Sustainability Accounting Standards Board

Public Standards Board Meeting

Wednesday, June 15, 2022
Standards Board Members

Jeffrey Hales, PhD
Chair
Charles T. Zlatkovich Centennial Professor of Accounting
The University of Texas at Austin

Verity Chegar
Co-Vice Chair
Member of the Sustainable Investment and Stewardship Strategies team at the California State Teachers’ Retirement System

Robert Hirth, Jr.
Co-Vice Chair
Senior Managing Director, Protiviti
Chairman Emeritus, Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Kurt Kuehn
Former CFO, UPS

Lloyd Kurtz, CFA
Senior Portfolio Manager, Head of Social Impact Investing, Wells Fargo Private Bank

Daniel L. Goelzer, JD
Retired Partner, Baker & McKenzie LLP

Elizabeth Seeger
Managing Director, Sustainable Investing, KKR

Marc Siegel
Partner, EY
Former FASB Board Member

Susanne Stormer
Partner, Head of Sustainability, PwC Denmark

Stephanie Tang, JD
Senior Counsel, Benchling

Mark Vaessen
Partner, Head of Department of Professional Practice, KPMG
# Table of Contents

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISSB Update &amp; Future of SASB Standards</td>
<td>5</td>
</tr>
<tr>
<td>Standard-Setting Agenda Overview</td>
<td>14</td>
</tr>
<tr>
<td>Content Governance in the Internet Media &amp; Services Industry</td>
<td>20</td>
</tr>
<tr>
<td>Plastics Risks and Opportunities in the Pulp &amp; Paper Products and Chemicals Industries</td>
<td>40</td>
</tr>
<tr>
<td>Alternative Products in the Food &amp; Beverage Sector</td>
<td>62</td>
</tr>
<tr>
<td>Renewable Energy in the Electric Utilities &amp; Power Generators Industry</td>
<td>79</td>
</tr>
<tr>
<td>Concluding Remarks</td>
<td>97</td>
</tr>
</tbody>
</table>
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Session Leader</th>
<th>Session Objective</th>
</tr>
</thead>
</table>
| 10am EDT / 14:00 UTC | Welcome, Meeting Overview & Organization Updates                        | Jeff Hales, Bryan Esterly, Janine Guillot, Taylor Reed                          | - Welcome & meeting overview  
- IFRS & Value Reporting  
  Foundation organization updates  
- Standard-Setting Agenda Overview |
|                   | **Content Governance in Internet Media & Services Industry**           | Sam Wallace                                                                      | Overview of proposed changes to the standard(s) and basis for conclusion           |
|                   | **Plastics Risks and Opportunities**                                   | Tory Yoshida                                                                      | Overview of proposed changes to the standard(s) and basis for conclusion           |
| 12:50pm EDT / 17:50 UTC | Alternative Products in Food & Beverage                              | Devon Bonney, Keerthana Anandraj                                                | Overview of proposed changes to the standard(s) and basis for conclusion           |
|                   | **Renewable Energy in Electric Utilities & Power Generators**          | Will Meister                                                                      | Overview of consultation findings and initial recommendations for proposed changes to the standard |
|                   | **Concluding Remarks**                                                | Jeff Hales, Alan Beller, Robert Herz, Emmanuel Faber, Sue Lloyd             | Concluding remarks                                                               |
| 3pm EDT / 19:00 UTC | Adjourn Meeting                                                        |                                                                                 |                                                                                 |
**ISSB: formed in response to demand from investors and businesses to simplify the global sustainability disclosure landscape**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>![Earth]</td>
<td>Develop standards for global baseline of sustainability disclosures</td>
</tr>
<tr>
<td>![People]</td>
<td>Focus on meeting the information needs of investors</td>
</tr>
<tr>
<td>![Buildings]</td>
<td>Will enable companies to provide comprehensive sustainability information for the global capital markets</td>
</tr>
<tr>
<td>![Puzzle]</td>
<td>Building blocks approach: facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders</td>
</tr>
</tbody>
</table>
ISSB composition

- 14 board members
- Majority full-time
- Diversity in expertise and experience
- Geographical balance
ISSB Initial appointments

Emmanuel Faber
Chair

Sue Lloyd
Vice-Chair

Janine Guillot
Special Advisor
Four additional appointments to the ISSB announced last week

Richard Barker  
Verity Chegar  
Ndidi Nnoli-Edozien  
Bing Leng
Simplifying the disclosure landscape: the future of VRF resources
## How ISSB will build on SASB Standards

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting point</td>
<td>SASB Standards will serve as the starting point for the ISSB’s industry-based requirements and the ISSB will assume responsibility for the evolution and enhancement of SASB’s 77 industry-based Standards</td>
</tr>
<tr>
<td>Industry-based approach</td>
<td>ISSB will embed SASB’s industry-based approach into its standard-setting process</td>
</tr>
<tr>
<td>Inclusion in exposure drafts</td>
<td>SASB Standards play a key role in the General Requirements and Climate Exposure Drafts</td>
</tr>
<tr>
<td>Encourage use</td>
<td>The ISSB encourages companies and investors to support and use SASB Standards in this transition phase</td>
</tr>
<tr>
<td>Project continuity</td>
<td>Ongoing projects by the SASB will be transitioned to the ISSB</td>
</tr>
<tr>
<td>Internationalisation</td>
<td>Addressing the international applicability of SASB Standards is a priority for the ISSB</td>
</tr>
</tbody>
</table>
SASB Standards have an essential role in the ISSB exposure drafts

**General Requirements**

SASB Standards are priority materials for disclosing information on all sustainability-related risks and opportunities.

