

SUSTAINABILITY ACCOUNTING STANDARDS BOARD



*Industry Working Group
Orientation Materials*



Sustainability Accounting Standards Board Industry Working Group Orientation Packet

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Welcome

On behalf of the Sustainability Accounting Standards Board (SASB), we welcome you as a participant in our Industry Working Groups (IWGs). SASB's goal is ambitious – and necessary. It has the potential to change and improve corporate disclosure, on par with the accomplishments of the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB). Your input and expertise are invaluable to develop sustainability accounting metrics for environmental, social and governance (ESG) issues that are likely to be material for SEC disclosure for your industry. We believe creating new standards must involve the perspectives of people like you, who know the industry and understand the challenges posed by limits across all forms of capital. We recognize your time is valuable, and thus are committed to efficiently leveraging your time and expertise to provide outcomes that will benefit investors, corporations and the public. The Executive Overview of this document provides a concise summary of what you will need to conduct your work in our Industry Working Groups.

Participants with more time may refer to Section II for more detailed information on why we have embarked upon this ambitious goal. Together, we can create standards that truly account for a sustainable future.

Again, on behalf of SASB, thank you for your time and expertise. Please keep in touch during the IWGs (and after!) and let us know what we can do to continue to improve the IWG experience.

We look forward to a productive working group experience.

Sincerely,

Jean Rogers
Executive Director & Founder

Katie Schmitz Eulitt
Director, Stakeholder Engagement
Advisory Council Chair



Section I

Executive Overview



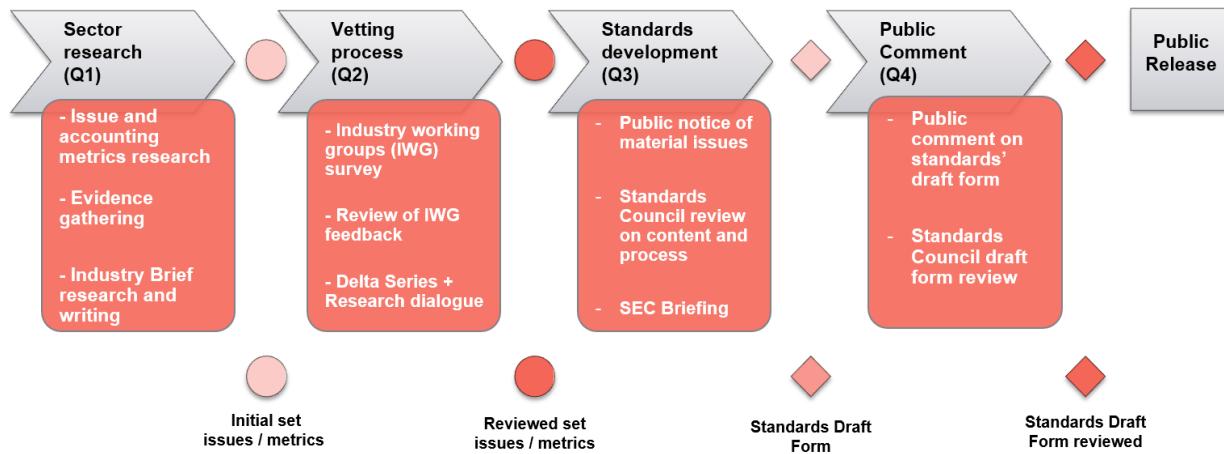
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Introduction

Thank you for committing to participate in the important work of SASB's industry working groups (IWGs).

The Sustainability Accounting Standards Board (SASB) was created to fill a void in a world characterized by greater uncertainty, a broader range of risks and opportunities, and significant resource constraints beyond access to financial capital. SASB standards articulate [material](#), non-financial issues facing companies and investors today. SASB standards serve as an evolution in disclosure standards helping companies comply with the requirement to disclose material issues and providing investors with the ability to compare—on a peer-to-peer basis—how environmental, social and governance (ESG) risks and opportunities are being managed by the companies in which they invest.

SASB IWGs play a critical role in the standards development process (shown below), providing industry-expert feedback on SASB standards, helping to ensure the standards will be decision-useful for companies and investors alike.



SASB Standards Development
process is certified by:





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Resources and Process

Resources

The table below delineates the resources you need to fulfill your role in your working group, as well as the means by which these materials will be made available to you.

