

# **Sustainability Accounting Standards Board**

Public Standards Board Meeting

Wednesday, March 2, 2022



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The University of Texas at Austin

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Investment and Stewardship  
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**Mark Vaessen**

Partner, Head of Department of  
Professional Practice, KPMG



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March 2, 2022 SFSB Standards Board Meeting

# Agenda

Time	Session	Session Leader	Session Objective
7:30 PST / 15:30 UTC	<b>Welcome, Meeting Overview &amp; Organization Updates</b>	Jeff Hales, Bryan Esterly, Lynn Xia	<ul style="list-style-type: none"> <li>Welcome &amp; meeting overview</li> <li>IFRS &amp; Value Reporting Foundation organization updates</li> <li>Standard-Setting Agenda Overview</li> </ul>
	<a href="#">Raw Materials Sourcing in Apparel</a>	Taylor Reed	<b>Standard-setting project update</b> on development of final standard update
8:45 PST / 16:45 UTC	<a href="#">Plastics Risks and Opportunities</a>	Tory Yoshida, Taylor Reed	<b>Standard-setting project update</b> on development of exposure draft
	<a href="#">Content Governance in Internet Media &amp; Services Industry</a>	Sam Wallace	<b>Standard-setting project update</b> on development of exposure draft
	<b>Concluding Remarks</b>	Jeff Hales	Concluding remarks and review upcoming SASB Standards Board meeting
10:30 PST / 18:30 UTC	<b>Adjourn Meeting</b>		

# Value Reporting Foundation Updates

March 2, 2022

Bryan Esterly | Chief Technical Officer, SASB Standards



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# 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  
CDSB (completed Feb  
2022) & Value Reporting  
Foundation (June 2022)**



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

March 2, 2022 IASB Standards Board Meeting

# Prototype requirements published

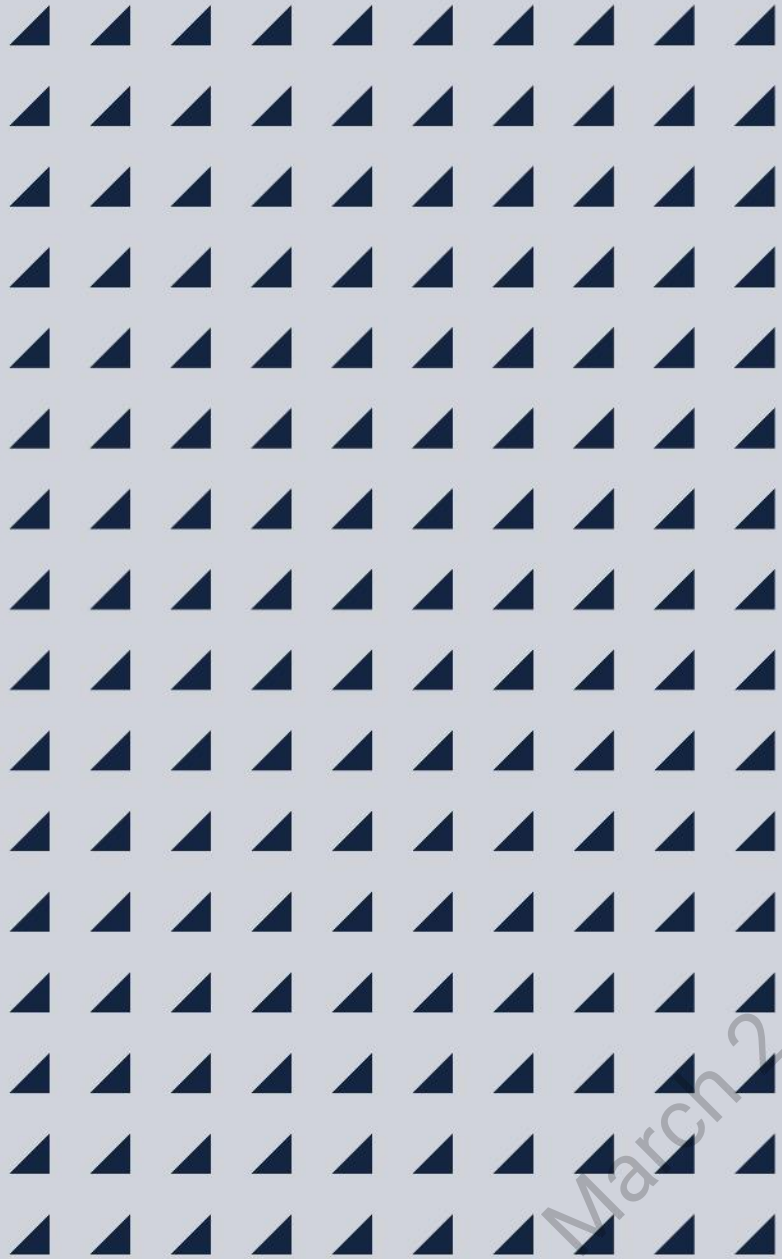
## Climate-related Disclosures



## General Requirements for Disclosure of Sustainability-related Information



- Recommendations from TRWG to ISSB
- ISSB considering as part of initial work programme
- Exposure drafts expected in H1 2022.



# What happens to SASB Standards?



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## **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.



# Next steps

<b>APPOINTMENTS</b>	Remaining ISSB members
<b>CONSULTATIONS</b>	Climate and general disclosure standards exposure drafts, work plan and future priorities (due process)
<b>ADVISORY GROUPS</b>	Finalise advisory group structure
<b>CONSOLIDATION</b>	Complete consolidation with Value Reporting Foundation (June 2022)
<b>LOCATION</b>	Implement multi-location approach for global footprint.

March 2, 2022 SASB Standards Board Meeting

# Advice to report preparers



Continue applying the <IR> Framework and SASB Standards



Get familiar with the prototypes – indication of direction of travel



Be ready to share your views – public consultation on exposure drafts



Plan to engage in ISSB Standards development on an ongoing basis.

