Sustainability Accounting Standards Board
Standards Board Meeting, Quarter 3, 2019, Public Session

Thursday, September 19, 2019
Staff Report Back

- Overview
- Implementation Status
- SAG Survey Feedback Report
- Global GAP Analysis
- Materiality Map Consistency Review
- Corporate Reporting Dialogue Report Back
Process Overview

- Board input
- Staff views
- Market input
- SAG input

Preliminary screening → Research Program? → Research & Consultation → Agenda?

No activity; excluded items → Standard-setting project

Sept. 19, 2019 - Sept. 20, 2019 Standards Board Meeting
Criteria for Agenda Items

**Mission alignment**

- Is there an opportunity to significantly improve communication by companies to investors of decision-useful sustainability information.

**Feasibility**

- What is the likelihood that there would be a proposed solution to put to the Board in a timely fashion.

**Scope/prevalence**

- Is the issue pervasive, including scope of industries or geographies impacted.

**Capacity**

- Does Staff (and the Board) have sufficient capacity to formally address the issue; and does the issue warrant prioritization of resources over alternatives.
Possible Standards-Setting Project

The Research Project may suggest a need for a Standard-Setting Project covering the following categories:

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
5. Industry Standard: reevaluating existing content – measurement
6. Industry Standard: evaluating new or emerging issues
7. Industry scope and structure issues, including new industry standards
8. Globalization
10. Standards Application Guidance
11. Alignment

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Implementation Status
SASB References – Global
SASB has been referenced in 416 source documents published by 314 unique companies YTD (8/31/19)

### By Region

<table>
<thead>
<tr>
<th>Region</th>
<th>YTD 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>153</td>
</tr>
<tr>
<td>Europe</td>
<td>115</td>
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<tr>
<td>Asia Pacific</td>
<td>82</td>
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<td>Canada</td>
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<td>Latin America &amp; the Caribbean</td>
<td>22</td>
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<tr>
<td>Middle East &amp; Africa</td>
<td>4</td>
</tr>
</tbody>
</table>

**Number of Unique Companies**

- 2015: 50
- 2016: 15
- 2017: 30
- 2018: 100
- YTD 2019: 376

**Total SASB References**

- 2015: 10
- 2016: 35
- 2017: 20
- 2018: 110
- YTD 2019: 350
SASB Reporters – Global

94 unique SASB reporters (67 through Aug. 31st compared to 37 same period last year)
Preliminary Observations on SASB Disclosures

SASB will continue to monitor, analyze, and seek investor feedback on implementation of standards

1. Meaningful range of quality

2. Insufficient understanding of the standards, i.e., use of technical protocols

3. Existing Standards Application Guidance addresses many issues, yet...
   - General awareness of the guidance
   - Use of multiple industry standards
   - What is the best format of disclosure
   - Global applicability of topics and metrics

4. Similar processes to financial reporting, including a 3rd party review, seem to indicate higher quality

Investor feedback is critical—both sharing feedback directly with companies and SASB as an intermediary (Investor Advisory Group, Standards Advisory Group)
Categorizing Implementation Input

Alignment theme

<table>
<thead>
<tr>
<th>Conceptual</th>
<th>Practical</th>
<th>Presentation</th>
<th>Legal</th>
<th>Technical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why a topic is (or is not) in the standard?</td>
<td>What is the guidance for segment reporting for diversified companies?</td>
<td>What are the best examples of disclosures that meet investor needs?</td>
<td>Counsel or auditor is concerned with specific disclosures</td>
<td>Can you clarify the calculation methodology?</td>
</tr>
</tbody>
</table>

Example

- Conceptual Framework
- Bases for Conclusions
- Standard-Setting Archive
- Market education & communications
- SASB 101s & ad hoc conversations
- Implementation Guide

- Standards Introduction
- Standards Application Guidance
- Technical Bulletins (obsolete)
- Informal conversations
- Implementation Guide

- Standards Introduction
- Standards Application Guidance
- Informal conversations
- Implementation Guide

- Standards Introduction
- Standards Application Guidance
- Informal conversations
- Implementation Guide

- Technical Protocols
- Standards Application Guidance
- Informal conversations
1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
4. Industry Standard: reevaluating existing content - materiality
5. Industry Standard: reevaluating existing content – measurement
6. Industry Standard: evaluating new or emerging issues
7. Industry scope and structure issues, including new industry standards
8. Globalization
10. Standards Application Guidance
11. Alignment
Technical Inquiries

1. Governance Documents
2. Thematic Issue – materiality
3. **Thematic Issue – measurement**
4. Industry Standard: reevaluating existing content - materiality
5. **Industry Standard: reevaluating existing content – measurement**
6. Industry Standard: evaluating new or emerging issues
7. Industry scope and structure issues, including new industry standards
8. **Globalization**
9. **Technical Protocol Issues**
10. Standards Application Guidance
11. Alignment
From Implementation Barriers to Strategic Priorities and Research Projects

Alignment theme

1. Governance Documents
2. Thematic Issue – materiality
6. Industry Standard: evaluating new or emerging issues
7. Industry scope and structure issues, including new industry standards
10. Standards Application Guidance
8. Globalization
11. Alignment

Conceptual
Practical
Presentation
Legal
Technical

3. Thematic Issue – measurement
5. Industry Standard: reevaluating existing content – measurement

Sept. 19, 2019 - Sept. 20, 2019 Standards Board Meeting

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SAG Survey Feedback Report
SAG Member Experiences Survey
An overview of the survey objectives and outcomes

**Activity**
Standards Advisory Group (SAG) survey to understand members’ experiences using the SASB Standards.

**Goal**
To leverage SAG member feedback to inform our agenda prioritization efforts.
**Respondents**

Breakdown of survey respondents

95 responses from SAG members and colleagues

- **68** Corporates
- **27** Investors
Survey Scope
Results provided feedback across broad groupings of types of potential research agenda:

- Governance documents
- Thematic issues (materiality)
- Thematic issues (measurement)
- Industry standard: reevaluating existing content (materiality)
- Industry standard: reevaluating existing content (measurement)
- Industry standard: evaluating new or emerging issues
- Industry scope & structure issues, including new industry standards
- Globalization
- Technical protocol issues
- Standards Application Guidance
- Alignment
**Key Themes**

Summary of the most relevant survey themes

- **Application Guidance**
  Corporate respondents found the guidance useful and would appreciate more.

- **Topic and Metrics are Relevant, Financially-Material, and Decision-useful**
  Corporate and Investor respondents found value in the standards.

- **Technical Protocol Clarity**
  Respondents were familiar with the Technical Protocol and would appreciate more clarity.