Material	Where to Find It
1. Industry briefs, including suggested accounting metrics for disclosure	Links to industry briefs and surveys will be distributed via email ¹ based on the group for which you have registered. You will receive a separate email associated with each group for which you have registered.
2. SASB Principles & Criteria	Appendices I and II of this document
3. Review “The Materiality Lens”	P. 6 of this document
4. SASB Industry Survey	Links to industry briefs and surveys will be distributed via email based on the group for which you have registered. You will receive a separate email associated with each group for which you have registered.

If you do not receive these materials via email by the start date of your working group, please check your junk mail and spam filters. Please follow up with Katie Schmitz Eulitt (katie@sasb.org) for any missing documents.

Process

Your work with a SASB industry working group should take no more than four hours of self-paced time. The work flow is straightforward.

- 1. Read your SASB industry brief**
- 2. Review SASB Principles and Criteria**
- 3. Review “Materiality Lens”**
- 4. Complete your SASB survey**

¹ Please request a hard copy of SASB working group materials if you have difficulties accessing and/or working with them online.



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We will conduct an optional webinar that will walk you through SASB's process and materials. The webinar will also feature an overview of the material issues for all industries covered in the sector, and will serve as an opportunity for you to pose questions directly to SASB. A recording of the webinar will be distributed to all working group members.

Please read your industry brief first – before responding to the SASB Industry Survey.

The SASB Industry Survey will ask you for specific feedback on the material issues identified for your industry in the Brief – as well as the suggested accounting standards, also included in each Brief.

Please add katie@sasb.org to your organization's "safe contact" list to avoid problems receiving materials from SASB.

Key points to note about the Industry survey:

- You will be able to start and stop the survey at any time.
- You may complete the survey at your own pace during the period during which your IWG is in session.
- ***Please carefully review all the materials mentioned above before beginning the survey.***

Survey results will be aggregated and all answers will be anonymous.



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The “Materiality Lens”

As you read the SASB Industry Brief and later respond to our Industry Survey, we ask that you view these materials through a “materiality lens”. You will be reviewing evidence compiled by SASB to substantiate the materiality of the minimum set of highest priority issues for your industries as part of your IWG process.

Ask yourself the following questions as you review the issues identified as material by SASB for your industry:

- Is there evidence of this issue’s financial impact on my industry?
- Am I aware of emerging interest in this topic?
- Is potential for systemic disruption inherent in this issue?
- Would it be valuable for companies to manage this issue?
- Are suggested accounting metrics decision-useful for investors?
- Has SASB weighted the issues appropriately? (If not, what evidence do I have to substantiate this opinion?)

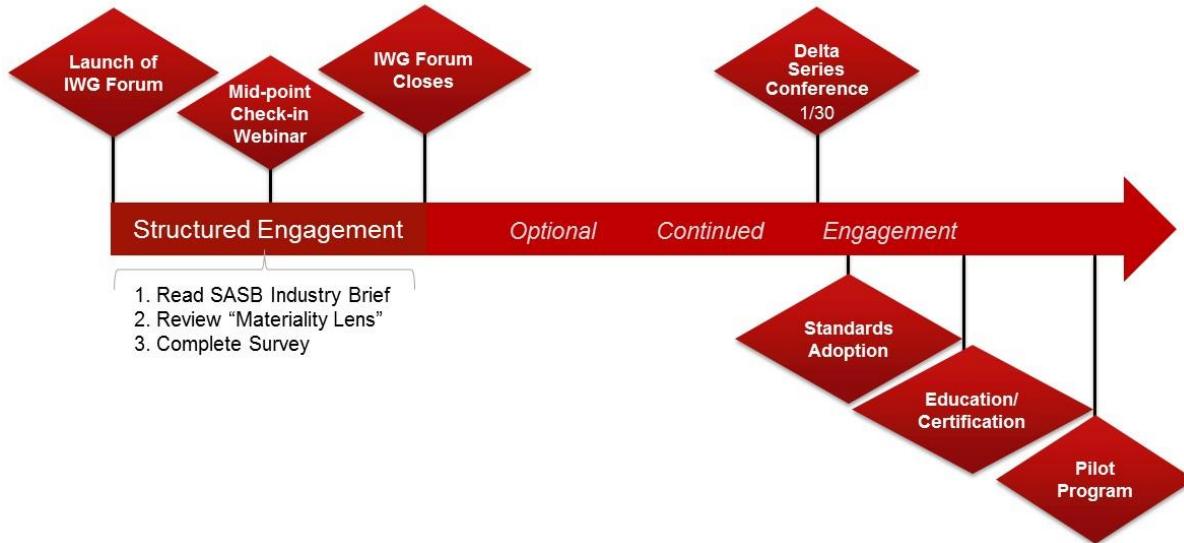
As you respond to the survey, please keep the accounting standards Criteria (see Appendix II) and SASB’s Principles (see Appendix I) in mind. It may also be helpful to re-read the agreement letter you signed when you registered to participate in our IWGs (included in Section II of this document under *Protocol and Rules of Engagement*) before you begin.