March 2, 2022 - SASB Standards Board Meeting

# Standard-Setting Agenda Overview

March 2, 2022

Lynn Xia | Director of Research – SASB Standards



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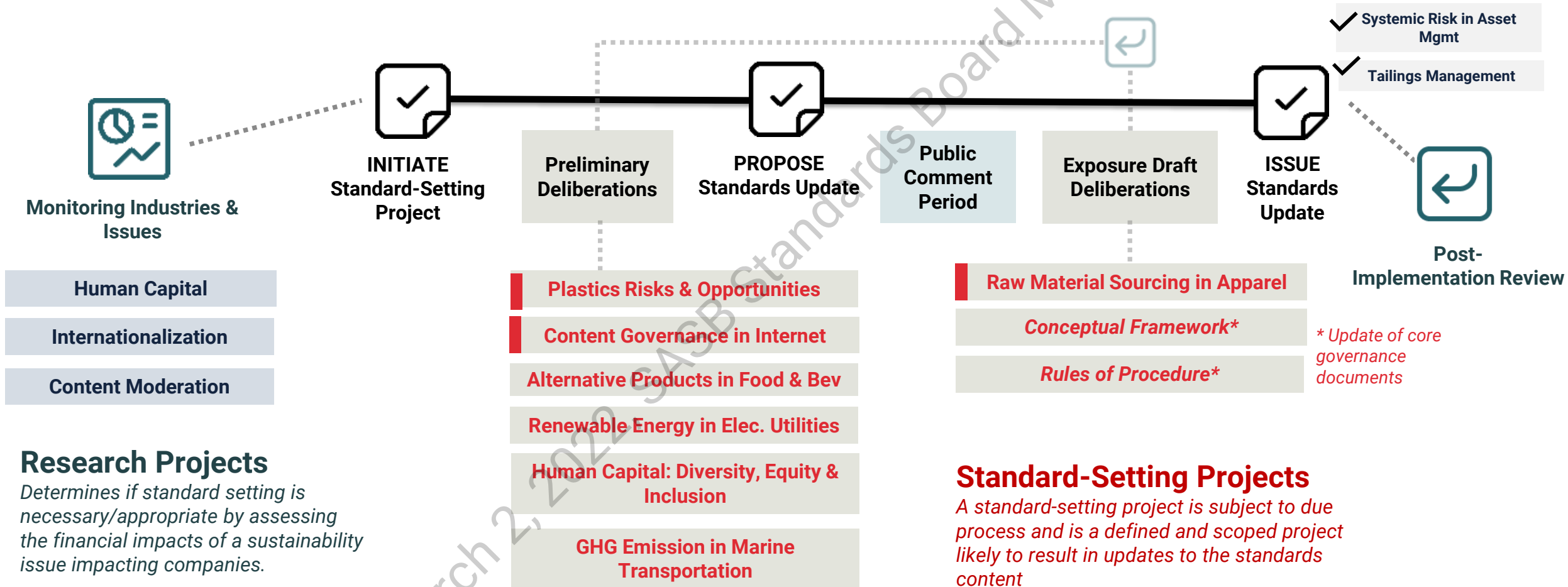


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# Evolving the SASB Standards to meet market needs

Project session in today's Board Meeting

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.

# Progress Standard-setting Projects

Standard-setting Project	Current Project Status	1H 2022 Target Timeline*
Raw Materials Sourcing in Apparel	Development of final update	Issue Standard update
Plastics Risks & Opportunities	Exposure draft development	Complete exposure draft & basis for conclusions
Content Governance in Internet Media Services Industry	Exposure draft development	Complete exposure draft & basis for conclusions
Alternative Products in Food & Beverage	Exposure draft development	Complete exposure draft & basis for conclusions
<i>All other standard-setting projects:</i> <ul style="list-style-type: none"> <li>- Renewable Energy in Electric Utilities</li> <li>- GHG Emissions in Marine Transportation</li> <li>- Human Capital: Diversity, Equity, Inclusion</li> </ul>	Continue research & preliminary deliberations	Continue market consultations.  Subscribe to <i>project alerts</i> and <i>standard-setting digest</i> for additional details; get in touch with the staff via the <i>project page</i>

# Raw Materials Sourcing in Apparel

Standard-Setting Project Update

March 2, 2022

Taylor Reed | Associate Director of Research  
Keertana Anandraj | Associate Analyst



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# Raw Materials Sourcing in Apparel

Standard-setting Project

## Problem Statement

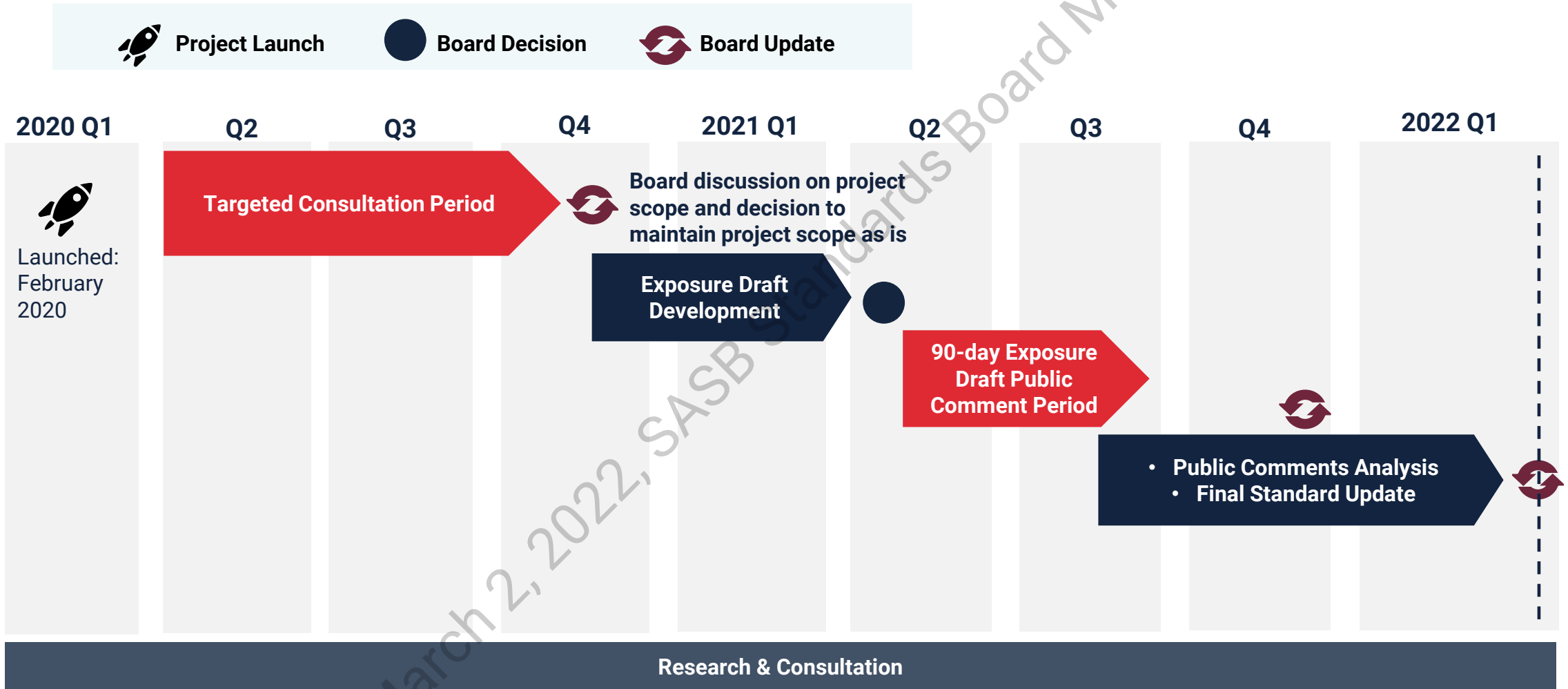
Market input suggests that the current metrics provide insufficient guidance that may lead to inconsistent calculations and in turn, less comparable disclosures for users. Additionally, market input and staff research suggest that there are opportunities to improve the completeness of the metrics and further align the metrics with existing industry approaches.

## Project Objective

Improve the comparability, completeness, and alignment of two 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.

# Project Timeline





# **Session Objectives**

**Review Additional Consultation Findings**

**Discuss Proposed Revisions to Technical Protocol**

**Next Steps**

March 2, 2022, SASB Standards Board Meeting

# Exposure Draft Recommended Revising Metrics & TPs

## Current Metric:

Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials	Discussion and Analysis	n/a	CG-AA-440a.1
------------------------	---	-------------------------	-----	--------------

## Proposed Metric:

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
------------------------	--	-------------------------	-----	--------------

March 2, 2022 SIPS Standards Board Meeting

# Exposure Draft Recommended Revising Metrics & TPs

## Current Metric:

Raw Materials Sourcing	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 Metric:

Raw Materials Sourcing	(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
------------------------	--	--------------	-----------------	--------------

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# Public Comments Highlighted Sourcing Location

Roughly half of respondents emphasized sourcing location as an important element of disclosure



March 2, 2023, SAB Standards Board Meeting

## Staff Pursued Additional Research & Consultation on Sourcing Location

Given the widespread market support for supplemental guidance on sourcing location, staff pursued the following tasks:



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



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

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# Consultation Feedback on Traceability/Sourcing Location



## Investor Consultation Findings

- Country-of-origin is useful information in further understanding risks (e.g., magnitude) associated with sourcing
- Investors were sympathetic to the challenges faced by companies to achieve traceability to raw materials suppliers (i.e., tier 4 suppliers).



