclear scope:** May require additional research and consultation to understand the scope of the question and considered relative to the overall climate strategy and approach across the Standards

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Staff Recommendations on Editorial Corrections Process



Editorial Corrections

How can an editorial correction be characterized?

As explained in the IASB's Due Process Handbook:

- “**normally fix spelling errors, grammatical mistakes** or incorrectly marked consequential amendments”
- “**technical staff may make editorial corrections** to technical documents to remedy drafting errors that are made when writing or typesetting the document”
- “the corrections **do not alter the technical meaning** of the text”

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Editorial Corrections

Process attribute recommendations

Attribute	Staff Recommendation	Rationale
Decision criteria	Revise minor inaccuracies that do not alter the technical meaning of the text (spelling errors, grammatical corrections, outdated links, etc.)	<ul style="list-style-type: none">• Can look to existing IASB criteria based on similar needs• Consistent with FASB and IASB
Process	Establish separate editorial corrections process and update based on need	<ul style="list-style-type: none">• Manage editorial corrections efficiently, given the extremely narrow scope and simple fixes• Consistent with FASB and IASB
Separate announcement	Yes	<ul style="list-style-type: none">• Provides transparency to users• Ensures documentation of all changes made to Standards• Consistent with FASB and IASB
Board involvement	Prepared by staff and not addressed by the Board	<ul style="list-style-type: none">• Not a productive use of the Board's time and do not require Board expertise• Board's involvement could delay the process

Editorial Corrections

Examples

Spelling errors, grammatical corrections, outdated links

1 1.2 The scope of disclosure includes those **CCR** impoundments that the entity currently owns and/or operates and those CCR impoundments that are inactive and/or closed, but for which the entity retains oversight and/or financial responsibility.

Should be CCR

2 The entity shall disclose the number of **CCR** impoundments by the hazard potential classification that each impoundment falls into, as well as its structural integrity assessment rating, where:

2 1.1 Data breach is defined as the unauthorized movement or disclosure of sensitive information to a party, usually outside the organization, that is not authorized to have or see the information, **T**his definition is derived from the U.S. National Initiative for Cybersecurity Careers and Studies (NICCS) glossary.

Should be a period not a comma

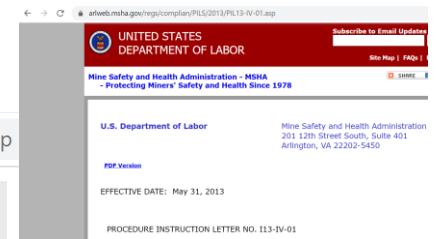
3 For locations not under the auspices of the MSHA, hazard potential shall be determined by a third party following **MSHA Procedure Instruction Letter No. I13-IV-01** guidance.

Outdated link

Not Found

Updated link

The requested URL "/regs/complian/PILS/2013/PIL13-IV-01.asp" was not found on this server.



Discussion Topics

Understand the Board's views

What views does the Board have on the recommended processes by staff?

- Technical updates
- Editorial corrections

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Next Steps

- 1 Follow-up discussion on any views discussed
- 2 Understand how today's discussion may inform the ISSB's due process

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Technical Updates and Editorial Corrections