**Climate**

Includes climate-related industry-based requirements from SASB Standards (68 industry-based volumes within the ED).
The future is now

There are three concurrent public consultations and market feedback will shape the future – not only of the exposure drafts and other proposals, but also of future standard setting and interoperability.

**DEADLINES**

- **29 July**
  - International Sustainability Standards Board (ISSB) Exposure Drafts

- **17 June**
  - US SEC proposal to enhance and standardize climate-related disclosures for investors

- **8 August**
  - EFRAG exposure drafts of European Sustainability Reporting Standards

Even if you are entirely satisfied with the direction of travel, the ISSB needs to see support for its chosen approach in comment letters in order to continue down this path. Similarly, jurisdictional efforts will be shaped by feedback – including on how they are or could be compatible with international work (i.e., ISSB).
Standard-Setting Agenda Overview

15 June 2022

Taylor Reed | Associate Director of Research, SASB Standards
SASB Standards Board Releases Recommended Changes for three projects:

**Content Governance in the Internet & Media Services Industry**

**Plastics Risks & Opportunities in the Chemicals Industry**

**Alternative Products in the Food & Beverage Sector**
Projects currently in research & consultation:

Renewable Energy in Electric Utilities & Power Generators

GHG Emissions in Marine Transportation
Project on SASB Governance Documents

SASB CONCEPTUAL FRAMEWORK Exposure Draft
SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)
August 2020

SASB RULES OF PROCEDURE Exposure Draft
SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)
August 2020
Projects to inform ISSB Consultation on Agenda Priorities:

- **Human Capital Management**
- **Diversity, Equity, & Inclusion**
SASB Standards Internationalisation

Improving the international applicability of the SASB Standards is a priority for the ISSB and forms part of its initial work plan.

Staff has developed a structured approach for executing this work and made significant progress already, as seen through industry-based requirements of the ISSB’s Climate Exposure Draft.

Key deliverable: exposure drafts with proposed changes that address international applicability across all 77 industry standards.
Content Governance in the Internet Media & Services Industry

June 15, 2022

Sam Wallace | Analyst, Technology & Communications Sector Lead
Session Objectives

1) Overview of Recommended Changes
2) Questions for Further Engagement
Content Governance in the Internet Media & Services Industry

Standard-setting Project

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

Project Objective
Evaluate expanding the scope of disclosure for companies that operate user-generated content platforms and including new metrics to capture relevant risks and opportunities.
Project Timeline
Recommended changes published: June 2022

2020 Q3
Preliminary Research & Consultation
Materials Development

2021 Q1
Targeted Consultation Period

Q2
Q3
Q4
2022 Q1
Q2

Development of Recommended Changes to the Standard

Research & Consultation

Board Update
Project Launch
Overview of Recommended Changes
Basis for Conclusion Summary

Evidence of ESG Impact
- Platforms can host and disseminate a wide range of illegal, harmful or undesirable user-generated content and behavior

Evidence of Financial Impact
- Direct costs of content governance activities
- Revenue impacts tied to brand-safety concerns of advertisers
- Regulatory risk

Evidence of Investor Interest
- Frequent topic on earnings calls
- Large existing set of company expenses
- Investors note lack of transparency with how companies are understanding, investing into, and managing the problem
- Long-term challenges around the health of the platform community, its ability to attract and retain users, and company reputation and brand
Splitting Existing Topic

The Board recommends (1) creating a new disclosure topic with five new metrics and (2) relocating two current metrics.

**Existing topic: Data Privacy, Advertising Standards, & Freedom of Expression**
- Description of policies and practices relating to behavioral advertising and user privacy
- Number of users whose information is used for secondary purposes
- Total amount of monetary losses as a result of legal proceedings associated with user privacy
- (1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure

**New Topic: Content Governance & Freedom of Expression**
- 5 new metrics
- List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring
- Number of government requests to remove content, percentage compliance with requests.
## Recommended New Metrics