## Company Consultation Findings

- Some apparel companies, (e.g. luxury brands) can trace materials to the farm level, but most are unable to due to the complex nature of the supply chain. Challenges include:
  - Cotton from multiple farms/countries is typically mixed when ginned which hinders traceability.
  - Some companies rely on external vendors to source materials rather than bringing this function in-house and vetting suppliers themselves.
- No viable technology to facilitate traceability at scale to this level of the supply chain.

# Consultation Feedback on Traceability/Sourcing Location



## Subject Matter Experts

- Emphasized the difficulty associated with traceability
- Highlighted issue as priority for companies within the industry
- Suggested some companies are apprehensive to disclose traceability information due to reputational repercussions
- Recommended clarifying key terms (e.g., “tier 4”)
- Recommended revising technical protocol to enhance alignment with the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance

# Supplemental Revisions to Proposed Changes

Redline aims to address public comments on sourcing location/country-of-origin

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

## Proposed Supplemental Revisions

4 For each priority raw material, the entity shall discuss its management strategy for addressing business risks and opportunities associated with environmental and/or social factors most likely to threaten its ability to source priority raw materials.

4.1 Relevant strategies may include, but are not limited to:

4.1.1 Enhancing supply chain visibility and traceability to raw materials suppliers (i.e., tier 4) through due diligence practices, research into traceability or use of traceability systems, technology, supplier screening, and/or supplier audits or certifications, and/or a list of countries from which the entity sources each priority raw material;

## Rationale

- Supplemental revisions build upon the draft language exposed to the public in June 2021 and do not represent a significant shift in terms of guidance.
- Proposed redline changes aim to address investor interest by helping drive more detailed disclosure on traceability to tier 4 suppliers and country-of-origin for priority raw materials.
- Topic summary and quantitative metric remain unchanged



# Proposed Next Steps

- 1** Staff's view is that this supplemental revision does not need additional exposure as additional research and consultation did not uncover any new information or options that significantly altered the proposed changes put forth in the exposure draft.
- 2** Staff plans to proceed with preparing the final standards update and basis to be released in 1H 2022.

# Discussion Points with the Board

- Does the Board agree with Staff's supplemental revisions to the qualitative metric?
- Does the Board view need to re-expose the supplemental revisions through an additional public comment period?

March 2, 2022, SJSR Standards Board Meeting

# Raw Materials Sourcing in Apparel



## Raw Materials Sourcing in Apparel



Taylor Reed – [taylor.reed@thevrf.org](mailto:taylor.reed@thevrf.org)

Associate Director of Research

March 2, 2022 SASB Standards Board Meeting

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**Break**

# Plastics Risks & Opportunities in Chemicals Industry

Standard-Setting Project Update

March 2, 2022

Tory Yoshida | Analyst

Taylor Reed | Associate Director of Research



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# **Session Objectives**

**Review Proposed Changes in the Exposure Draft**

**Key Areas of Research & Findings**

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# Plastics Risks & Opportunities in Chemicals Industry

Standard-setting Project

## Problem Statement

Intensifying focus on the externalities of plastics use has contributed to an escalating regulatory environment and shifting customer demand for packaging. These risks and opportunities do not appear to be fully captured in the existing Pulp & Paper and Chemicals Standards, but there is reason to believe they could be deemed financially material.

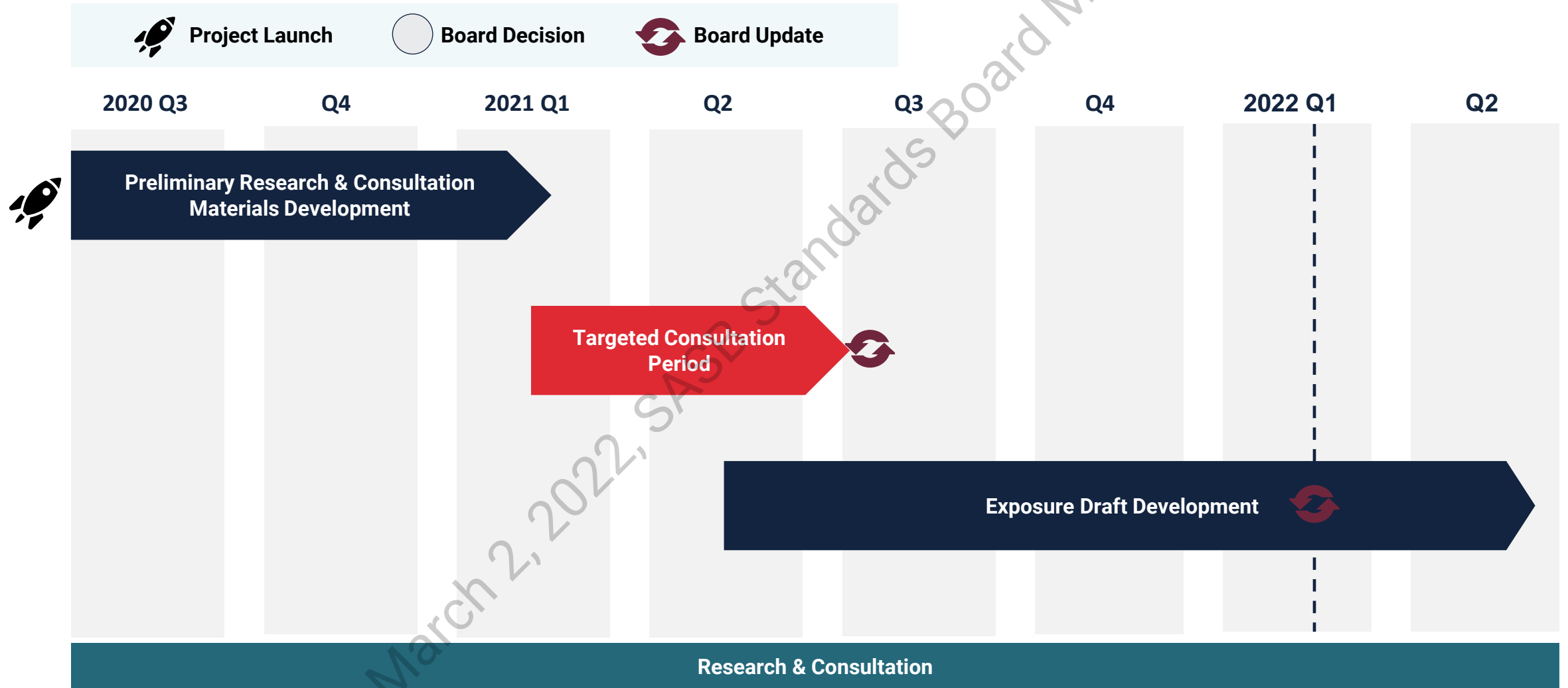
## Project Objective

Evaluate if single-use plastics issue should be reflected in Chemicals Standard looking at the full lifecycle impact and what metrics would be decision useful and actionable by the investors and chemicals companies.