- **Climate and Human Capital**
  Respondents were consistent in the issues they highlighted as being key thematic issues and rapidly evolving in industry context.

- **Industry Scope and Structure**
  Respondents, particularly those operating across multiply industries, felt their were opportunities to improve industry descriptions.
Application Guidance
Corporate SAG members found guidance helpful but asked for more

87% Are Familiar
94% Find it Helpful

72% Asked for Additional Guidance

Note: 33 individual comments
Application Guidance
Respondents had similar asks for additional guidance

Case Studies and Examples

“Example case studies, sector wise, demonstrating the implementation of the guidance will be extremely useful. Also, examples on value creation through use of SASB standards will be useful to influence the decision makers for adoption.”

Integration

“Additional feedback from corporate users on the data requested, calculation methodology, and alignment with existing reporting standards.”

Level of Disclosure

“For standards requiring more than a numerical value, guidance as to the level of detail and comparability among reporters.”

Note: 33 individual comments
Technical Protocols
Respondents reported being familiar but reported needing more clarity

**Reported Familiarity**

- 83% of Corporate respondents are familiar
- 76% of Investor respondents are familiar

**Clarity of Technical Protocols**

- 44% of corporate respondents believe technical protocols need more clarity

Note: 58 Corporate SAG Members responded & 24 Investor Members responded
Value in Topics
Survey respondents found topics both relevant and financially material

85% of Corporate respondents believe metrics are financially material
88% of Investor respondents believe metrics are financially material

Note: 61 Corporate SAG Members responded & 24 Investor Members responded
Value in Metrics
Respondents believe metrics are applicable, decision-useful and comparable

71% of Corporate respondents believe metrics are decision-useful
91% of Investor respondents believe metrics are decision-useful

64% of Corporate respondents believe metrics are comparable
96% of Investor respondents believe metrics are comparable

Note: 61 Corporate SAG Members responded & 24 Investor Members responded
Note: 53 Corporate SAG Members responded & 24 Investor Members responded
Key Thematic Issues
Respondents reported there are emergent issues not currently addressed

Belief in Existence of Emergent Issues Not in Topics

54% of Corporate respondents believe there are emergent issues that are not currently addressed in the topics
44% of Investor respondents believe there are emergent issues that are not currently addressed in the topics

Note: 61 Corporate SAG Members responded & 24 Investor Members responded
Key Thematic Issues
Respondents reported consistent and broad-based emergent issues

**Environment**: Lifecycle Management, Littering/Hazardous Waste, Microplastics

**Human Capital**: Employee Engagement, Employee Retention, Diversity & Inclusion

**Climate Adaptation/Risk**: Climate Change Resiliency, Risk, Opportunity, Adaptation

**Social Capital**: Human Rights in the Supply Chain

Note: 33 Corporate SAG Members responded & 9 Investor Members responded
Industry Scope and Structure

Respondents felt industry descriptions didn’t satisfactorily fit their business models

44% of respondents felt that their industry description didn’t accurately capture their business model

Note: 64 Corporate SAG Member respondents
Industry Scope and Structure
Respondents felt industry descriptions didn’t fit their business models

“We are a diverse corporate with at least 5 or 6 standards applying. SASB should have a transparent way for companies to report under multiple areas. Not everyone can have one primary.”

“Even though we are a manufacturing company there is a big component of our business that is technology based.”

“As a diversified bank, 3 of the industry descriptions could fit - it is unclear how to determine or if all of them need to be completed.”

“We’ve several businesses, thus it’s more about our set-up than your classification.”

Note: 9 individual comments
Key Themes
Summary of the most relevant survey themes

» Application Guidance
Corporate respondents found the guidance useful and would appreciate more.

» Topic and Metrics are Relevant, Financially-Material, and Decision-useful
Corporate and Investor respondents found value in the standards.

» Technical Protocol Clarity
Respondents were familiar with the Technical Protocol and would appreciate more clarity.

» Climate and Human Capital
Respondents were consistent in the issues they highlighted as being key thematic issues and rapidly evolving in industry context.

» Industry Scope and Structure
Respondents, particularly those operating across multiply industries, felt their were opportunities to improve industry descriptions.
Next Steps
Continuing to examine survey results

Follow up with the 22 individuals who noted they would like to discuss their survey responses in further detail.

Identify response trends worthy of additional investigation.

Continue to host SAG engagements that enable us to dig deeper into key themes identified.
Global Gap Analysis
Global Gap Analysis
Understanding the global applicability of SASB standards

Methodology

Global Gap Analysis Spreadsheet

- Leveraging frequently occurring metrics (FOM) categories to structure analysis
  - All 981 metrics are categorized: 222 unique and 759 grouped into 130 categories
- Identifying and categorizing external references (definition, scope, calculation; strict vs loose)
- Applicability assessment across major capital markets: Canada, EU, UK, Japan, China, Brazil, Australia
- Initial analysis of potential next steps, including their level of complexity

Tags

<table>
<thead>
<tr>
<th>Likely Path Forward</th>
<th>Level of Change</th>
<th>Complexity</th>
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</thead>
<tbody>
<tr>
<td>Global - Unchanged</td>
<td>Metric Level</td>
<td>No change</td>
</tr>
<tr>
<td>Global - Improve</td>
<td>Sub-metric Level</td>
<td>Known Change</td>
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<tr>
<td>Regional Equivalent Reference</td>
<td>Technical Protocol (TP) Level</td>
<td>Additional Research</td>
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<tr>
<td>Principle Based Approach</td>
<td></td>
<td>Extensive Research</td>
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Global Gap Results

Total metrics analysis

**Preliminary results (subject to QC)**

- 82% of Total Metrics are Globally Applicable
  - 18% of Total Metrics are not Globally Applicable
  - additional 20% might benefit from further improvement

- 70 unique metrics
- 104 metrics across 39 FOM categories (91 remaining FOM categories are global)

*Global includes global improve + global unchanged*
Global Gap Results
Total metrics by sector breakdown

Global Applicability By Sector

- Transportation
- Technology & Communications
- Services
- Resource Transformation
- Renewable Resources & Alternative Energy
- Infrastructure
- Health Care
- Financials
- Food & Beverage
- Extractives & Minerals Processing
- Consumer Goods

**Preliminary results (subject to QC)**
Global Gap Results
Total metrics breakdown

**Preliminary results (subject to QC)**
Global Gap Analysis
Consideration for Prioritization Categories: Globalization as a theme

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
4. Industry Standard: reevaluating existing content - materiality
5. **Industry Standard: reevaluating existing content – measurement**
6. Industry Standard: evaluating new or emerging issues
7. Industry scope and structure issues, including new industry standards
8. **Globalization**
9. **Technical Protocol Issues**
10. Standards Application Guidance
11. Alignment
Global Gap Results
Main themes, conclusions, and next steps