For a more detailed overview of SASB’s approach on materiality, including the Supreme Court’s definition of materiality, please refer to our [website](#), as well as the *Regulation, Materiality and Evidence – SASB’s Approach* in Section II of this document.

We encourage working group members to join our SASB’s Industry Experts groups on LinkedIn, to which you should have already received an invitation. These groups are open only to SASB working group members. We hope you will discuss material issues in your industry and share evidence with SASB and other IWG members through these groups.



Structured Engagement & Beyond



During the period of structured engagement for your industry working group, please review your SASB Industry Brief and complete the survey. Reviewing SASB Principles and Accounting Metrics Criteria, as well as the “Materiality Lens” section of this document, will help you as you answer the survey questions.

Opportunities for further optional engagement include ongoing engagement with SASB and fellow group members through our Industry Experts groups on LinkedIn and the SASB Delta Series event for your sector. The Delta Series events feature industry experts and luminaries, provide opportunities to network with other IWG members, participate in panel discussions regarding SASB standards and how you may implement them in your organizations.



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Contact SASB

If you have questions or comments about your experience with our IWGs or, if you experience technical difficulties with SASB Industry Surveys, please contact our Stakeholder Engagement Team:

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Section II

SASB's Background & Approach



Section II – SASB's Background and Approach

SASB's Origin

SASB was established to fill a growing void in today's corporate disclosure – the development of industry-specific metrics for the disclosure of material sustainability issues in existing mandatory filings. SASB standards will enable corporations and investors alike to assess key risks and opportunities that materially contribute to an organization's sustained success, and will be appropriate for use in Forms 10-K, 20-F and other required SEC filings.

We believe that long-term value creation in today's capital markets necessitates the integration of sustainability metrics into standardized disclosure. While this exists on some level, reporting initiatives focused on the inclusion of ESG issues in corporate reports are voluntary, and inconsistent from company to company within industries.

SASB's Approach – Regulation, Materiality and Evidence

Material issues are already required to be disclosed to the SEC via the Forms 10-K and 20-F. To be included in the MD&A section of the Forms 10-K and 20-F, issues need to be material, as defined by U.S. securities law and judicial review, and must demonstrate links to value.

The U.S. Supreme Court has deemed material information to be: *Information presenting a substantial likelihood that the disclosure of the omitted fact would have been viewed by the "reasonable investor" as having significantly altered the "total mix" of information made available*².

SASB standards leverage existing regulatory frameworks; their use and adoption will not require a change in regulation. Rather, they enable publicly-traded companies to better comply with the requirement that already exists to disclose material issues and reduce the risk of non-compliance.

As a working group member, you will be reviewing evidence compiled by SASB to substantiate the materiality of the minimum set of highest priority issues for your industries as part of your IWG process.

Complementing Other Frameworks and Initiatives

While SASB's *implementation* focus is U.S. specific - leveraging the regulatory framework that is already in place through the SEC and the Form 10-K - SASB both supports and enriches many other initiatives.