(It was decided on July 2021 Board Meeting to remove Pulp & Paper Industry from the project scope)

# Project Timeline

Target exposure draft completion: 2022 Q2







March 2, 2022, GASB Standards Board Meeting

## **Overview of Proposed Changes in the Exposure Draft**

# Update Overview on the Project

**Pulp &  
Paper  
Industry**

**Scope  
Change**

- The original project scope included the Pulp & Paper Industry, but It was decided on July 2021 Board Meeting to **remove Pulp & Paper Industry from the scope**

**Chemicals  
Industry**

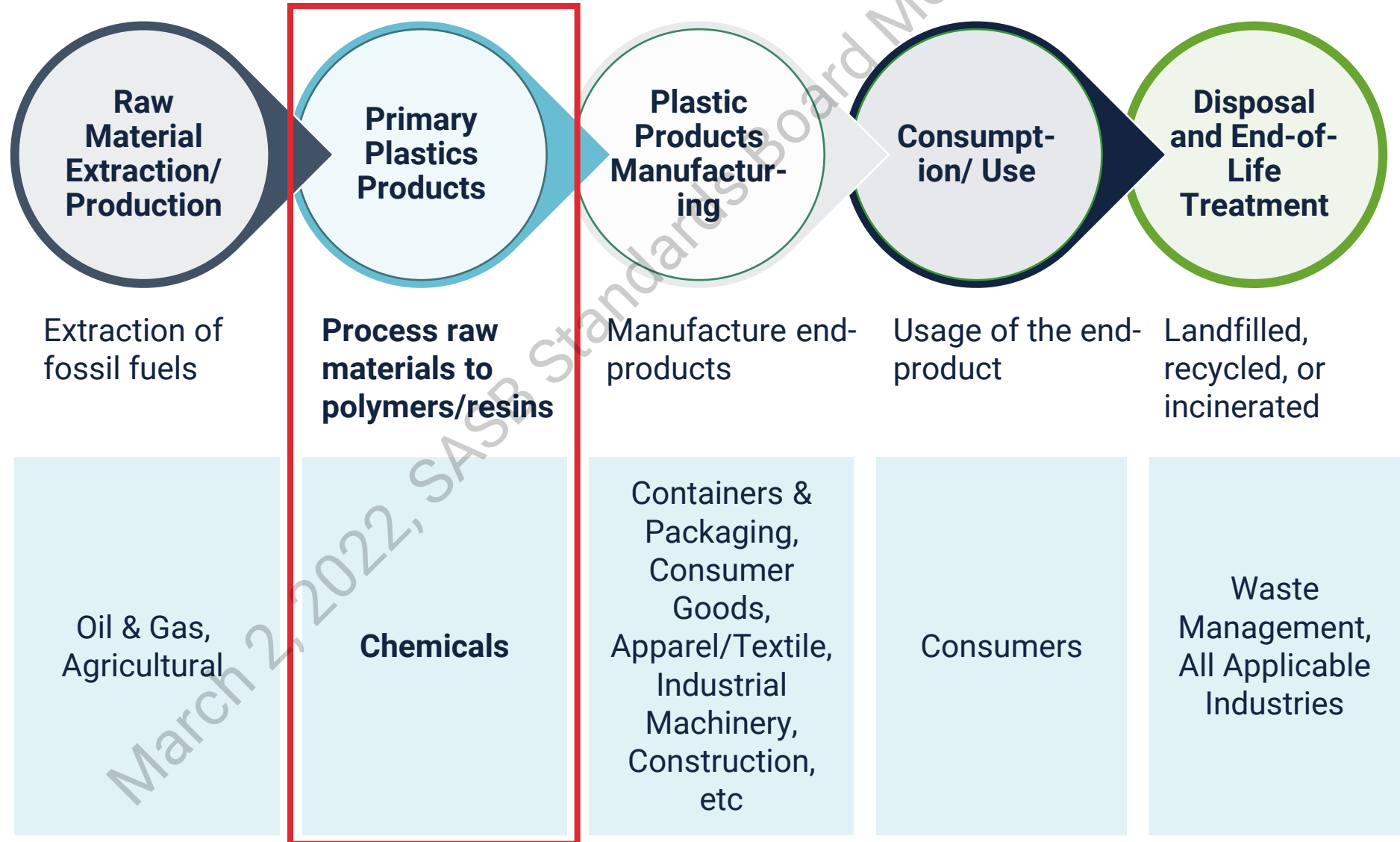
**Proposal of  
Topic  
Addition**

- At the July 2021 Board Meeting, Board Members discussed the **addition of a new standalone disclosure topic (Management of Single-Use Plastics)** rather than merging with the existing "Product Design for Use-Efficiency" disclosure topic