Themes:

- Majority of SASB metrics are Globally applicable
- Financials and Health Care – least Globally applicable (significant geographic differences)
- Majority of non-Global metrics have relatively straight-forward improvement solutions

Conclusions:

- Globalization of the standards requires multi-faceted approach
- Globalization cannot be achieved through a dedicated project
- Order of operations to be considered in updating the standards
- Small updates are feasible in the short term

Next steps:

- Quality control of the Global Gap Analysis results
- Design projects to address high-priority issues (a.k.a. low hanging fruit)
- Globalization considerations in designing projects
Appendix
Global Gap Results
Total metrics by sector breakdown

Sectors by Likely Path Forward

- **Global Unchanged**
- **Global Improve**
- **Regional Equivalent**
- **Principle Based Approach**

**Preliminary results (subject to QC)**
Global Gap Results
Total metrics by sector breakdown

**Preliminary results (subject to QC)**
Materiality Map Consistency Review
Materiality Map Consistency Review

Topic- and industry-level assessment across five broad categories

General Issue Category scope
- Cross-sector applicability of the scope
- ESG vs Business Sustainability
- Emerging issues

Industry standard
- Industry homogeneity
- E&S externalities
- Global landscape

Topic scope
- Metric-level changes
- Remove topic
- Merge topics
- Split topics
- Remap topics

Potential topic
- High-level evidence research
- Industry characteristics
- Global landscape

Materiality threshold
- Weak evidence of materiality
- Industry characteristics

ILLUSTRATIVE (NOT ACTUAL RECOMMENDATIONS HIGHLIGHTED)
# Materiality Map Consistency Review

Summary of findings across five sectors

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Topic scope</th>
<th>Materiality threshold</th>
<th>Potential topic</th>
<th>Industry standard</th>
<th>GIC scope</th>
<th>Total per sector</th>
</tr>
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<tbody>
<tr>
<td>Health Care</td>
<td>11</td>
<td>4</td>
<td>7</td>
<td>1</td>
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<tr>
<td>Financials</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>3</td>
<td></td>
<td>10</td>
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<td>Technology &amp; Communications</td>
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<td>5</td>
<td>6</td>
<td>0</td>
<td></td>
<td>13</td>
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<tr>
<td>Infrastructure</td>
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<td>2</td>
<td>9</td>
<td>0</td>
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<td>15</td>
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<tr>
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<td>4</td>
<td>9</td>
<td>0</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td><strong>Total per category</strong></td>
<td><strong>20</strong></td>
<td><strong>15</strong></td>
<td><strong>38</strong></td>
<td><strong>4</strong></td>
<td><strong>3</strong></td>
<td><strong>80</strong></td>
</tr>
</tbody>
</table>

**Themes:**

- More potentially missing topics than existent topics that merit further investigation / evidence
  - Potential topics are predominantly in the **Governance** dimension
  - Topics with weak evidence are predominantly in the **Environment** dimension

- Relatively even distribution across sample sectors

- Scope-related issues are predominantly in the **Social** and **Business Model** dimensions
Materiality Map Consistency Review
Consideration for Prioritization Categories: Conceptual issues

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
4. **Industry Standard: reevaluating existing content - materiality**
5. Industry Standard: reevaluating existing content – measurement
6. **Industry Standard: evaluating new or emerging issues**
7. Industry scope and structure issues, including new industry standards
8. **Globalization**
10. Standards Application Guidance
11. Alignment
Corporate Reporting Dialogue (CRD)
Overview of the CRD – purpose, aims, and participants

The Corporate Reporting Dialogue is a platform, convened by the International Reporting Council, to promote greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements.

Purpose
The Corporate Reporting Dialogue strives to strengthen cooperation, coordination and alignment between key standards setters and framework developers that have significant international influence on the corporate reporting landscape.

Aims
• Communicate about the direction, content and ongoing developments of reporting frameworks, standards and related requirements
• Identify practical ways and means by which respective frameworks, standards and related requirements can be explained and aligned, notably to avoid potential conflict, inconsistency and duplication between them
• Clarify and resolve any emerging issues from their respective activities and other matters of common interest
• Share relevant and significant information of direct interest to each other
• Express a common voice on areas of mutual interest, where possible, to engage with interested parties, including regulators
The Better Alignment Project is a ground-breaking two-year project focused on driving better alignment in the corporate reporting landscape to make it easier for companies to prepare effective and coherent disclosures that meet the information needs of capital markets and society.

**Project Participants**: CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB)

**Project Scope**: participants will map their respective sustainability standards and frameworks to identify the commonalities and differences between them, jointly refining and continuously improving overlapping disclosures and data points to achieve better alignment, taking into account the different focuses, audiences and governance procedures.

**Work taking place in two phases:**

- **Phase I (year 1)** - aligning standards with the recommendations published by the Task Force for Climate-related Financial Disclosures. Initial results due to be published in Q32019.
- **Phase II (year 2)** – extension of work beyond the TCFD

https://corporatereportingdialogue.com/better-alignment-project/
CRD Better Alignment Project
Additional details regarding Phase I of the Better Alignment Project

In Phase I, Project participants mapped elements of their respective frameworks / standards to the following parts of the TCFD’s Recommendations:

- 7 fundamental principles for effective disclosure
- 11 recommended disclosures
- 50 illustrative example metrics (part of TCFD Implementation Annex)

Project included stakeholder engagement including:

- Stakeholder survey
- Stakeholder roundtables
## CRD Better Alignment Project

Additional details regarding Phase I of the Better Alignment Project

<table>
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<tr>
<th></th>
<th>TCFD Principles</th>
<th>TCFD Disclosures</th>
<th>TCFD Illustrative Example Metrics</th>
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<tr>
<td>SASB Conceptual Framework</td>
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<td></td>
<td></td>
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<tr>
<td>SASB Standards Application Guidance</td>
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Sept. 19, 2019 - Sept. 20, 2019 Standards Board Meeting
CRD Better Alignment Project
Additional details regarding Phase I of the Better Alignment Project
CRD Better Alignment Project
Additional details regarding Phase I of the Better Alignment Project
Alignment built in to SASB’s Conceptual Framework

Must be balanced with other criteria, including:
• Usefulness to companies and investors
• Applicability
• Representativeness
• Industry-specificity
CRD Better Alignment Project
Summary of key findings from Phase I of the Better Alignment Project

➢ **Overall**: Additional clarity would be helpful regarding the purpose and use of each framework, helping reporters better understand the “right tool for the job” with respect to accomplishing their reporting objectives.