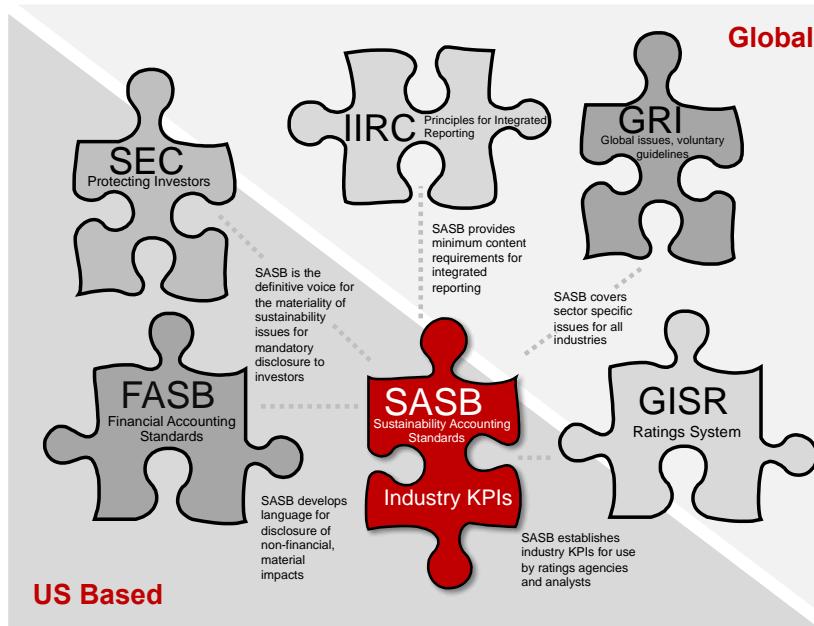
² TSC Indus. V. Northway, Inc., 426 U.S. 438 (1976) and Basic v. Levinson, 485 U.S. 224 (1988))



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The graphic below shows how SASB fits in the current disclosure landscape.

SASB Complements other established frameworks and initiatives



SASB Outputs

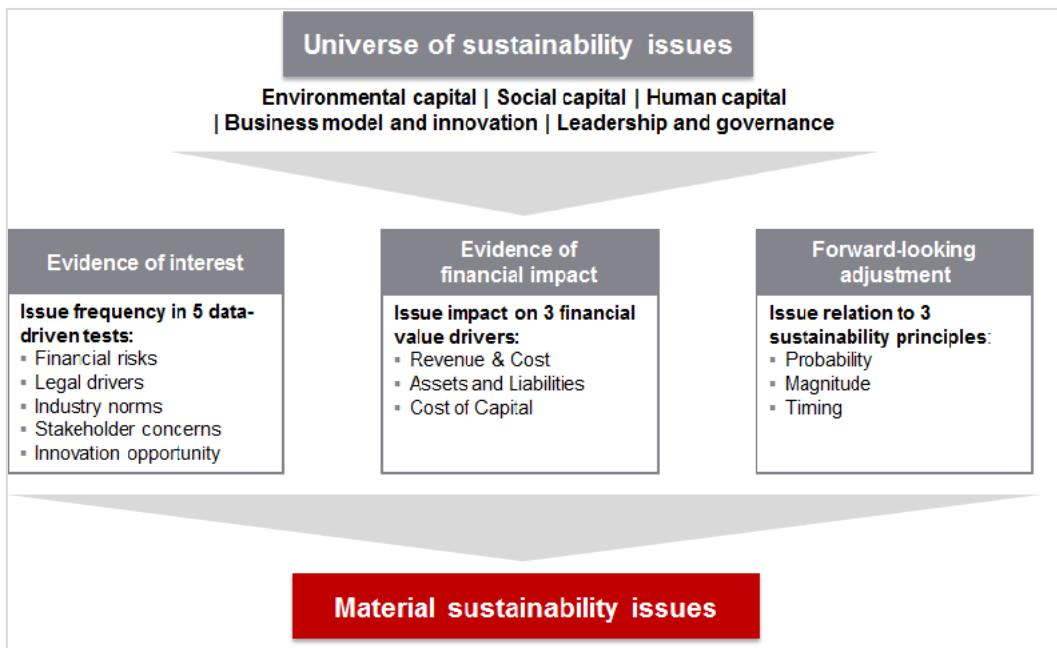
SASB Provisional Sustainability Accounting Standards

SASB's industry-specific Sustainability Accounting Standards enable a company to prioritize issue areas and characterize their performance with respect to issues found to be material to their industry. The Standards will describe both impacts as well as opportunities for innovation. Taken together, they will position a company with respect to sustainability issues and the potential for long-term value creation.