<table>
<thead>
<tr>
<th>Disclosure Topic</th>
<th>Accounting Metric</th>
<th>Category</th>
<th>Unit of Measure</th>
<th>REC. Metric #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance &amp; Freedom of Expression</td>
<td>Content moderation table: (1) number of content items removed, (2) percentage of removed content discovered proactively, (3) percentage of removed content appealed, (4) percentage of appealed content restored, (5) average user impressions of removed content</td>
<td>Quantitative</td>
<td>Number, percentage (%)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Total amount spent on content governance</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Description of approach to identification and management of significant content- and conduct-related risks</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Description of approach to content display and recommendations, and how these systems account for content- and conduct-related risks</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Description of approach to content moderation</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>5</td>
</tr>
</tbody>
</table>
Understanding risks and opportunities

Metrics aim to produce disclosure on key components of the process

- User generated content and behavior
- Content display and recommendation algorithms
- Content moderation
- Gov't removal requirements
- Appeals
- Platform content
- User freedom of expression
- User generated content and behavior
- The platform
- Platform users
- Society

June 15, 2022 SASB Standards Board Meeting
## Intent of Recommended Metric #1: Content Moderation Table

<table>
<thead>
<tr>
<th>Metric Title</th>
<th>Purpose</th>
<th>Background</th>
</tr>
</thead>
</table>
| • Content moderation table: (1) number of content items removed, (2) percentage of removed content discovered proactively, (3) percentage of removed content appealed, (4) percentage of appealed content restored, (5) average user impressions of removed content | • Provide quantitative data to supplement qualitative disclosures with a more granular understanding of platform risks and company actions | • Provides quantitative insight into the mechanics of content moderation  
• Each category of risk carries distinct challenges  
• Backward-looking data helps understand issues over time  
• Indicates the relevance and size of platform appeals process |
Content Moderation Table

Importance of understanding risks and actions by harmful content category

**Recommended disclosure format requirements**

<table>
<thead>
<tr>
<th>(a) Content category (entity-defined)</th>
<th>(b) Number of content items removed</th>
<th>(c) Percentage of removed content discovered proactively</th>
<th>(d) Percentage of removed content appealed</th>
<th>(e) Percentage of appealed content restored</th>
<th>(f) Percentage of appealed content restored</th>
<th>(g) Average user impressions of removed content</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.g., terrorist and violent extremist content</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.g., harassment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TC-IM-260a.1. The entity should disclose this information in the following table format:

**Similarity with existing disclosure practices**

![Pie chart showing videos removed by removal reason]

- Child safety: 9.5%
- Violent or graphic: 10.9%
- Nudity or sexual content: 12.4%
- Harmful or offensive: 21.2%
- Other: 24.9%
- Unknown: 16.9%

Source: YouTube
## Content Moderation Table

Sub-metrics provide scale and context around platform risks and company actions

<table>
<thead>
<tr>
<th>Proposed sub-metric</th>
<th>Rationale / concept to be measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content items removed</td>
<td>Provides a rough idea of the scale of the company’s content removal efforts.</td>
</tr>
<tr>
<td>Percentage of removed content discovered proactively</td>
<td>Measures how much infringing content a company discovers using its own systems, as opposed to how much is flagged by users or other third parties.</td>
</tr>
<tr>
<td>Percentage of removed content appealed</td>
<td>Indicates whether companies have an appeals process, while also providing insight into the degree to which users are pushing back on the company’s content moderation actions.</td>
</tr>
<tr>
<td>Percentage of appealed content restored</td>
<td>When paired with the number of appeals, may indicate the extent to which the company’s initial removal decisions were inaccurate. A large percentage here could also indicate a robust appeals process.</td>
</tr>
<tr>
<td>Average user impressions of removed content</td>
<td>Measures how quickly platforms are able to remove offending content before it reaches users. This metric also helps put removal figures into context regarding the potential harm caused: without this metric, all removals are counted equally, regardless of whether a content item was viewed one time or 100 million times.</td>
</tr>
</tbody>
</table>
Intent of Recommended Metric #2: Total Amount Spent

**Metric Title**

*Total amount spent on content governance*

**Purpose**

Provide an understanding of the overall size of company investments into content governance efforts.

**Background**

- Strong investor interest in understanding overall scale of business investment; companies are spending lots of money with little transparency
- Likelihood that companies structure and oversee content governance efforts differently; these often involve cross-cutting efforts and multiple departments
- “Clean” currency figure allows for best comparability among platforms of varying types and sizes
## Intent of Recommended Metric #3: Identification of Risks

### Description of approach to identification and management of significant content-and conduct-related risks

### Purpose

Provide information regarding companies’ identification of the most significant risks to people and communities associated with the use (and misuse) of their services.