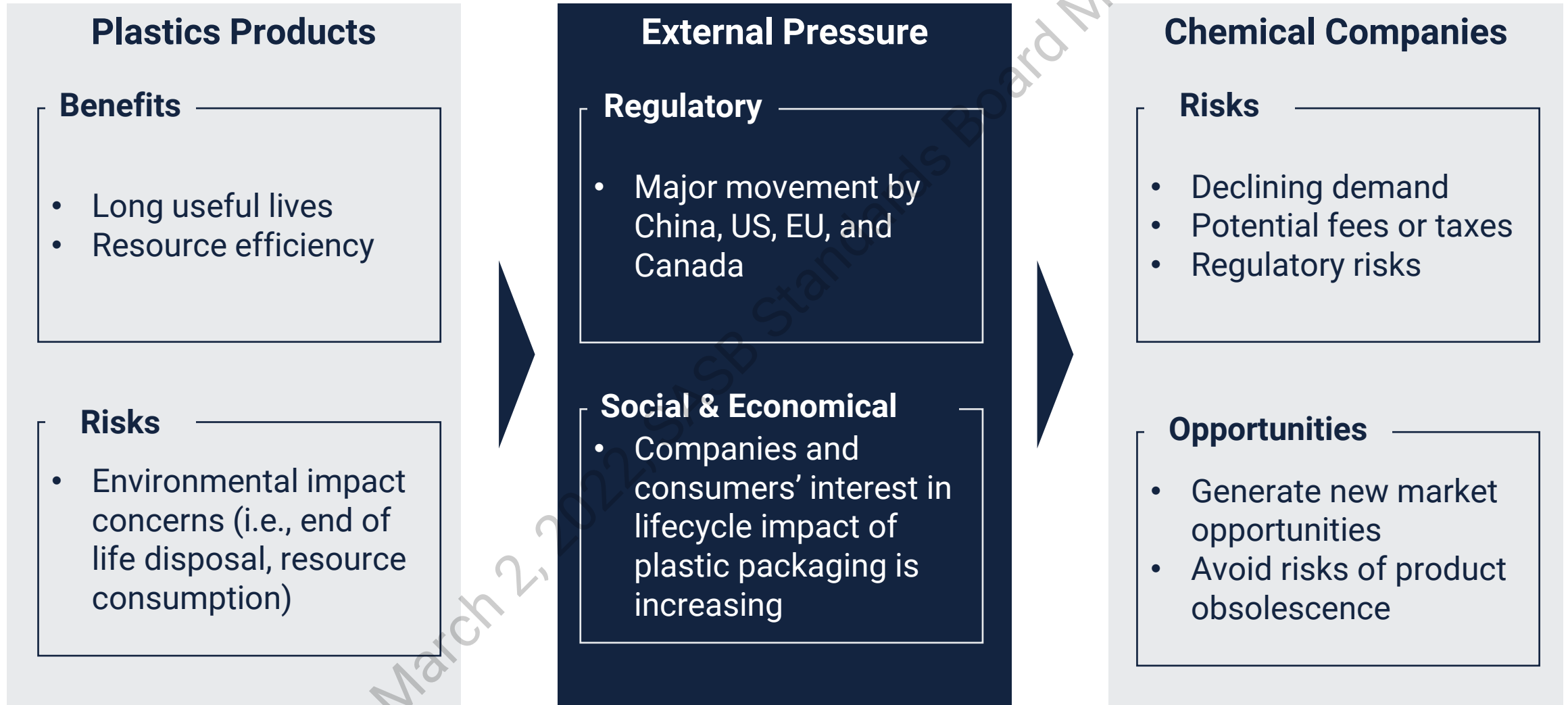
**Proposal of  
Metrics  
Addition**

- The new proposed topic contains **four new metrics** focused on the management of single-use plastics and bio-alternatives

# Chemicals Industry in the Plastics Value Chain



# Proposed Disclosure Topic: Management of Single-Use Plastics



# Proposed Metrics for Management of Single-Use Plastics

PROPOSED DISCLOSURE TOPIC	PROPOSED ACCOUNTING METRICS	CATEGORY	UNIT OF MEASURE	METRIC #
Management of Single-Use Plastics	Percentage of revenue from products sold for use in the manufacture of single-use plastics	Quantitative	Percentage	1
	Percentage of (1) revenue, (2) research and development expenditures, and (3) capital expenditures associated with products and/or business activities which are intended to reduce the environmental impacts associated with single-use plastics throughout the product lifecycle	Quantitative	Percentage	2
	Percentage of total raw material consumption used in the manufacture of single-use plastics which is (1) virgin fossil fuel (hydrocarbon) content, (2) recycled content, and (3) renewable/biomass content	Quantitative	Percentage	3
	Discussion of business activities intended to reduce the environmental impacts of single-use plastic for each key phase of the product lifecycle: (a) upstream/production, (b) use-phase/transportation, (c) end of life	Discussion and Analysis	n/a	4

# Rationale on Percentage of Revenue Metric

## Metric #1

- *Percentage of revenue from products sold for use in the manufacture of single-use plastics*

## Purpose

- Understand corporate exposure to the dynamic developments associated with the management of single-use plastics

## Background

- Companies that fail to develop products which meet the shifting regulatory and demand environment could be at risk of lower volumes and lost market share
- Revenues are a key channel of financial impact

# Rationale on Percentage of Revenues, R&D and Capex Metric

## Metric #2

- *Percentage of (1) revenue, (2) research and development expenditures, and (3) capital expenditures associated with products and/or business activities which are intended to reduce the environmental impacts associated with single-use plastics throughout the product lifecycle*

## Purpose

- (1) Company's position to capitalize on potential opportunities
- (2) & (3) Commitment and strategy associated with environmental impacts associated with single-use plastics

## Background

- Revenues, R&D, and CapEx are key channels for financial impact
- Revenues
  - Companies that meet regulatory and demand environment have potential for higher revenue, market share, and price premium
- R&D and CapEx
  - Mentioned by PRI/Ellen MacArthur Foundation engagement guide notes

# Rationale on Raw Materials Metric

## Metric #3

- ***Percentage of total raw material consumption used in the manufacture of single-use plastics which is (1) virgin fossil fuel (hydrocarbon) content, (2) recycled content, and (3) renewable/biomass content***

## Purpose

- Company's positioning to meet regulatory demands and help customers meet their targets

## Background

- Some government mandates incorporate certain levels of recycled plastic raw materials in plastic production
- Customers such as Coca-Cola and Pepsi have pledged to use recycled materials for packaging
- PRI/Ellen MacArthur Foundation engagement guide flags this as an area for possible engagement



# Rationale on Qualitative Metric

## Metric #4

- *Discussion of business activities intended to reduce the environmental impacts of single-use plastic for each key phase of the product lifecycle: (a) upstream/production, (b) use-phase/transportation, (c) end of life*

## Purpose

- Provide decision useful insights of environmental impact mitigation activities associated with single-use plastics

## Background

- Enhance completeness of disclosures by including disclosure guidance on the activities that may not be appropriately expressed in quantitative metrics alone

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## **Key Areas of Research & Findings**

# Areas of Research

Following research areas were investigated to further guide the foundation of the proposed metrics:

**1**

**Refining the definition of single-use plastics**

**2**

**Appropriate terminology for companies in the chemicals industry**

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# 1) Refining the Definition of Single-Use Plastics

## Issues for research included:

- **Aligning with existing definitions in regulation, disclosure efforts, industry terms, etc.**
- **Making the definition internationally applicable**

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# Single-use Plastics Definition

## Sources of Single-Use Plastics Definition

EU Directive

UN Environment Programme

Natural Resources Defense Council

*Addition of Examples and Timeline for clarity and comparability*

## Proposed Definition

### Single-use plastics:

Products made wholly or partly from plastics and are typically intended to be used once, for a short period of time before being disposed of.

Examples of single-use plastics include grocery bags, food packaging, beverage bottles, straws, containers, cups, and cutlery.

The scope excludes plastics used to produce durable goods with a useful life more than one year, such as components to appliances and transportation vehicles.

## 2) Appropriate Terminology for Companies in the Chemicals Industry

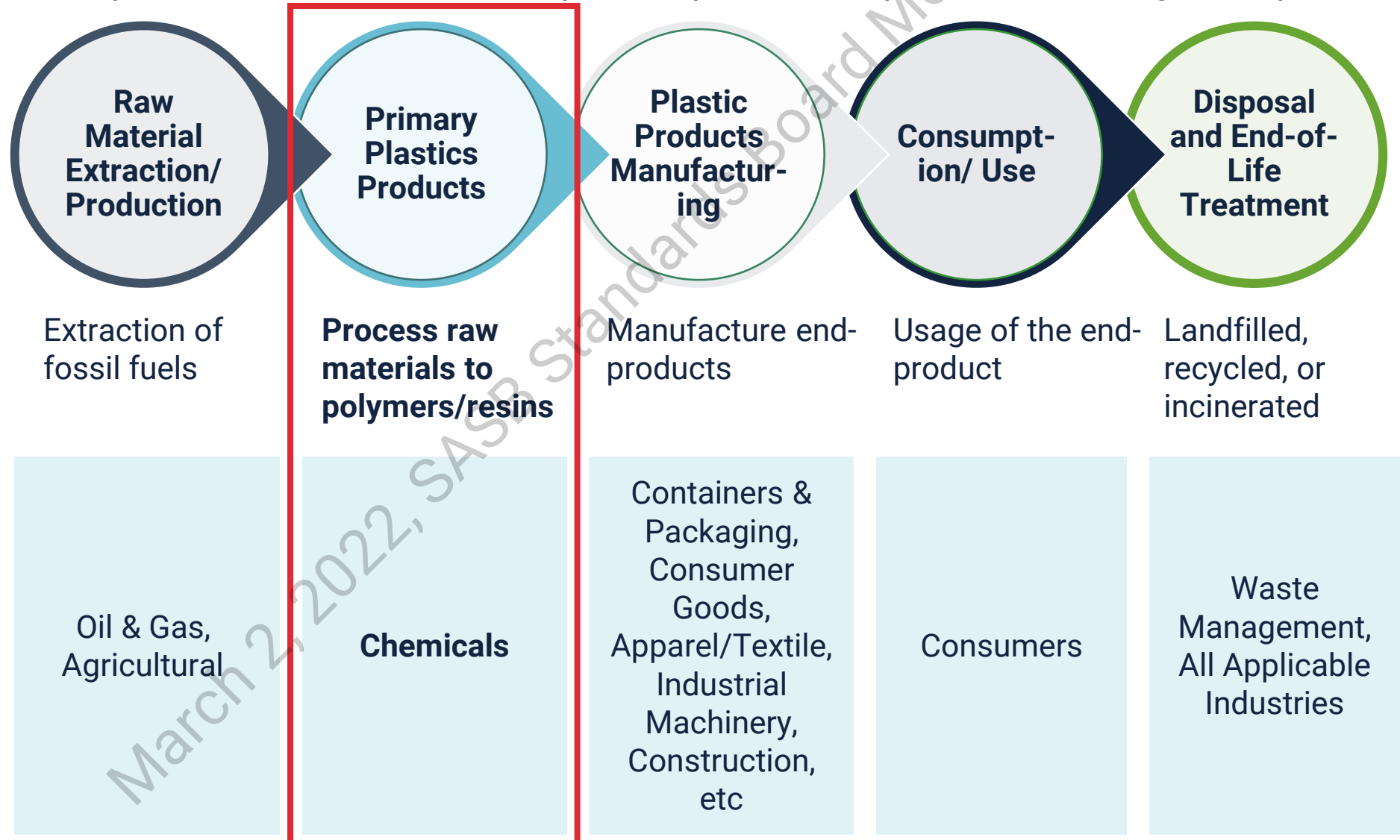
### Issues for research included:

- Terminology appropriateness; staff analyzed disclosures from 53 companies, only four explicitly used “single-use plastics” term
- Feasibility to connect polymers/resins to the production of single-use plastics

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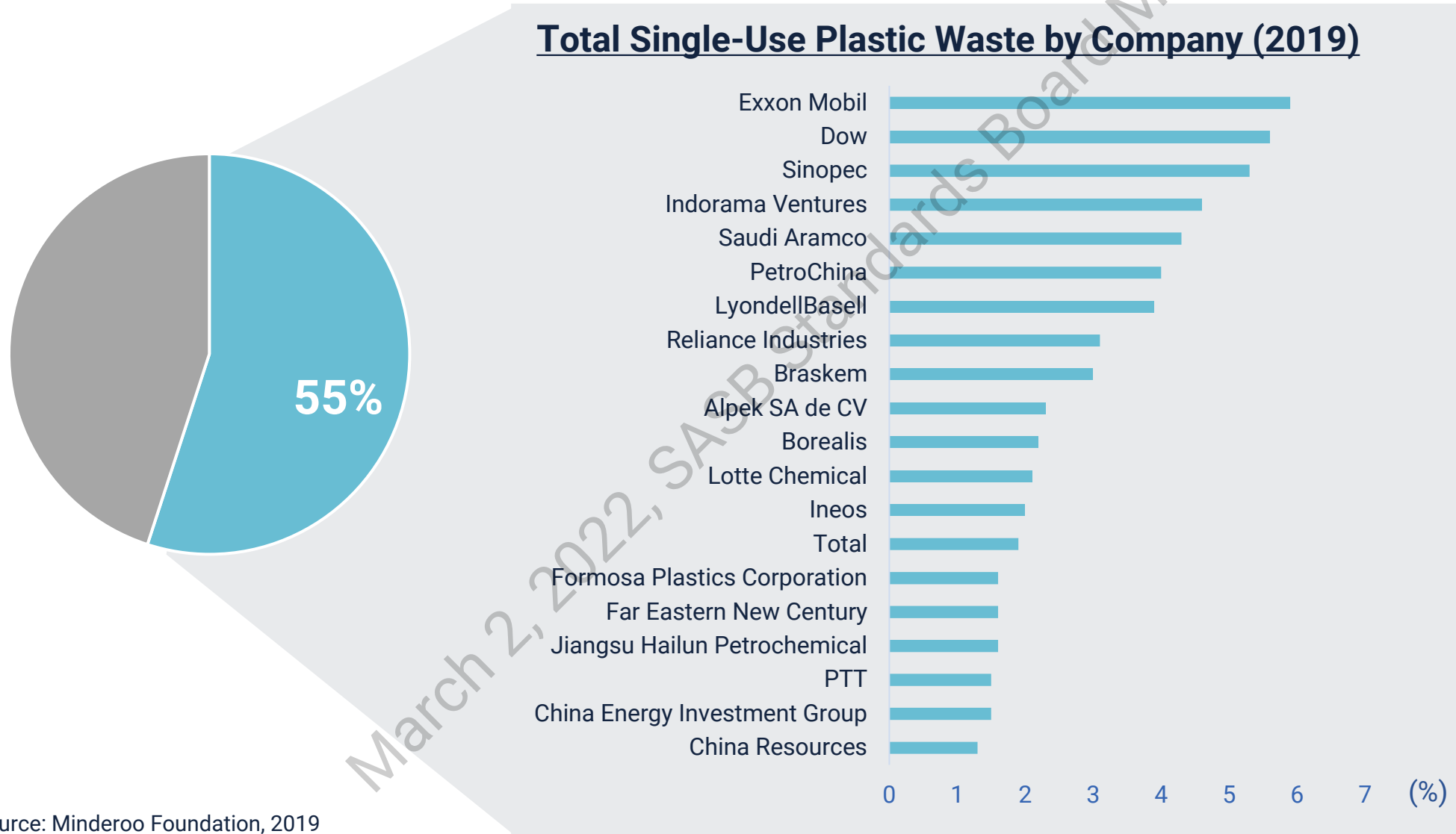
# Plastics Value Chain

Chemicals companies lie upstream and manufacture input components for production of single-use plastics



# Chemicals Companies and Single-Use Plastics Waste

55% of global plastic packaging waste was produced by 20 companies active in chemicals industry





# Polymers to Connect Single-Use Plastics Exposure

There are five primary polymers that make up almost three quarters of the plastics on the market.

Polymers/Resins	Example End Products
<b>High density polyethylene (HDPE)</b>	Cleaning products, personal hygiene bottles, milk jugs, shopping bags, pipes, insulation, bottle caps, protective helmets, and street furniture
<b>Low-density polyethylene (LDPE)</b>	Plastic bags, trays and lids, computer hardware and playgrounds
<b>Polyethylene terephthalate (PET)</b>	Drinks packaging (soft drink, water bottles), cleaning products, cooking oil bottles, packaging trays and fleece clothing
<b>Polypropylene (PP)</b>	Bottles, caps, food containers/packaging, straws, snack and candy wrapping, microwavable container
<b>Polyvinyl chloride (PVC)</b>	Clothing, pipes, flooring, vinyl records and cables, building and construction material, pipes, window frames, floor and wall covering

## Key Considerations

- Each polymer/resin can have multiple end-usage applications
- It may be challenging for chemicals companies to accurately track their products' usage or connect their revenue or spending to single-use plastics products

# Research Findings for Terminology

Research suggests “polymers/resins” terminology alone may not be sufficient to represent their association with single-use plastics for chemicals companies.