The diagram on p. 12 summarizes the types of evidence gathered and the approach used by SASB to determine the ESG issues that are material on an industry-by-industry basis.



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SASB's Sustainability Accounting Standards are composed of **Sustainability Topics** (also referred to as material sustainability issues) and **Accounting Metrics** (also referred to as Key Performance Indicators or KPIs) to account for performance with respect to each Sustainability Topic.

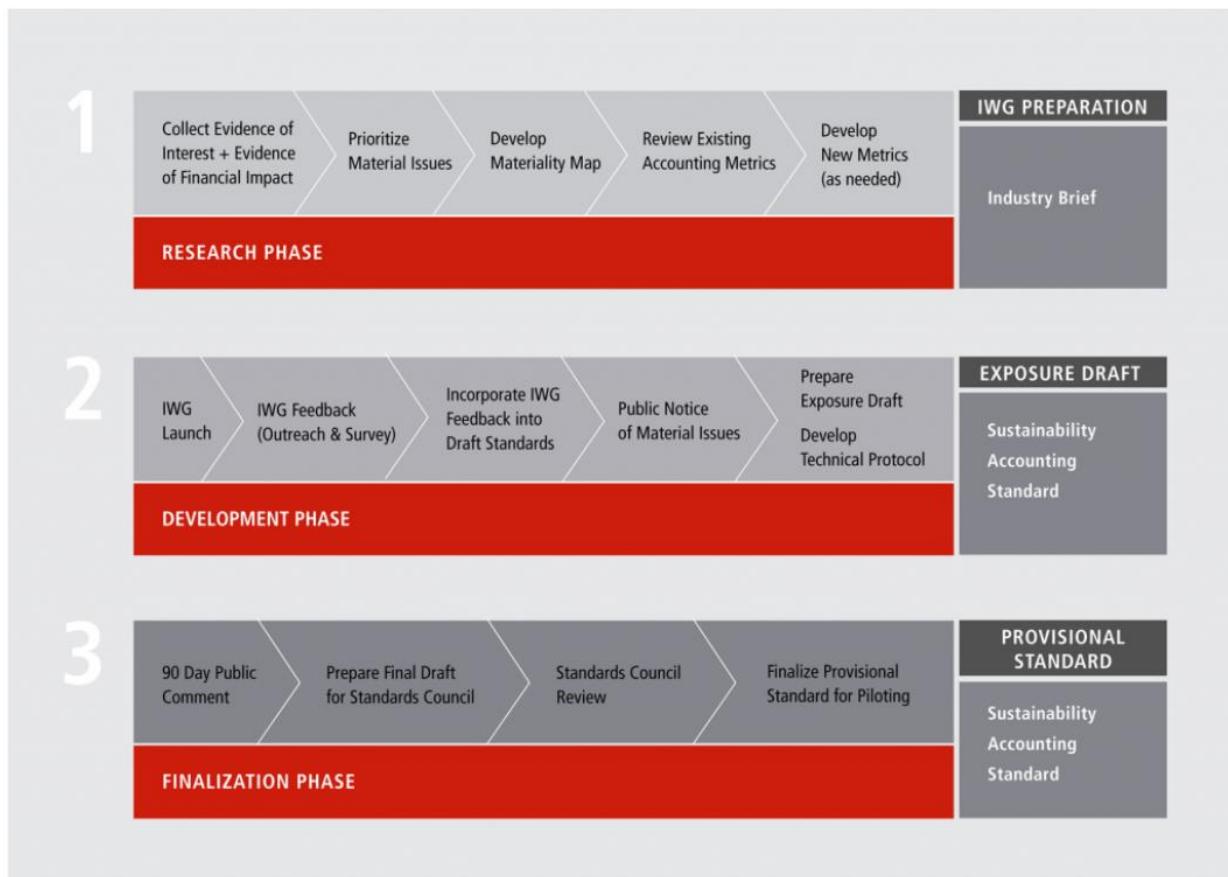
When formally launched, SASB's Sustainability Accounting Standards will be accompanied by technical guidance in the form of **Disclosure Guidance**. These will provide definitions, scope, boundaries, accounting guidance, compilation guidance, and presentation format for each standard disclosure and related accounting metric (or KPIs), on an as-needed basis. The Disclosure Guidance are currently under development; SASB welcomes specific comments for all accounting metrics as well as accompanying Disclosure Guidance.