### Background

- Significant risks vary depending on factors like platform format and size, types of content shared, and demographics of the user base.
- Complexity of issues supports high-level disclosures on governance of risk, including identification and mitigation.
- Identification of risks is critical as the sheer volume and diversity of content makes them difficult to police.
# Intent of Recommended Metric #4: Display and Recommendations

<table>
<thead>
<tr>
<th>Metric Title</th>
<th>Description of approach to content display and recommendations, and how these systems account for content- and conduct-related risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>Provide information regarding how companies determine what users see on their platforms, including how they design ranking and recommendation algorithms, and how these systems account for content- and conduct-related risks</td>
</tr>
</tbody>
</table>
| **Background** | • In addition to removing harmful content, companies broadly shape the user experience through ranking and recommendation algorithms  
  • Algorithmic weighting has been blamed for social issues, such as “filter bubbles” and radicalization  
  • Risks and opportunities in how companies design algorithms and control what users see and experience |
**Intent of Recommended Metric #5: Content Moderation**

**Metric Title**

*Description of approach to content moderation*

**Purpose**

Provide information around the set of activities associated with developing and enforcing the platform’s content policies

**Background**

- Moderating content involves a complex set of processes around setting and enforcing policy, often on a global scale
- Companies utilize various enforcement mechanisms, including automated detection and filtering, in-house and outsourced labor, and volunteers
- Investors emphasized a need to better understand the how content policy is determined and updated, enforcement models, and governance
Questions for Further Engagement
Questions for Further Engagement

Issues for additional input and market feedback

1. Do the quantitative metrics recommended in the content moderation table provide investors with decision-useful information, including the impact of moderation practices on freedom of expression?

2. Does a metric requesting the total amount spent on content governance provide a degree of comparability given the wide range of platform size and type?

3. Are the metrics reasonable for companies to disclose, and would they help investors understand the risks and opportunities related to content governance activities?
• Does the Board have any additional thoughts or comments on this project?
Contact

The entirety of the Recommend Changes is available to download via the project website.

Content Governance in the Internet Media & Services Industry

Sam Wallace – Analyst (sam.wallace@thevrf.org)
Plastics Risks & Opportunities in the Chemicals Industry

June 15, 2022

Tory Yoshida | Analyst
Session Objectives

1) Overview of Recommended Changes
2) Questions for Further Engagement
Plastics Risks & Opportunities in Chemicals Industry

Problem Statement

Intensifying focus on the externalities of plastics use has contributed to an escalating regulatory environment and shifting customer demand for packaging. Research and market consultation suggest that risks and opportunities are likely to be financial material for companies in the Chemicals industry, but are not fully captured in the industry standard.

Project Objective

Evaluate the addition of a disclosure topic and supporting metrics to reflect an issuer’s ability to manage risks and identify opportunities associated with the changing landscape around single-use plastics.
Project Timeline

Recommended changes published: June 2022

- Preliminary Research & Consultation
- Materials Development
- Targeted Consultation Period
- Development of Recommended Changes to the Standard
- Research & Consultation
Overview of Recommended Changes
Basis for Conclusion Summary

Evidence of ESG Impact
- There are environmental impact concerns from single-use plastics such as marine waste and resource consumptions, etc.

Evidence of Financial Impact
- Revenue risks and opportunities associated with shifting demand
- Increased R&D and capital expenditures for developing alternative products
- Possible taxes, fees, and/or compliance costs associated with changing regulation with plastics

Evidence of Investor Interest
- Plastic-focused investment products
- Published research reports on investment risks and opportunities
- Evidence of some investment firms slowing investments in plastic packaging sector
- Investor input emphasized the need for more complete, consistent, and reliable information on this issue
Recommended Disclosure Topic: Management of Single-use Plastics

Plastics Products

Benefits
• Long useful lives
• Resource efficiency

Risks
• Environmental impact concerns (i.e., end of life disposal, resource consumption)

External Pressure

Regulatory
• Major movement by China, US, EU, and Canada

Social & Economic
• Companies and consumers’ interest in lifecycle impact of plastic packaging is increasing

Chemical Companies

Risks
• Declining demand
• Potential fees or taxes
• Regulatory risks

Opportunities
• Generate new market opportunities
• Avoid risks of product obsolescence
<table>
<thead>
<tr>
<th>DISCLOSURE TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>REC. METRIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management of Single-use Plastics</td>
<td>Revenue from products sold for use in the manufacture of single-use plastics</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Revenue associated with products that intend to reduce the environmental impacts associated with single-use plastics throughout the product lifecycle</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>(1) Research and development expenditures and (2) capital expenditures associated with business activities that intend to reduce environmental impacts associated with single-use plastics throughout the product lifecycle</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Percentage of total raw materials processed for use in the manufacture of inputs for single-use plastics products, by (1) virgin fossil fuel (hydrocarbon) content, (2) recycled content, and (3) renewable materials</td>
<td>Quantitative</td>
<td>Percentage</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Discussion of actual and potential environmental and social impacts from business activities intended to reduce the environmental impact of single-use plastics occurring at each key phase of the product lifecycle: production, transportation, use-phase, and end-of-life</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>5</td>
</tr>
</tbody>
</table>
Purpose

Revenue from products sold for use in the manufacture of single-use plastics

Provide quantitative data to assess corporate exposure to changes in demand for single-use plastics products

- Revenues are a key channel of financial impact and provides risk insight
- Companies that cannot meet changing market landscape could be at risk of lower volumes and lost market share
- Provides a fair representation of preparers’ current situations
Intent of Recommended Metric #2

**Metric Title**

Revenue associated with products that intend to reduce the environmental impacts associated with single-use plastics throughout the product lifecycle

**Purpose**

Provide information on a company’s ability to capitalize on potential opportunities such as developing solutions for mitigating environmental impacts of single-use plastics

**Background**

- Revenues are key channels for financial impact
- Companies that meet regulatory and demand environment have potential for higher revenue, market share, and price premium
The intent of Recommended Metric #3 is to provide information on the company's commitment and strategy associated with environmental impacts associated with single-use plastics throughout the product lifecycle.