➢ Considerations for SASB:
  
  ➢ SASB Implementation Guidance
  
  ➢ Other guidance helping explain how SASB can be used in a complementary fashion with other frameworks (i.e., TCFD Implementation Guide)
CRD Better Alignment Project
Summary of key findings from Phase I of the Better Alignment Project

- **Principles**: In general, all of the BAP Participant framework reporting principles are aligned with and/or not in conflict with the TCFD’s Principles for Effective Disclosure

- **Considerations for SASB**:
  - SASB Principles, as defined in our Conceptual Framework, relate to standards development rather than principles for effective reporting. However, they do enable effective reporting through their incorporation into standards-setting.
  - SASB could consider developing principles for effective reporting to supplement our Application Guidance.
  - SASB, for example, does not include principles-based guidance regarding how information should be presented.
  - SASB could consider clarifying its guidance with respect to timeliness of updates to reported information, to the extent such information does not align with the timeframe upon which financial data is reported.
Disclosures: In general, all of the BAP Participant framework frameworks are aligned with and/or complementary to the TCFD’s 11 recommended disclosures.

Considerations for SASB:

- SASB is largely complementary to the TCFD’s 11 Recommended disclosures:
  - For Governance, Strategy, and Risk Management, SASB includes general guidance in its Standards Application Guidance, and some industry and topic-specific qualitative metrics related to aspects of strategy and/or management of climate-related issues.
  - For Metrics & Targets, SASB provides a set of industry-specific metrics to facilitate target-setting as well as to communicate performance.

- SASB could consider developing additional guidance related to governance, strategy, and/or risk management of material sustainability issues (i.e., not just climate, as covered by the TCFD).
CRD Better Alignment Project
Summary of key findings from Phase I of the Better Alignment Project

➢ **Illustrative Example Metrics**: In general, a high level of essential alignment was found. Some significant differences were found. Differences often related to the different purposes, function, use, and audience of the participating frameworks.

➢ Considerations for SASB:

➢ Areas of significant difference frequently related to the different purpose, function, use, or audience of the participant frameworks (example: Scope 2 emissions versus energy usage).

➢ Some significant differences, and/or areas of relatively minor difference, could be assessed for the potential for enhanced alignment, where such changes would be aligned with SASB’s Conceptual Framework

➢ SASB could consider reviewing and evaluating the mapping findings and incorporating into future standards-setting work

➢ SASB could consider broadening such a review beyond that completed in Phase I of the CRD work (i.e., extend beyond TCFD, and beyond CRD participants)
CRD Better Alignment Project
Key items for discussion with the Standards Board

➢ Does the Board wish to clarify any aspects of the Better Alignment Project, including its purpose, scope, and findings?
In general, we have a better understanding of commonalities and differences between the Better Alignment Project participants. What are the Board’s views on the relative priority of the following?

- **Where there is not overlap**, providing better clarity regarding the ways in which the participant frameworks / standards were complementary.

- **Where there is overlap**, further assessing the nature of such areas of overlap.
  - If differences are necessary, given the different audiences, scope, function, and purposes of each framework, providing better clarity regarding the nature of these differences.
  - If such alignment is not necessary given these differences, exploring possibility to enhance alignment.
CRD Better Alignment Project
Key items for discussion with the Standards Board

Framework A Element

Do elements differ?

Yes

Are such differences required?

Yes

Is a revision justified?

No

Potential Research Project

No immediate action

No

Is additional clarity needed?

Yes

No

Sept. 19, 2019 - Sept. 20, 2019 Standards Board Meeting
CRD Better Alignment Project
Key items for discussion with the Standards Board

➢ Board’s views on Better Alignment Project findings and how they may impact prioritization of research areas and/or projects, including:

➢ Governance Documents
➢ Thematic issues (materiality)
➢ Thematic issues (measurement)
➢ Industry standards: reevaluating existing content (materiality)
➢ Industry standard: reevaluating existing content (measurement)

➢ Industry standard: evaluating new or emerging issues
➢ Industry scope & structure issues
➢ Globalization
➢ Technical protocol issues
➢ Standards Application Guidance
➢ Alignment

➢ Any other items for discussion
Accounting for a Sustainable Future
Sustainability Accounting Standards Board

Standards Board Meeting, Quarter 3, 2019, Public Session

Friday, September 20, 2019
Project Proposals

- Rules of Procedure
- Conceptual Framework
- Human Capital
- Consumer Goods
- Extractives & Minerals Processing
- Resource Transformation
Rules of Procedure
Session objective

➢ Gain Standards Board approval to advance projects that would allow SASB staff to focus on updating the Rules of Procedure and Conceptual Framework documents
Overview

Discussion topics for the project

- Rules of Procedure project necessity
- Staff view on focal points for the update
- Project advancement
Why SASB should update the Rules of Procedure

The Rules of Procedure document helps form SASB’s backbone

- Governs SASB’s standard-setting process
- Ensures the clarity, robustness, and integrity of SASB’s operations and processes

SASB has evolved in its thinking and approach to Standard-setting/revising

- SASB’s Rules of Procedure document was published in February of 2017
- Does not reflect SASB’s updated mission statement
- Does not reflect SASB’s sole focus on a project-based approach
What a Rules of Procedure update would look like

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<thead>
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<tbody>
<tr>
<td>1</td>
<td>Reflect SASB’s updated mission statement, which highlights SASB’s global reach</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Remove all traces of the former three-year revision cycle that is currently mentioned in the document, and expand upon details of SASB’s project-based approach</td>
<td></td>
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<tr>
<td>3</td>
<td>Address opportunities for clarity and improvement in the Standard-setting/revising process and the communication of the Standard-setting/revising process (including the role of advisory groups)</td>
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</table>
What we have accomplished with the Rules of Procedure

1. Reviewed results of the codification debrief project

2. Reviewed internal stakeholder comments on the Rules of Procedure

3. Reviewed all relevant PCP comments and SASB’s comments in response to the relevant PCPs to gain an understanding of where SASB’s thinking was when we created the document

4. Commenced staff (and some Board-level) discussions on potential objectives and opportunities of the Rules of Procedure project

5. Created a strawman Project Plan

6. Began to form a Project Team (The Project Team will be tasked with defining the project’s objectives, scope, and plan)
Next steps

1. Discuss the Rules of Procedure project proposal and seek Board approval for the project

2. Continue to define roles and responsibilities

3. Project Team to define the Project Plan and the document’s objectives and scope

4. Project Team to create and/or delegate the creation of a revised and up-to-date Rules of Procedure document; Review Committee to review revised document

5. Project team to continue to plan and communicate around public transparency and stakeholder input

6. Project Team to seek approval of revised Rules of Procedure from Standards Board
Rules of Procedure project advancement

Project description:
The Rules of Procedure document ensures the clarity, robustness, and integrity of SASB’s operations and processes. The Rules of Procedure project will ensure that the operations and Standard-setting/revising processes detailed in the document reflect SASB’s procedures today.