SASB is an accredited standards-setting organization and is required to comply with numerous ANSI guidelines, including transparency, balance, and openness. The 88 Draft Industry Standards will be submitted to the American National Standards Institute (ANSI) for certification once all the sectors are complete.



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Output Development Timeframe





Section III

Industry Working Group Protocol & Rules of Engagement



Protocol and Rules of Engagement

All interactions within the IWGS are conducted under Chatham House Rules.

As a reminder, every IWG participant has signed the SASB Industry Working Group Agreement when registering to participate in a SASB Industry Working Group. Please review the complete agreement, reiterated below, as you engage in your work as a SASB IWG participant.

1. I will support SASB as an independent, non-profit standards setting organization that can enable the capital markets to recognize all underlying forms of capital upon which sustainable value creation depends, by keeping apprised of its current activities and publications.
2. I understand SASB'S key stakeholders to be publicly traded U.S. corporations, the Securities and Exchange Commission, and the investment community. I understand the beneficiaries of SASB to be the public, who will benefit from improved environmental, social and governance performance and competitiveness of U. S. industries; U.S. corporations, who will gain sustainable value creation; and the investment community, who will benefit from a more sustainable and robust pool of investment opportunities.
3. I agree to promote the work of SASB and the need for industry-based sustainability performance and disclosure standards in the corporate and financial communities as appropriate.
4. I understand the charter of the IWGs is to create the best industry Standard available, at any given time, and I offer my experience and expertise in the spirit of this objective.
5. I agree to uphold a high level of integrity to the sustainability Standard.
6. I acknowledge I am participating in an IWG as an individual, representing myself and bringing my own expertise and experience. Furthermore, I acknowledge I am not representing my employer nor does my participation in an IWG signify an endorsement from my employer.
7. While my participation in an IWG does not commit my employer/company to pilot SASB industry Standards, I understand SASB's interest in doing so and I will advise my organization of the Standard's existence.
8. I hereby agree not to share access to the IWG brief and survey with any of my colleagues. I acknowledge that I will be the sole-user of these materials. Should I choose to engage in a discussion with my colleagues, relevant to the SASB Standards development process, I will indicate that in the feedback I provide.
9. As a member of an IWG, I understand that I will be invited to be a member of the Consensus Body as part of the American National Standards Institute (ANSI) process to approve the full body of SASB standards for 80+ industries, once completed. Invitation to join the Consensus Body does not mandate participation.
10. I agree to openly and honestly assess the “real world” application of the Standards.



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11. I understand that my comments and suggestions put forth while participating in an IWG will be considered by SASB's staff but are not guaranteed incorporation into the final Standard.
12. While active participation in an IWG is a finite amount of time, I agree to be available as a resource to SASB for a period of three years, commencing from when my IWG begins activity.
13. The IWGs will operate under the Chatham House Rules. When a meeting is held under the Chatham House Rules, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

I will carry out the above agreements to the best of my ability and this agreement can be terminated at SASB's sole discretion without cause.



Appendices

I – SASB Principles

SASB has articulated a core set of Principles that will guide decision-making throughout SASB's evolution. These principles will serve an important checklist against which to compare tangible progress.

Our standards development and improvement process is designed to facilitate broad participation and objectively consider all stakeholder views and is subject to oversight from an external Standards Council and the SASB Board of Directors. The Principles will guide all stakeholders that, alongside our staff, will be involved in setting each industry's standards.

SASB WILL ISSUE STANDARDS WHEN:

1. **They are applicable to all investors.** SASB will publish standards on an issue *if and only if* the evidence base indicates that the issue is material across constituencies.
2. **They are pertinent and relevant across an Industry.** SASB will only publish standards on issues that present a robust evidence base for being systemic and/or endemic to the industry. **They are focused on driving value creation.** In addition to using an evidence-base to determine materiality, SASB will strive to ascertain, through research and documentation of the Industry Working Groups, the link of each standard with long term value creation, valuation and/or risk mitigation.
3. **The expected benefits exceed the perceived costs.** SASB will strive to determine that a proposed standard fills a significant need on the part of investors or the public and that the perceived costs it imposes, compared with possible alternatives, are justified in relation to the overall expected benefits.
4. **They are actionable by the companies.** They are within the control or influence of companies and industries.
5. **They are easily verified.** SASB standards must be measurable, quantifiable when possible, comparable, replicable and auditable.
6. **They are objective and support decision making.** SASB will ensure, insofar as possible, the neutrality of information resulting from its standards. To be neutral, information must report non-financial performance as faithfully as possible, emphasizing material issues rather than value judgments. **They are of the highest quality possible at any given time.** SASB will strive to integrate best-in-class thinking and data to identify the most appropriate approaches. Standards will be grounded in a consistently applied framework, clear and unambiguous language and will provide necessary detail to support replicable disclosure from company to company.