**Metric Title**

1. Research and development expenditures and 2. capital expenditures associated with business activities that intend to reduce environmental impacts associated with single-use plastics throughout the product lifecycle.

**Purpose**

Provide information on the company's commitment and strategy associated with environmental impacts associated with single-use plastics.

**Background**

- R&D and CapEx are key channels for financial impact.
- Mentioned by UN PRI/Ellen MacArthur Foundation engagement guide notes.
- Companies are already receiving inquiries to disclose such information.
Intent of Recommended Metric #4

**Metric Title**

Percentage of total raw materials processed for use in the manufacture of inputs for single-use plastics products, by (1) virgin fossil fuel (hydrocarbon) content, (2) recycled content, and (3) renewable materials

**Purpose**

Provide information on company's positioning to meet regulatory demands and address the shifting demand landscape for packaging products with fewer environmental impacts

**Background**

- Some government mandates incorporate certain levels of recycled plastic raw materials in plastic production
- Customers such as Coca-Cola and PepsiCo have pledged to use recycled materials for packaging
- Companies are investing in developing and incorporating alternative raw materials
- UN PRI/Ellen MacArthur Foundation engagement guide flags this as an area for possible engagement
**Intent of Recommended Metric #5**

**Metric Title**

*Discussion of actual and potential environmental and social impacts from business activities intended to reduce the environmental impact of single-use plastics occurring at each key phase of the product lifecycle: production, transportation, use-phase, and end-of-life.*

**Purpose**

Provide information regarding companies’ environmental impact mitigation activities associated with single-use plastics and the unintended environmental and social impacts from those activities.

**Background**

- Investors seek clear, unbiased information to assess various alternatives to single-use plastics products based on concerns from unintended consequences.
- Developments with plastics are evolving rapidly and additional qualitative disclosure will be decision useful.
Questions for Further Engagement
Questions for Further Engagement

1. Unit of measurement (absolute value vs. percentage)

2. Cost effectiveness to isolate single-use plastics related data

3. Inclusion of educational training or sales practice in disclosure
# 1) Unit of Measurement (Absolute Value vs. Percentage)

Comparison example for recommended metric #1

<table>
<thead>
<tr>
<th>Company Types</th>
<th>Single-Use Plastics Associated Revenue</th>
<th>Total Revenue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conglomerate with multi-industry business</td>
<td>1 billion</td>
<td>20 billion</td>
<td>5%</td>
</tr>
<tr>
<td>Company focused on single industry</td>
<td>10 million</td>
<td>20 million</td>
<td>50%</td>
</tr>
</tbody>
</table>
2) Cost Effectiveness to Isolate Single-use Plastics Related Data

- The Board deliberated the cost effectiveness and feasibility of the preparers to isolate and capture single-use plastics related data for the disclosure.

- Companies provided limited, and mixed, comments on the cost effectiveness and feasibility of disclosing such information.
3) Inclusion of Educational Training or Sales Practice in Disclosure

Chemicals Companies

Educational training

Better understanding of alternatives

Customers (e.g., packaging companies)
* Does the Board have any additional thoughts or comments on this project?
Appendix

Description of the Chemicals Industry

- **Raw Material Extraction/Production**: Extraction of fossil fuels
- **Primary Plastics Products**: Process raw materials to polymers/resins
- **Plastic Products Manufacturing**: Manufacture end-products
- **Consumption/Use**: Usage of the end-product
- **Disposal and End-of-Life Treatment**: Landfilled, recycled, or incinerated

**Types of Industry Involved**
- Oil & Gas, Agricultural
- Chemicals: Containers & Packaging, Consumer Goods, Apparel/Textile, Industrial Machinery, Construction, etc
- Consumers
- Waste Management, All Applicable Industries
Contact

The entirety of the Recommend Changes is available to download via the project website.

Plastics Risks and Opportunities in the Chemicals Industry

Tory Yoshida – Analyst (tory.yoshida@thevrf.org)
Break until 12:50pm EDT
Alternative Products in the Food & Beverage Sector

June 15, 2022

Devon Bonney | Analyst, Food & Beverage Sector Lead
Keertana Anandraj | Associate Analyst
Session Objectives

1) Review recommended changes to three industries in the Food & Beverage Sector:
   • Meat, Poultry & Dairy
   • Processed Foods
   • Food Retailers & Distributors

2) Questions for Further Engagement
Problem Statement
The Food & Beverage sector is rapidly evolving to meet demand for more sustainable food through alternative products. This emerging issue is affecting the value creation of food and beverage companies and is not specifically addressed in the industry Standards, thus indicating the Standards may not be complete.