Staff recommendation:
Board to approve this project;
Staff to continue project planning
Overview

Discussion topics for the project

➢ Conceptual Framework project necessity
➢ Staff view on focal points for the update
➢ Project advancement
Why SASB should update the Conceptual Framework

The Conceptual Framework document helps form SASB’s backbone

- Details the principles, objectives, assumptions, and definitions that guide SASB’s thinking and approach

SASB has evolved its thinking and expanded its reach

- SASB’s Conceptual Framework document was published in February of 2017
- Does not reflect SASB’s updated mission statement
- Does not reflect SASB’s global reach
- Contains outdated assumptions, definitions, and data
What a Conceptual Framework update would look like

The Conceptual Framework document helps form SASB’s backbone

- Details the principles, objectives, assumptions, and definitions that guide SASB’s thinking and approach

SASB has evolved its thinking and expanded its reach

- SASB’s Conceptual Framework document was published in February of 2017
- Does not reflect SASB’s updated mission statement
- Does not reflect SASB’s global reach
- Contains outdated assumptions, definitions, and data
What a Conceptual Framework update would look like

1. Reflect SASB’s updated mission statement, which highlights SASB’s global reach

2. Remove all references to US-based regulation, as SASB operates in a global context

3. Update assumptions, definitions, and data cited in the document

4. Address opportunities for clarity and improvement in the core principles and concepts that govern the Standards
Examples of high-level issues the Conceptual Framework project could cover

- Continued clarity on the role of sustainability accounting in the capital markets
- Continued clarity and refinement of the definition of financial materiality
- Consideration around improvements to Principles for Topic Selections
- Consideration around improvements to Criteria for Accounting Metric Selection
- Continued clarity on five sustainability dimensions
- Continued clarity on General Issue Categories
What we have accomplished with the Conceptual Framework

1. Reviewed results of the codification debrief project

2. Reviewed internal stakeholder comments on the Conceptual Framework

3. Reviewed all relevant PCP comments and SASB’s comments in response to the relevant PCPs to gain an understanding of where SASB’s thinking was when we created the document

4. Commenced staff-level discussions on potential objectives and opportunities of the Conceptual Framework project

5. Created a strawman Project Plan

6. Began to form a Project Team (The Project Team will be tasked with defining the project’s objectives, scope, and plan)
Next steps

1. Discuss the Conceptual Framework project proposal and seek Board approval for the project

2. Continue to define roles and responsibilities

3. Project Team to define the Project Plan and the document’s objectives and scope

4. Project Team to create and/or delegate the creation of a revised and up-to-date Conceptual Framework document; Review Committee to review revised document

5. Project team to continue to plan and communicate around public transparency and stakeholder input

6. Project Team to seek approval of revised Conceptual Framework from Standards Board
Conceptual Framework project advancement

Project description:
The Conceptual Framework document details the principles, objectives, assumptions, and definitions that guide SASB’s thinking and approach to Standard-setting/revising. The Conceptual Framework project will clarify and strengthen these core principles and concepts that govern SASB’s Standards.

Staff recommendation:
Board to approve this project;
Staff to continue project planning
Conceptual Framework discussion questions

Scope

➢ Do Standards Board members have initial thoughts on the Conceptual Framework project’s scope?

➢ Has the Standards Board heard from the market on opportunities for clarity within the Conceptual Framework document?

Logistics

➢ At which stages of the Conceptual Framework revision process should we seek Standards Board approval?
Human Capital
Human Capital Research Proposal

Session Agenda

- Session objective
- Research project proposal
  - Project description
  - Objectives and outcomes
- The case for human capital
  - Strong signals of market interest & engagement
  - Fundamental shifts in the nature of human capital
- Current state of human capital in the standards
  - HCM snapshot in the SASB standards
  - Known challenges and future opportunities
- Discussion questions and feedback
Session objective:

• Seek Board’s approval to advance the human capital framework as a formal research project
# Human Capital Research Proposal

## Project Description, Objectives, and Outcomes

<table>
<thead>
<tr>
<th>Project description</th>
<th>Objectives</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Formal research project to assess scope &amp; prevalence of various HCM themes across sectors and industries and to determine feasibility to create an evidenced-based view on HCM in the SASB standards</td>
<td>• Develop an evidenced-based view on HCM</td>
<td>• Create a solid evidence-based view on HCM to serve as a decision-lever for the Board to approve standard-setting phase of project</td>
</tr>
<tr>
<td></td>
<td>• Design and implement systematic analysis to identify industry-specific HCM themes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Identify more comprehensive general issue categories (GICs) under the Conceptual Framework human capital pillar</td>
<td></td>
</tr>
</tbody>
</table>
Human Capital Research Proposal
Strong Signals of Market Interest & Engagement

Key shifts in market prioritization:
- SEC Modernization of Regulation S-K Rulemaking Proposal
- Human Capital Management Coalition (HCMC) rulemaking petition to the SEC
- 2019 Business Roundtable

Milestone regulatory/policy action:
- ISO 30414
- ShareAction Workforce Disclosure Initiative
- EU Commission Directive 2014/95/EU
- 2015 UK Modern Slavery Act
- California Gig Economy Bill (AB-5)\(^1\)

\(^1\) Passed California State Senate on September 10, 2019

- IAG: HCM polled as #1 ranked priority issue
- SAG: Reoccurring theme in recent SAG survey
- Other private market feedback

Increasing national and state regulation and policy in the US and abroad

Fundamental shifts in market perspective prioritizing HCM issues

SASB feedback network

Strong signals of market interest & engagement
Human Capital Research Proposal
Fundamental Shifts in the Nature of Human Capital

- The role of technology and automation in high-skilled labor versus low-skilled labor jobs
- How is well-being defined and how do we quantify its value and contribution to a firm's long-term value creation
- How do we further improve global applicability of the SASB standards
- How to define the 'employee' in the age of increasing part-time employees, contractors, and other labor types and how does this composition impact a firm's business model
- The role of technology and automation in high-skilled labor versus low-skilled labor jobs
- How is well-being defined and how do we quantify its value and contribution to a firm's long-term value creation
**Human Capital Research Proposal**

**HCM Snapshot in the SASB Standards**

![Diagram of sustainability issues]

**Environment**
- GHG emissions
- Air quality
- Energy management
- Water & wastewater management
- Waste & hazardous materials management
- Ecological impacts