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7. They embody **the minimum set of standard criteria** which are:

- Applicable: The accounting metric is applicable to most companies in the industry
- Auditable: The data underlying this accounting metric can be verified
- Comparable: The data allow for peer-to-peer benchmarking within the industry
- Complete: Individually, or as a set, the accounting metric provides enough information to understand and interpret performance associated with the material issue
- Cost-effective: The data are already collected by most companies or can be collected in a timely manner and at a reasonable cost
- Directional: The accounting metric provides clarity about whether an increase/decrease in the numerical value signals improved/worsened performance
- Relevant: Adequately describes performance related to the material issue, or is a proxy for performance
- Useful: Provides decision-useful information to companies and investors

8. They are **reflective of the views of stakeholders**. SASB will actively solicit input and carefully weight all stakeholder views in developing standards. When needed, SASB will act as the final determinant of standards and will base such determination on research, industry consultation, public input, SASB's judgment and careful deliberation about the usefulness, materiality and cohesiveness of resulting information.

9. They support **the shift to integrated reporting**, that is to say, the inclusion of sustainability standards in financial disclosures such as the Form 10-K and 20-F. The standards will be designed to be compatible with financial disclosure mechanisms currently required by the SEC.

10. They support **the convergence to international accounting standards**, by considering the usefulness of the standards to existing efforts in disclosure and reporting frameworks in countries around the world.

SASB WILL ALSO UPHOLD THE FOLLOWING GENERAL PRINCIPLES:

- To **judiciously manage standards improvement**, balancing the desire to minimize disruption of accounting, financial reporting and annual reporting with the need to improve usefulness of information. SASB must also balance the desire for comprehensive improvements against the need for simpler and more cost effective incremental improvements.
- To **provide clear, transparent and timely communications**, endeavoring at all times to keep the public informed of important developments about SASB's operations, activities, standards setting process and timelines for public comment.
- To **openly and honestly assess the 'real world' application of the standards** and review the effects of past decisions and interpret, amend, or replace standards in a timely fashion if such action is warranted.



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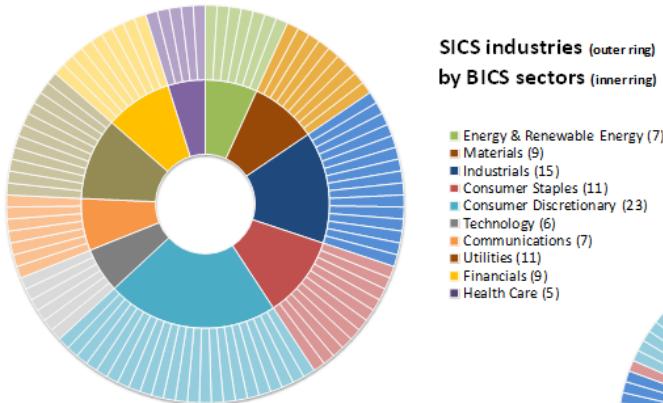
II – Sustainable Industry Classification System™ (SICS™)

Most major industry classification systems use revenue as their basis for classifying companies into specific sectors and industries. However, a company's market value is determined by much more than financial performance alone. In order to more easily surface non-financial information and patterns, SASB developed the Sustainable Industry Classification System (SICS), which categorizes industries in order to acknowledge their **resource intensity** as well as their **sustainability innovation potential**. The system is tied back to standard classification systems (e.g., GICS and BICS) so users don't have to learn another system and can toggle between a 'traditional' view and a more thematic view.