The term, “single-use plastics,” may be more appropriate, but staff plans to gather additional market input to evaluate and finalize the terminology to ensure the proposed metrics are cost-effective, comparable, and representationally faithful.

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# Next Steps

- Finalization of exposure draft and basis for conclusion

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# Board Discussion

- **Do you agree with the direction staff has proposed for this project?**

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# Appendix

Issues to gain further market input on to further refine proposed metrics

## Decision Usefulness vs. Cost Effectiveness

- Single-point vs. range data
- Absolute value vs. percentage data
- Disclosure of both R&D and CapEx data
- Revenue vs. volume data

## Representational Faithfulness

- Isolating single-use plastics from R&D and CapEx
- Raw materials focusing on single-use plastics vs. all plastics

## Comparability

- Share of whole company vs. business unit

# Appendix

## Single-use plastics definition sources

Source	Coverage	Keyword	Definition
EU Directive	EU	Single-use plastics	“Single-use plastic products include a diverse range of commonly used fast-moving consumer products that <b>are discarded after having been used once for the purpose for which they were provided</b> , are rarely recycled, and are prone to becoming litter.”
UN Environment Programme	Global	Single-use plastics	“Single-use plastics - often also referred to as disposable plastics, are commonly used plastic packaging including <b>items intended to be used only once before they are thrown away or recycled</b> , e.g., grocery bags, food packaging, bottles, straws, containers, cups, cutlery, etc.”
Natural Resources Defense Council	US (has offices in India and China)	Single-use plastics	“Put simply, single-use plastics are goods that are made primarily from fossil fuel-based chemicals (petrochemicals) and are <b>meant to be disposed of right after use—often, in mere minutes</b> . Single-use plastics are most commonly used for packaging and serviceware, such as bottles, wrappers, straws, and bags.”
PRI/Ellen MacArthur Foundation	Global	Single-use packaging	“Packaging that is designed to be <b>used once before disposal</b> .”

# Appendix

Only four companies out of 53 stated single-use plastics in their disclosure (2021)

Company	Details from Corporate Reports
<b>Nutrien</b>	<ul style="list-style-type: none"><li>• Acknowledge single-use plastics is a global concern and trying to reduce plastic packaging or increase its reuse and recycling</li><li>• Recycling program Cleanfarms, that collect variety of used agricultural packaging and recycle</li></ul>
<b>Royal DSM</b>	<ul style="list-style-type: none"><li>• Acknowledge they need to achieve meeting demand without using single-use disposal products</li><li>• Making contribution to develop circular bio-based economy. For Engineering Materials business, they aim to offer “portfolio of alternatives that contain at least 25% recycled or bio-based content by 2030”</li></ul>
<b>Symrise AG</b>	<ul style="list-style-type: none"><li>• Stated a goal to phase out from the use of single-use plastics in Germany by end of 2020 and all sites before mid-2021 by recycling recyclable plastics and making packaging materials sustainable</li></ul>
<b>Trinseo</b>	<ul style="list-style-type: none"><li>• Community recycling activity for single-use plastics</li></ul>



**Plastics Risks and Opportunities in Chemicals Industry**



**Tory Yoshida – Analyst ([tory.yoshida@thevrf.org](mailto:tory.yoshida@thevrf.org))**

**Taylor Reed – Associate Director of Research ([taylor.reed@thevrf.org](mailto:taylor.reed@thevrf.org))**

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# Content Governance in the Internet Media & Services Industry

Standard-Setting Project Update

March 2, 2022

Sam Wallace | Analyst, Technology & Communications Sector Lead



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# Session Objectives

**Recap of proposed new Standard structure**

**Overview of proposed metrics: 'content governance table'**

**Discussion of proposed metric: company content governance expenses**

**Discussion of proposed metric: global approach to content governance**

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# Content Governance in the Internet Media & Services Industry

Standard-setting project

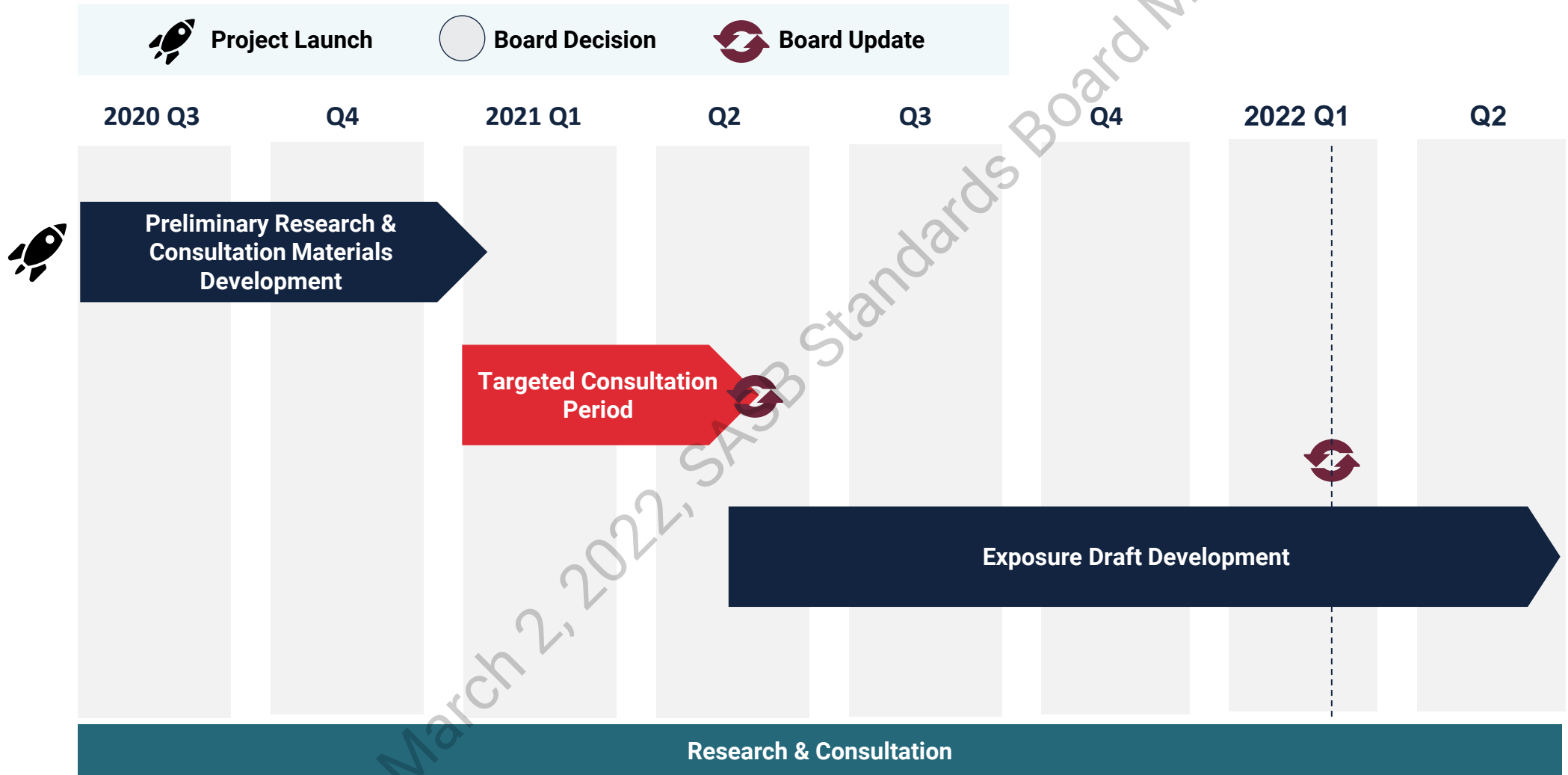
**The risks around the dissemination and moderation of user-generated content are not fully accounted for by the Internet Media & Services (IM) Standard.**