**Social capital**
- Human rights & community relations
- Customer privacy
- Data security
- Access & affordability
- Product quality & safety
- Customer welfare
- Selling practices & product labelling

**Human capital**
- Labor practices
- Employee health & safety
- Employee engagement, diversity & inclusion

**Business model and innovation**
- Product design & lifecycle management
- Business model resilience
- Supply chain management
- Materials sourcing & efficiency
- Physical impacts of climate change

**Leadership and governance**
- Business ethics
- Competitive behavior
- Management of legal & regulatory environment
- Critical incident risk management
- Systemic risk management
Human Capital Research Proposal
HCM Snapshot in the SASB standards – By the Numbers

Industries
- Out of 77 industry standards contain HCM topics
- Top Industries: Coal Operations, Oil & Gas – E/P; Metals & Mining

HCM-Related Disclosure Topics
- Out of 421 topics across all industries are HCM topics
- Examples: Recruiting & managing a global, diverse & skilled workforce; Health & safety; Labor conditions in the supply chain; Employee diversity & inclusion

Industry-specific HCM Metrics
- Out of 1,198 metrics across all industries are HCM metrics
- Examples: Number of workers/contract workers; Incidence rate; Ethnic/gender diversity; Employee turnover; Employee engagement; Percentage under collective bargaining
Human Capital Research Proposal
The Current State of Human Capital: Preliminary Gap Analysis

Human capital categories¹

- Workforce health and safety
  - Employee Health & Safety
  - Critical Incident Risk Management
- Workforce structure (demographics, stability, composition)
  - Activity Metrics
  - Employee engagement, diversity, and inclusion
- Workforce culture and empowerment
  - Employee engagement, diversity, and inclusion
- Human rights commitments and their implementation
  - Supply Chain Management
- Workforce compensation and incentives
  - Labor Practices
- Workforce skills and capabilities
- Workforce productivity

SASB General Issue Categories

- Employee Health & Safety
- Workforce Diversity & Inclusion
- Human rights commitments and their implementation
- Labor Conditions in the Supply Chain
- Labor Practices

SASB Sample Topics & Related Industry

- Coal Operations
- Professional & Commercial Services
- Multiline & Specialty Retailers & Distributors
- Apparel, Accessories & Footwear
- Restaurants

Key-take away:
Employee health & safety is strongly represented in the existing standards, but not necessarily other GICs/emerging themes

¹Human capital categories based on July 2017 HCMC Rulemaking Proposal to the SEC
Human Capital Research Proposal
HCM Snapshot in the SASB Standards – Examples

Extractives & minerals processing, Exploration & production

General issue category (GIC):
• Employee health & safety

Disclosure topic
• Workforce Health & Safety

Accounting metric:
• (1) Total recordable incident rate, (2) fatality rate, and (3) near miss frequency rate for (a) full-time employees and (b) contract employees
Consumer goods, E-commerce

General issue category (GIC):
- Employee engagement, diversity, & inclusion

Disclosure topic
- Employee Recruitment, Inclusion & Performance

Accounting metric:
- (1) Voluntary and (2) involuntary turnover rate for all employees

Key-take away:
Metric is very general in measuring employment engagement, inclusion, and performance.
Transportation, Airlines

General issue category (GIC):
• Labor practices

Disclosure topic
• Labor practices

Accounting metric:
• (1) Number of work stoppages and (2) total days idle

Key-take away:
Metric is very general in measuring labor practices
Human Capital Research Proposal
Known Challenges & Opportunities

• Lack of breadth (Prevalent ‘white space’ on materiality map across sectors under HC pillar with the exception of Employee Health & Safety)

• Lack of depth (Other issues not well-represented in existing industry standards)

Market feedback exposes potential standard deficiencies

Market interest has reached critical mass presenting an opportunity

• While the SASB standards do not fully address all material HCM issues, market demand for HCM disclosure has gained momentum and presents an opportunity to improve the standards

Opportunity to address industry-specific HCM issues

• Post-codification, SASB has the advantage to assess cross-cutting issues and to assess & address HCM past challenges & emerging issues
Human Capital Research Proposal
Key Questions & Feedback

Scope & prevalence
What are the main themes across our 77 industries related to human capital? How pervasive are they across industries? Alternatively, what is industry-specific?

Is there sufficient evidence to show materiality of these themes by industry? Secondly, what and, if applicable, are the financial impacts of these material themes on a firm’s business model?

Feasibility
• Assuming these themes are relevant and material, how do we add maximum value to our existing framework to investors through their incorporation? Can we build out this framework to accommodate possible standard globalization?
Questions for the Board:

- What are the Board's view on the project objectives and outcomes at this time?
- Is there any other additional questions/feedback?
Consumer Goods
Industry Description

The Apparel, Accessories & Footwear industry includes companies involved in the design, manufacturing, wholesaling, and retailing of various products, including men's, women's, and children's clothing, handbags, jewelry, watches, and footwear. Products are largely manufactured by vendors in emerging markets, thereby allowing companies in the industry to primarily focus on design, wholesaling, marketing, supply chain management, and retail activities.
### Similar Scenario in Technology & Communications Sector

#### Hardware Industry

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Security</td>
<td>Description of approach to identifying and addressing data security risks in products</td>
</tr>
<tr>
<td>Employee Diversity &amp; Inclusion</td>
<td>Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees³</td>
</tr>
<tr>
<td>Product Lifecycle Management</td>
<td>Percentage of products by revenue that contain IEC 62474:1 declarable substances⁴</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent⁴</td>
</tr>
<tr>
<td>Materials Sourcing</td>
<td>Description of the management of risks associated with the use of critical materials</td>
</tr>
</tbody>
</table>

#### Electronic Manufacturing & Original Design Manufacturing Industry

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Management</td>
<td>(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress</td>
</tr>
<tr>
<td>Waste Management</td>
<td>Amount of hazardous waste from manufacturing, percentage recycled³</td>
</tr>
<tr>
<td>Labor Practices</td>
<td>(1) Number of work stoppages and (2) total days idle³</td>
</tr>
<tr>
<td>Labor Conditions</td>
<td>(1) Total recordable incident rate (TRIR) and (2) near miss frequency rate (NMFR) for (a) direct employees and (b) contract employees</td>
</tr>
<tr>
<td></td>
<td>Percentage of (1) entity's facilities and (2) Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities</td>
</tr>
<tr>
<td></td>
<td>(1) Non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances, broken down for (i) the entity's facilities and (ii) the entity's Tier 1 supplier facilities</td>
</tr>
<tr>
<td>Product Lifecycle Management</td>
<td>Weight of end-of-life products and e-waste recovered, percentage recycled</td>
</tr>
<tr>
<td>Materials Sourcing</td>
<td>Description of the management of risks associated with the use of critical materials</td>
</tr>
</tbody>
</table>
Are companies vertically integrated across the apparel value chain?
Initial analysis suggests that design and manufacturing activities are split between separate companies.