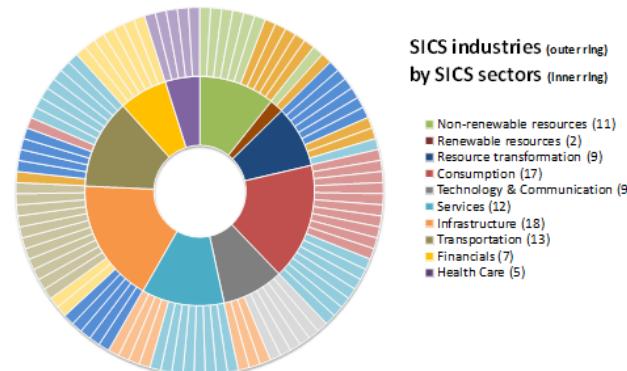
Traditional and Sustainable views

SICS's 103 industries organized by BICS sectors and SICS thematic sectors

BICS –Traditional



SICS –Sustainable

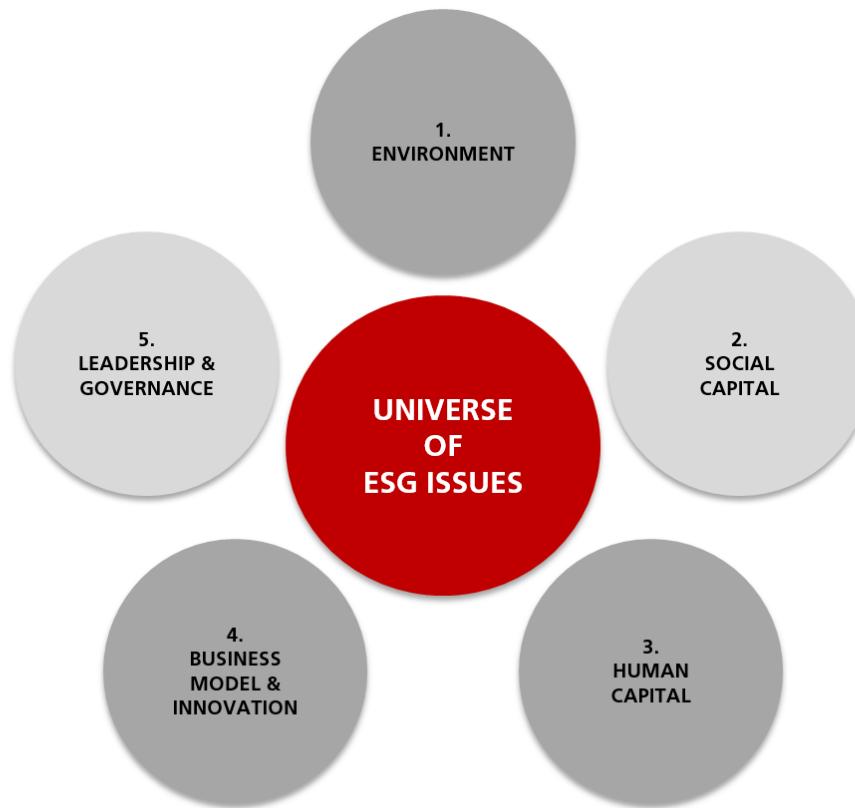




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III – Issues researched for Materiality

1	<ul style="list-style-type: none">• Climate change risks• Environmental accidents and remediation• Water use and management• Energy management• Fuel management and transportation• GHG emissions and air pollution• Waste management and effluents• Biodiversity impacts
2	<ul style="list-style-type: none">• Communications and engagement• Community development• Impact from facilities• Customer satisfaction• Customer health and safety• Disclosure and labeling• Marketing and ethical advertising• Access to services• Customer privacy• New markets
3	<ul style="list-style-type: none">• Diversity and equal opportunity• Training and development• Recruitment and retention• Compensation and benefits• Labor relations and union practices• Employee health, safety and wellness• Child and forced labor



4	<ul style="list-style-type: none">• Long term viability of core business• Accounting for externalities• Research, development and innovation• Product societal value• Product life cycle use impact• Packaging• Product pricing• Product quality and safety
5	<ul style="list-style-type: none">• Regulatory and legal challenges• Policies, standards, codes of conduct• Business ethics and competitive behavior• Shareholder engagement• Board structure and independence• Executive compensation• Lobbying and political contributions• Raw material demand• Supply chain standards and selection• Supply chain engagement & transparency