Project Objective
Evaluate adding a new disclosure topic and associated metrics related to alternative product strategy for three standards in the Food & Beverage Sector: Meat, Poultry & Dairy; Processed Foods; and Food Retailers & Distributors.
Alternative Meat & Dairy Research Project

Launched: February 2020

Further evaluate evidence of investor interest, prevalence, and financial impact for the Processed Foods Industry.

Development of Recommended Changes to the Standard

Launched: May 2021
Basis for Conclusion Summary

Evidence of ESG Impact
- Alternative protein products have less environmental impact than traditional meat products
- Reduced GHG emissions and water use

Evidence of Financial Impact
- Revenue from opportunities associated with the growing demand
- Environmental externalities could impact sourcing or meat prices

Evidence of Investor Interest
- Alternative proteins provide growth opportunities and reduced risk to companies
- Information related to protein diversification is decision-useful in company evaluation.
Overview of Recommended Changes
## Recommended Disclosure Topic & Metrics: Meat, Poultry & Dairy and Processed Foods

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>DISCLOSURE TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>RECOMMENDED METRIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat, Poultry &amp; Dairy</td>
<td>Product Innovation</td>
<td>Revenue from (1) conventional animal products and (2) alternative protein products</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total amount spent on protein diversification</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discussion of strategy to diversify protein products</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>3</td>
</tr>
<tr>
<td>Processed Foods</td>
<td>Product Innovation</td>
<td>Revenue from (1) conventional animal products and (2) alternative protein products</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total amount spent on protein diversification</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discussion of strategy to diversify protein products</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>3</td>
</tr>
<tr>
<td>Food Retailers &amp;</td>
<td>Product Portfolio</td>
<td>Revenue from (1) conventional animal products and (2) alternative protein products from (a) private-label products and (b) non-private label products</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>1</td>
</tr>
<tr>
<td>Distributors</td>
<td>Diversification</td>
<td>Total number of (1) conventional animal products and (2) alternative protein products sold</td>
<td>Quantitative</td>
<td>Number</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discussion of strategy to diversify protein products</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>3</td>
</tr>
</tbody>
</table>
Intent of Recommended Metric #1: Revenue Mix
Meat, Poultry & Dairy and Processed Foods Industries

Revenue from (1) conventional animal products and (2) alternative protein products

Purpose
Intended to measure an entity's current protein product positioning and provide insight into an entity's unique risk profile, which will vary based on its portfolio of protein products.

Background
- Revenue is a key channel of financial impact
- Companies that cannot meet changing market landscape could be at risk to lose market share
- Provides information about the entity's protein product mix
Intent of Recommended Metric #2: Investment in Diversification

Meat, Poultry & Dairy and Processed Foods Industries

**Metric Title**

*Total amount spent on protein diversification*

**Purpose**

Intended to provide further information on how companies are positioned to capture future growth opportunities associated with alternative protein products.

**Background**

- Companies consistently need to innovate to maintain and capture market share
- Provides forward-looking information about how companies are diversifying their protein products
Intent of Recommended Metric #3: Diversification Strategy
Meat, Poultry & Dairy and Processed Foods Industries

**Metric Title**

Discussion of strategy to diversify protein products

**Purpose**

Intended to provide qualitative information on how entities are approaching the topic of protein diversification, including (1) metrics or targets related to alternative protein product sales, and (2) risks and opportunities associated with each of the protein product categories.

**Background**

- Provides additional context that supplements quantitative metrics.
- Both qualitative and quantitative information regarding protein diversification strategies is necessary to provide a complete picture of company performance.
## Recommended Disclosure Topic & Metrics: Food Retailers & Distributors

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>DISCLOSURE TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>RECOMMENDED METRIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat, Poultry &amp; Dairy</td>
<td>Product Innovation</td>
<td>Revenue from (1) conventional animal products and (2) alternative protein products</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total amount spent on protein diversification</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discussion of strategy to diversify protein products</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>3</td>
</tr>
<tr>
<td>Processed Foods</td>
<td>Product Innovation</td>
<td>Revenue from (1) conventional animal products and (2) alternative protein products</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total amount spent on protein diversification</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discussion of strategy to diversify protein products</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>3</td>
</tr>
<tr>
<td>Food Retailers &amp; Distributors</td>
<td>Product Portfolio Diversification</td>
<td>Revenue from (1) conventional animal products and (2) alternative protein products from (a) private-label products and (b) non-private label products</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total number of (1) conventional animal products and (2) alternative protein products sold</td>
<td>Quantitative</td>
<td>Number</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discussion of strategy to diversify protein products</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
<td>3</td>
</tr>
</tbody>
</table>
**Intent of Recommended Metric #1: Revenue Mix**

**Food Retailers & Distributors Industry**

**Metric Title**

*Revenue from (1) conventional animal products and (2) alternative protein products from (a) private-label products and (b) non-private label products*

**Purpose**

Intended to provide investors with insight into how companies manage protein diversification through two different business segments: (1) private-label and (2) non-private label.