- 395 global companies classified in the Apparel & Textile Products BICS Microsector with market cap greater than $100M

Sourced from Bloomberg on September 10, 2019
Research Project Opportunity

This presents an opportunity for a research project to better understand some of the unknowns, primarily:

- Develop a clearer understanding of the various segments that make up the apparel value chain.
- Determine if there is investor demand for financially material sustainability information for companies in different parts of the apparel value chain.
Possible Standards-Setting Project
The Research Project may suggest a need for a Standard-Setting Project covering the following categories:

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
4. **Industry Standard: reevaluating existing content - materiality**
5. Industry Standard: reevaluating existing content – measurement
6. Industry Standard: evaluating new or emerging issues
7. **Industry scope and structure issues, including new industry standards**
8. **Globalization**
10. Standards Application Guidance
11. Alignment
Discussion Questions

- Is this an important research project for the staff to pursue?
- Given that staff may propose this research project in a forthcoming meeting, what questions remain?
- Is there specific information you would require in order to consider this as a formal research proposal?
1. Climate Driven Energy Transition and What It Means for the Standards
Possible Standards-Setting Project #1

The Research Project may suggest a need for a Standard-Setting Project covering the following categories:

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
4. Industry Standard: reevaluating existing content - materiality
5. Industry Standard: reevaluating existing content – measurement
6. Industry Standard: evaluating new or emerging issues
7. Industry scope and structure issues, including new industry standards
8. Globalization
10. Standards Application Guidance
11. Alignment
Current Global Trend: Transition to Low-Carbon Economy

Not a new subject for consideration, but rapidly developing and evolving

- The shift to a Paris-compliant world will require a dramatic change in behaviour from the ingrained growth model. Compared to the IEA’s central scenario (which incorporates the Paris INDCs, but is associated with 2.7°C warming), 2019-2030 capex on new oil projects is 83% lower in a 1.6°C scenario and 60% lower in a 1.7-1.8°C scenario.
The category addresses an industry's capacity to manage risks and opportunities associated with incorporating social, environmental, and political transitions into long-term business model planning. This includes responsiveness to the transition to a low-carbon and climate-constrained economy, as well as growth and creation of new markets among unserved and underserved socio-economic populations. The category highlights industries in which evolving environmental and social realities may challenge companies to fundamentally adapt or may put their business models at risk.
What Could This Mean for the Future of the EM Sector?

Extractives & Mineral Processing Sector is affected directly in many different ways.

- Refining & Marketing might have less demand for petroleum production, some companies could shift into chemicals.
- Midstream. Contractual industries will be affected in a complicated way and investors will want to know how exactly.
- Services industries business model might need to change and shift completely over time.
- This energy transition will also affect other industries who support EM Sector or use EM Sector products.
Business Model Resilience Expansion During Energy Transition Era

Preliminary signals, historical research and previous stakeholder feedback indicate an opportunity to further standards development related to transition risk

**Question to the Board:**

1. What information would the board need in order to assess if this needs to be a priority in terms of research projects

2. In considering this project, should the scope focus on sector or be cross cutting with consistency in climate related scenarios?

3. To what extent should be seek to align with existing mainstream investor focused climate related disclosure frameworks (TCFD)?

4. How do we account for business model shifts within our existing industry classification system?
Possible Standards-Setting Project #2

The Research Project may suggest a need for a Standard-Setting Project covering the following categories:

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
4. Industry Standard: reevaluating existing content - materiality
5. **Industry Standard: reevaluating existing content – measurement**
6. Industry Standard: evaluating new or emerging issues
7. Industry scope and structure issues, including new industry standards
8. **Globalization**
10. Standards Application Guidance
11. **Alignment**
EM-MM-150a.3. Number of tailings impoundments, broken down by MSHA hazard potential

1. The entity shall disclose the number of tailings impoundments according to the following U.S. Mine Safety and Health Administration (MSHA) hazard potential classification:

   1.1 High hazard potential
   1.2 Significant hazard potential
   1.3 Low hazard potential

2. For locations under the auspices of the MSHA, the hazard potential shall be determined by Mine Safety and Health enforcement personnel (Metal and Nonmetal) during regular (E01) inspections through verification that the mine operator has appropriately classified the dam or by assigning a hazard classification if the existing one does not appear reasonable or if no classification has been assigned.

3. For locations not under the auspices of the MSHA, hazard potential shall be determined by a third party following MSHA Procedure Instruction Letter No. I13-IV-01 guidance.
Increased Investor Interest to Tailings Storage Safety
Facilitated increased unstandardized disclosure as a response

- A series of tragic accidents in the recent years (2015-2019) promoted increased investor interest to trailing’s storage facilities safety and hazard classification.

- In April of 2019 a group of investors with US$10.3 trillion in assets, including Church of England and four Sweden’s national pension funds, demanded that 683 mining companies, including Brumadinho dam's operator Vale, provide details on every tailings facility under their control.

  - What is your hazard categorization of this facility, based on consequences of failure/?
  - What guideline do you follow for the classification system?
  - whether each facility at any point in history had ever failed to be confirmed or certified as stable by independent engineer or experienced notable concerns

7  Hazard potential classification depends solely on the consequences of failure of the dam and not on the condition of the dam.

8  Hazard potential classification can change over time.
Concern Regarding Lack of Standardized Best Practices is High
Industry Associations, Public and Investor Community Team up to Solve This

The catastrophic failure of a tailings storage facility at Vale’s Corrego do Feijão mine in Brumadinho, Brazil, on 25 January 2019 is a human and environmental tragedy. This is a stark reminder that, while the mining and metals industry has come a long way in improving how it operates, there’s still much more that can be done to safeguard lives, improve performance and demonstrate transparency.

The International Council on Mining and Metals (ICMM), the United Nations Environment Programme (UNEP) and the Principles for Responsible Investment (PRI) share a commitment to the adoption of global best practices on tailings storage facilities.

They have co-convened this global tailings review to establish an international standard. This review is being led by Dr Bruno Oberle.  https://globaltailingsreview.org/
Global Standardized Disclosure on Tailings Hazard Potential
High priority market driven issue but is it feasible and is there a single solution?