**This project aims to expand the scope of disclosure for companies that operate user-generated content platforms and develop new metrics that capture relevant risks and opportunities.**

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# Project Timeline

Target project completion: 2022 Q2



# Proposed New Structure for the IM Standard

		Proposed New Structure
Sustainability Angle	Current Standard	
		ADD Content Governance Topic; REVISE scope of Privacy Topic
Privacy	Data Privacy, Advertising Standards & 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
Harmful content - content moderation		
Harmful content - content shaping		

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# Proposed Metrics

Draft concepts sent to reviewers



# New Proposed Metrics

Topic	Metric	Unit of Measure
<b>Content Governance &amp; Freedom of Expression</b>	Description of approach to content moderation	n/a
	Description of approach to content ranking and recommendations, and how these systems account for harmful or potentially harmful content	n/a
	Content moderation metrics table: (1) content items removed, (2) percentage of removed content discovered proactively, (3) percentage of content removals appealed by users, (4) percentage of appealed content restored, (5) average user views of removed content	Number, Percentage (%)
	<b>Percentage of (1) operating costs and (2) research and development expenses associated with business activities intended to prevent the dissemination of harmful and illegal content</b>	Percentage (%)
	<b>Number of countries where localized content moderation experts are employed</b>	Number



Qualitative metrics



Content moderation table



**Key metrics for Board review and discussion**

# Qualitative Metrics

## Content Moderation

Proposed Metric	Rationale / concept to be measured
<b>Description of approach to content moderation</b>	<p>What are the company's policies regarding content moderation, i.e., what rules or principles does it follow for determining which content is allowed?</p> <p>What is the company's strategy for reviewing and removing user-generated content?</p>

## Content Shaping

Proposed Metric	Rationale / concept to be measured
<b>Description of approach to content ranking and recommendations, and how these systems account for harmful or potentially harmful content</b>	<p>How does the company determine what users see on its platforms?</p> <p>How do these mechanisms interact with harmful or potentially harmful content?</p>



# Content Moderation Table

Staff proposes metrics grouped by harmful content category and presented in a table

Proposed Metric	Rationale / concept to be measured
Content items removed	Provides a rough idea of the scale of the company's content removal efforts.
Percentage of removed content discovered proactively	How much content a company discovers on its own vs. how much is flagged by users. Provides an indication of the company's reliance on artificial intelligence vs. human moderators, centralized vs. community moderation approaches.
Content removals appealed by users	Indicates whether the company has an appeals process, while also providing insight into the degree to which users are pushing back on the company's content moderation actions.
Percentage restored after appeal	Similar to rationale for appeals metric, while also indicating the extent to which the company's initial removal processes "got it wrong". When paired with the number of removals that were appealed, could indicate the accuracy of a platform's initial content moderation decisions.
Average user views of removed content	How good is the platform at removing offending content before it appears in the feeds of users? Provides additional context: without this metric, all removals are counted equally, regardless of whether a content item was viewed 1 time or 100 million times.

## DISCUSSION TOPIC 1

Is the Board supportive of a metric capturing company spending on content governance, and does the Board have any feedback on how to structure this metric?

***Proposed metric: Percentage of (1) operating costs and (2) research and development expenses associated with business activities intended to prevent the dissemination of harmful and illegal content***

### Pros

- Reflects investor interest
- Provides context when interpreting other metrics
- Creates a metric that is correlated to the scale of company investment

### Challenges

- Some companies may consider this to be confidential information
- Defining boundaries of expenses to include is challenging
- Smaller platforms may be sensitive to comparison with larger competitors

## DISCUSSION TOPIC 2

# Does the Board have suggestions on how to capture the global nature of content moderation risks?

### Relevance

- Several of the worst examples of real-world harm have occurred in developing countries and areas of conflict
- Many types of harmful/illegal content can only be understood with local language and cultural context
- Companies have traditionally expanded into new markets before setting up localized content moderation systems
- Severe reputational harm can come from places where companies make little money

### Challenges

- Sensitive information that companies may be reluctant to disclose
- Little in the way of existing disclosures
- Difficult to capture with quantitative metrics; qualitative metrics may lead to boilerplate disclosures

# Option 1: Qualitative Disclosure

***Sample metric: Description of approach to managing global risks related to harmful and illegal content***

Possible structure:

- Focus on “high risk” countries, regions or conflict areas
- Highlight internal policies, practices and procedures in place

### **Pros**

- More opportunity for nuance and explanation in disclosure
- May be more adaptable for platforms of different types

### **Challenges**

- Risk of generating boilerplate disclosures given sensitivity of topic
- Question of whether disclosures would provide comparable and decision-useful information

# Option 2: Detailed Quantitative Disclosure

***Sample metric: Number of content moderation specialists employed in each language supported by platform operations***

Alternative sample metrics:

- Percentage of moderators dedicated to enforcing content policy, broken out by languages supported by the entity
- User-to-moderator ratio, broken out by languages supported by the entity

### **Pros**

- Detailed information could be particularly decision-useful
- Full disclosure may be more representationally faithful
- Actionable metric for companies

### **Challenges**

- May not be cost-effective for companies to report
- Companies may consider this to be confidential information

# Option 3: Aggregated Quantitative Metric

### ***Sample metric: Number of languages supported by content moderation operations***

Alternative sample metrics:

- Number (list) of countries where content moderation experts are employed
- Number (list) of key issue areas supported by content moderation experts

#### **Pros**

- Compromise that is less burdensome or confidential for companies while still providing quantitative information

#### **Challenges**

- Could sacrifice representational faithfulness while still being sensitive for companies to disclose
- May set the bar too low for disclosure on this key issue

## DISCUSSION TOPIC 2

### Summary questions

- What concerns does the Board have with pursuing each of the three options detailed above?
- Which of these three options does the Board recommend pursuing?

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# Next Steps

- 1** Gather and incorporate Board and additional market feedback
- 2** Prepare exposure draft and basis for conclusions

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# Content Governance in the Internet Media & Services Industry



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



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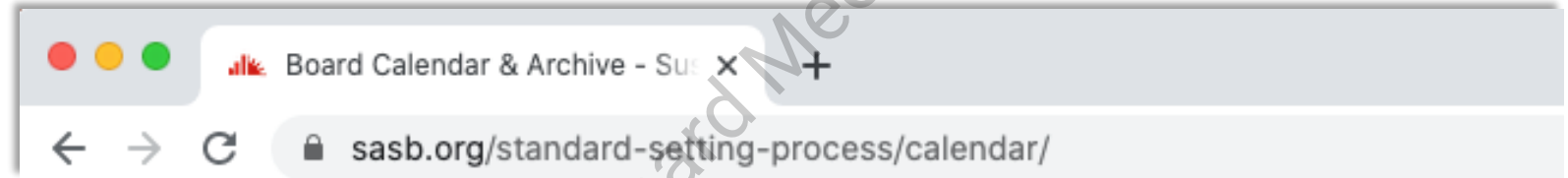
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# Concluding Remarks



## 2022 Standards Board Meetings\*

- June 15



[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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