**Background**

- Revenue is a key channel of financial impact
- Market participants indicated that private-label products are an increasingly important business line for retailers.
- Investors are interested in understanding how well a company provides consumers with protein options at a store-level
Intent of Recommended Metric #2: Number of Products Sold

Food Retailers & Distributors Industry

**Metric Title**

*Total number of (1) conventional animal products and (2) alternative protein products sold*

**Purpose**

Intended to provide investors with insight into a retailer’s positioning to address consumer preferences of conventional animal products and alternative protein products.

**Background**

- Given that there is a significant price disparity between alternative protein and conventional animal products, investors indicated that a separate metric capturing the total number of products sold would be decision-useful.
- Investors note that total sales is more decision-useful than volume sold.
## Intent of Recommended Metric #3: Diversification Strategy

**Food Retailers & Distributors Industry**

<table>
<thead>
<tr>
<th>Metric Title</th>
<th>Discussion of strategy to diversify protein products</th>
</tr>
</thead>
</table>

| Purpose | Intended to provide qualitative information on how entities are approaching the topic of protein diversification, including (1) metrics or targets related to alternative protein product sales, and (2) risks and opportunities associated with each of the protein product categories. |

| Background | • Provides additional context that supplements quantitative metrics  
• Investors are interested in companies’ efforts to educate consumers on new products, particularly environmental and nutritional impacts. |

June 15, 2022 SASB Standards Board Meeting
Questions for Further Engagement

1. Would revenue from plant-based protein products be decision-useful for investors in evaluating companies’ management of this topic?

2. Is it cost-effective for companies in the MP and PF industries to report on the amount spent on protein diversification?

3. Is it feasible for companies in the FR industry to report on the total number of alternative protein products sold in-store?
• Does the Board have any additional thoughts or comments on this project?
The entirety of the Recommend Changes is available to download via the project website.

Alternative Products in the Food & Beverage Sector

Devon Bonney – Analyst (devon.bonney@thevrf.org)

Keertana Anandraj – Associate Analyst (keertana.Anandraj@thevrf.org)
Renewable Energy in the Electric Utilities & Power Generators Industry

Consultation findings and initial staff recommendations

June 15, 2022

Will Meister | Infrastructure Sector
Session Objectives

• Provide overview of market consultation feedback
• Share staff’s initial recommendations based on consultation feedback
• Seek Board’s views on staff’s initial recommendations
Problem Statement
Market feedback and research indicate opportunity for more complete and comparable metrics to measure the transition to renewable energy in the industry beyond the current set of metrics in the Greenhouse Gas Emissions & Energy Resource Planning disclosure topic.

Project Objective
Assess measures of company performance on the transition to renewable energy within the Greenhouse Gas Emissions & Energy Resource Planning disclosure topic to provide complete and comparable information to users.

Metrics in disclosure topic

<table>
<thead>
<tr>
<th>Metric Code</th>
<th>Metric Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>IF-EU-110a.1</td>
<td>(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations</td>
</tr>
<tr>
<td>IF-EU-110a.2</td>
<td>Greenhouse gas (GHG) emissions associated with power deliveries</td>
</tr>
<tr>
<td>IF-EU-110a.3</td>
<td>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</td>
</tr>
<tr>
<td>IF-EU-110a.4</td>
<td>(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market</td>
</tr>
</tbody>
</table>

*RPS are broadly defined as a regulatory mandate to increase the production of electricity from renewable resources*
Project Timeline

Overview

- **2021 Q3**
  - Project Launch
- **Q4**
  - Board Decision
- **2022 Q1**
  - Board Update
- **Q2**
  - Targeted Consultation Period
- **Q3**
  - Consultation Summary and Analysis
- **Q4**
  - Future work of International Sustainability Standards Board (ISSB)

Research & Consultation
Profile of Market Participants Consulted

**Preparers**
- 24 preparers consulted
- 14 in Americas, 4 in Europe, 6 in Asia Pacific
- Mix of business models and energy sources: Vertically integrated, generation, transmission & distribution
- Largely sustainability roles

**Users**
- 16 users consulted
- 10 in Americas, 4 in Europe, 2 in Asia Pacific
- Mix of asset owners and managers
- Roles in equities analysis, governance/stewardship, and ESG analysis

**Subject Matter Experts**
- 9 subject matter experts consulted
- Americas-based
- Industry organizations, consultants, academics
Consultation Findings Surfaced Four Areas of Market Interest

- Renewable Portfolio Standards (IF-EU-110a.4)
- Generation Capacity
- GHG Emissions Intensity
- Capital Expenditures
Staff’s recommendations reflect the strong market interest in metrics that provide decision-useful information specific to the industry.
Market Interest Area: IF-EU-110a.4 on RPS