**Question to the Board:**

1. What additional information would be needed to assess prioritization of this project?
2. Does the board have a guidance on what should be the focus
   - looking for emergence of a true international tailing facilities management standard?
   - or assessing existing disclosure for alignment?
3. How does this align with globalization consideration?
   - is this much more industry specific type of project given market movement on this issue?
Resource Transformation

- Potential Project: Renewable Resources – Pulp & Paper Products
- Potential Project: Resource Transformation – Chemicals
Potential Project: Renewable Resources – Pulp & Paper Products
Possible Project
Research staff idea: Renewable Resources, Pulp & Paper Products

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
4. Industry Standard: reevaluating existing content - materiality
5. Industry Standard: reevaluating existing content – measurement

6. **Industry Standard: evaluating new or emerging issues**

7. Industry scope and structure issues, including new industry standards
8. Globalization
10. Standards Application Guidance
11. Alignment
**Issue for consideration:**

With increasing scrutiny and regulation around single-use plastics, should the Pulp & Paper Products standard incorporate the topic:

*Bio-Based Products Innovation*
Renewable Resources, Pulp & Paper Products
Issue for Consideration: Bio-based Products Innovation

Background information:

In the Provisional Brief (December 2015) this was flagged as a possible watchlist item, noting:

• Bio-based products could provide a diversified revenue stream and have significantly higher profit margins than traditional pulp and paper.

• Companies ... are exploring the use of biobased materials as feedstocks in the production of renewable chemical, fiber, and energy products.

• The use of wood fiber has the potential to offset environmental and social impacts associated with petroleum extraction and chemical refining. As increasingly stringent regulations shape the use of petroleum products, renewable wood fiber could become an important industrial raw material

Ultimately the brief concluded: The market remains small today; therefore it is unlikely that companies earn significant revenues from biobased products today.
# Renewable Resources, Pulp & Paper Products

## What has changed?

### China

In 2018 China changed its waste (recycling) import policy creating global repercussions.

Waste exports to China have plunged, causing backups domestically and directing incremental attention to single-use plastics.

### Consumers

Consumer interest/focus on the impact of single-use plastics have increased, leading to changes.

Catalysts include:
- A video of a turtle with a plastic straw up its nose
- Reporting on the growing Great Pacific Plastics Patch

### Regulations

In response to consumer interest and challenges highlighted by China waste import restrictions, governments are increasing regulation on plastic use.

- *WSJ reports in 2019 alone 200 bills have been introduced in US state legislatures*
- *In Mar-19 the EU voted to ban 10 single-use plastics*
- *In Jun-19 Canada announced a single-use plastic ban for 2021*

### Demand

Responding to increased focus on plastics use, global consumer goods companies are committing to change packaging.

400+ entities have signed on to the New Plastics Economy Global Commitment...to ensure all packaging will be renewable, reusable and/or compostable (mainly by 2025)

### Pulp & Paper Industry

Paper can be an alternative to plastic packaging and the pulp making process can be modified to produce bio-based plastic.

European companies such as UPM and Stora Enso identify bio-chemicals etc as business lines.

Domtar’s CSR sees potential to ‘help solve the plastic problem’.

---

**Notes:**
- A video of a turtle with a plastic straw up its nose
- Reporting on the growing Great Pacific Plastics Patch
- *WSJ reports in 2019 alone 200 bills have been introduced in US state legislatures*
- *In Mar-19 the EU voted to ban 10 single-use plastics*
- *In Jun-19 Canada announced a single-use plastic ban for 2021*
Renewable Resources, Pulp & Paper Products

Issue for Consideration: Bio-based Products Innovation

Questions to Consider:

- Has the environment/scope changed enough to render this topic material?

- Are the opportunities broad enough to be pervasive throughout the global industry?

- Is there sufficient investor interest? Would the topic be decision-useful?

- Can this information be captured by the standards in a format that will enhance analysis/decision making?
Potential Project: Resource Transformation – Chemicals
Possible Project
Research staff idea: Resource Transformation, Chemicals

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
4. Industry Standard: reevaluating existing content - materiality
5. Industry Standard: reevaluating existing content – measurement
6. **Industry Standard: evaluating new or emerging issues**
7. Industry scope and structure issues, including new industry standards
8. Globalization
10. Standards Application Guidance
11. Alignment
Resource Transformation, Chemicals

Issue for Consideration: Feedstock Management

Issue for consideration:
Given growing attention on the use of plastics, should the Chemicals Standard include a topic regarding:

Feedstock Management (percentage of raw materials from renewable resources)
Resource Transformation, Chemicals
Issue for Consideration: Feedstock Management

Background information:

During the development of the original codified standards, the topic of feedstock management (metric ‘percentage of raw materials from renewable resources’) was considered, but ultimately rejected.

- Rejection appeared to be based primarily on the view that with increasing supply of natural gas, feedstock availability was unlikely to be a material issue for the chemicals industry.
Resource Transformation, Chemicals

What has changed?

**China**
In 2018 China changed its waste import policy, creating global repercussions.
Waste exports to China have plunged, causing backups domestically and directing incremental attention to single-use plastics.

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**Demand**
Responding to increased focus on plastics use, global consumer goods companies are committing to change packaging.
400+ entities have signed on to the New Plastics Economy Global Commitment...to ensure all packaging will be renewable, reusable and/or compostable (mainly by 2025)

**Chemicals Industry**
Issue seems to be an increasing focus for some chemical companies.
At a recent event Dow’s CEO said he “spends 25% of his time on sustainability issues.” Noting “it’s a purpose we have to tackle...” Arguing that litter piling up on beaches and drifting in the ocean isn’t really a problem with plastic: “it’s a problem with waste.”
Resource Transformation, Chemicals
Issue for Consideration: Feedstock Management

Questions to Consider:

- Is there sufficient investor interest? Would this topic provide decision-useful information to investors?
- Is enough of this information already conveyed in the Standards though the topic ‘use-phase efficiency’ or can that metric be modified?
- What type of disclosures would be of the most use to investors? Is this information easily reported by companies?
Discussion on Paper and Chemicals

- Is this an important research project for the staff to pursue?
- Given that staff may propose this research project in a forthcoming meeting, what questions remain?
- Is there specific information you would require in order to consider this as a formal research proposal?
Agenda Prioritization Discussion

- Staff Recommendation
- Standards Board Discussion
Staff Recommendation
Staff Recommendation – Agenda Prioritization

Based on all previously discussed inputs, staff recommends the follow in terms of high/medium/low priorities:

1. Governance Documents
2. Thematic Issue – materiality
3. Thematic Issue – measurement
5. Industry Standard: reevaluating existing content – measurement
6. Industry Standard: evaluating new or emerging issues
7. Industry scope and structure issues, including new industry standards
8. Globalization
10. Standards Application Guidance
11. Alignment