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



Will Meister

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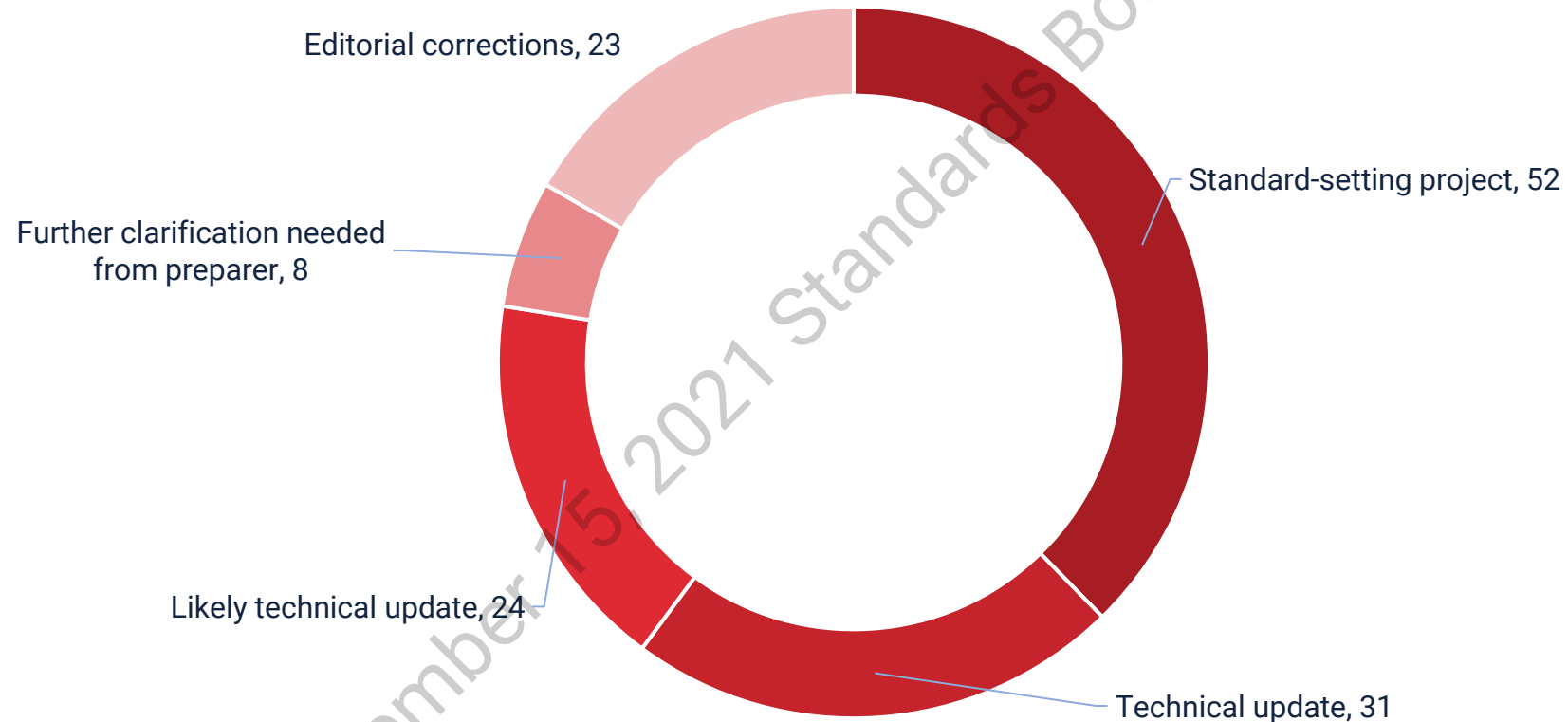
Appendix



Preparer Inquiries

Overview of preparer inquiries (sample from December 2018 – April 2021)

Preparer Inquiries*



* Please note that the chart above is a preliminary estimate and not a conclusive determination. It is not intended to represent the whole universe of potential projects. Additionally, the inquiries included in the standard-setting project category likely do not fulfill the proposed criteria for a technical update but could potentially be executed as a narrow-scope project. However, please be reminded that the Standards Board does not currently have an explicit process for narrow-scope projects nor is a separate process being proposed to address narrow-scope projects currently.

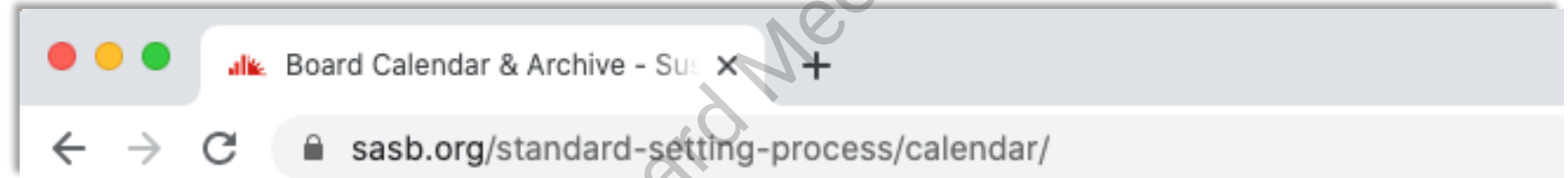
Concluding Remarks



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2022 Standards Board Meetings*

- **March 2**
- **June 14 - Tentative**



[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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Thank you

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