**Staff recommendation:** Remove metric *IF-EU-110a.4 on renewable portfolio standards (RPS)*

RPS are broadly defined as a regulatory mandate to increase the production of electricity from renewable resources

- Users and preparers generally stated not comparable across jurisdictions
- Majority of users and preparers referenced other metrics as more complete and comparable which informed staff’s recommendations
- Lacks global applicability: Only used in ~30 countries and only one type of policy mechanism
- Disclosure analysis showed high prevalence of metric omission
Market Interest Area: Generation Capacity

2 Staff recommendation: Add metric *total generation capacity, percentage by major energy source*

Generation capacity measures the maximum output that a generator or other electrical generating device can produce.

- Users and preparers largely expressed support for generation capacity by energy source.
- Helps demonstrate extent preparers have transitioned to renewable energy and other low-carbon energy sources.
- Alignment opportunities with:
  - CDP Climate Change Questionnaire
  - EEI Sustainability/ESG Template
- Commonly disclosed metric in sample of industry disclosures.
Market Interest Area: GHG Emissions Intensity

3 Staff recommendation: Add metric *Greenhouse gas emissions intensity for (1) total electricity generated and (2) total revenue*

- Preparers and users expressed support for a standardized GHG emissions intensity metric in industry to help measure renewable energy transition
- Most commonly cited relative measure was electricity generation
  - Example: Metric tons (t) CO2-e / MWh
- Alignment opportunities with:
  - CDP Climate Change Questionnaire
  - EEI Sustainability/ESG Template
  - GRI
- Commonly disclosed metric in sample of industry disclosures
Market Interest Area: Capital Expenditures

Initial recommendation: Add metric Total annual capital expenditures in owned electricity generation by energy source

- Preparers and users generally expressed support to help measure renewable energy transition in understanding capital allocation
- Interest in annual and planned capital expenditures
- Preparer concerns in competitive markets on disclosing planned capital expenditures
- As relevant to emissions reduction strategy, opportunity to disclose planned capital expenditures included in industry Standard (IF-EU-110a.3)
- Alignment opportunities with CDP Climate Change Questionnaire

June 15, 2022 SASB Standards Board Meeting
# Challenges to Performance Measurement in the Industry

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Rationale to not pursue at this time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not all industry preparers generate electricity (e.g., transmission &amp; distribution)</td>
<td>Metrics more specific to value chain role beyond project scope due to considerations across topics in industry Standard</td>
</tr>
</tbody>
</table>
## Challenges to Performance Measurement in the Industry

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Rationale to not pursue at this time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not all industry preparers generate electricity (e.g., transmission &amp; distribution)</td>
<td>Metrics more specific to value chain role beyond project scope due to considerations across topics in industry Standard</td>
</tr>
<tr>
<td>Broader policy disclosure on renewable energy</td>
<td>Initial project focus area but consultation feedback did not suggest strong interest in additional disclosure</td>
</tr>
</tbody>
</table>
## Challenges to Performance Measurement in the Industry

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Rationale to not pursue at this time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not all industry preparers generate electricity (e.g., transmission &amp; distribution)</td>
<td>Metrics more specific to value chain role beyond project scope due to considerations across topics in industry Standard</td>
</tr>
<tr>
<td>Broader policy disclosure on renewable energy</td>
<td>Initial project focus area but consultation feedback did not suggest strong interest in additional disclosure</td>
</tr>
<tr>
<td>Revenue by energy source and business activity</td>
<td>Strong preparer concerns indicate data challenges and lack of cost-effective disclosure</td>
</tr>
</tbody>
</table>
Discussion Topics
Board’s view on staff’s initial recommendations

• What additional questions do you have based on the consultation feedback and research collected to date?

• What are your views on staff’s initial recommendations and supporting rationale?

• What additional thoughts or comments would you like to share?
Next Steps

1. Evaluate Board’s comments and feedback as part of future project work

2. Continue project development under the auspices of the ISSB
Contact Us

https://www.sasb.org/standards/process/active-projects/renewable-energy-in-electric-
utilities-power-generators-industry/

Will Meister
william.meister@thevrf.org
Concluding Remarks

› SASB Board Members

› Emmanuel Faber, Chair of International Sustainability Standards Board – IFRS Foundation

› Sue Lloyd, Vice-Chair of International Sustainability Standards Board – IFRS Foundation

› Robert Herz, Value Reporting Foundation Board Member, SASB Standards Oversight Committee Chair

› Alan Beller, Value Reporting Foundation Board Member
Visit the SASB Standards Board Meeting Archive page for recordings and a summary of meeting outcomes for past meeting.

Please also visit the IFRS Foundation News & Events Calendar for upcoming news and announcements on the International Sustainability Standards Board.
Thank you

Contact us:
https://www.valuereportingfoundation.org/contact/