Sustainability Accounting Standards Board

Standards Board Meeting

Friday, September 18, 2020
Welcome & Agenda Overview
Objectives for Today’s Meeting

Standard-setting Agenda & project pipeline overview

Discuss progress on projects

Consider staff recommendations on projects
### Meeting Overview

<table>
<thead>
<tr>
<th>Time</th>
<th>Duration</th>
<th>Agenda Item</th>
<th>Discussion Leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00am – 8:30am</td>
<td>30 mins</td>
<td>Welcome &amp; Overview</td>
<td>Jeff Hales, David Parham, Bryan Esterly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Meeting overview</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- Standards-setting agenda &amp; project pipeline overview</td>
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<tr>
<td>8:30am – 8:45am</td>
<td>15 mins</td>
<td>For Information</td>
<td>Kelli Okuji Wilson</td>
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<tr>
<td></td>
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<td>- Human Capital</td>
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<tr>
<td>8:45am – 9:30am</td>
<td>45 mins</td>
<td>For Discussion</td>
<td>Ekaterina Hardin</td>
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<td>- Tailings Management in Extractives</td>
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<tr>
<td>9:30am – 10:15am</td>
<td>45 mins</td>
<td>For Decision*</td>
<td>Greg Waters</td>
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<td></td>
<td>- Content Governance in the Internet Media &amp; Services Industry</td>
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</tbody>
</table>

*Decision-making session*

**Note:** Short breaks planned on as needed basis in between sessions
Standards-setting Agenda & Project Pipeline Overview

David Parham
Director of Research – Projects
Project Pipeline – 2020 Project Timelines

Standards Board Meetings

<table>
<thead>
<tr>
<th>Q4’19</th>
<th>Q1’20</th>
<th>Q2’20</th>
<th>Q3’20</th>
<th>Q4’20</th>
<th>Q1’21</th>
<th>Q2’21</th>
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<tr>
<td>Systemic Risk</td>
<td>Tailings Management</td>
<td>Raw Material Sourcing</td>
<td>Plastics Risks and Opportunities</td>
<td>Other projects</td>
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<tr>
<td>Plastics Risk and Opportunities</td>
<td>Other projects</td>
<td>Content Governance (Proposed)</td>
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<tr>
<td>Tobacco Supply Chain</td>
<td>Alternative Meat and Dairy</td>
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<td>Human Capital</td>
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<td>Rules of Procedure</td>
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<td>Conceptual Framework</td>
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</tbody>
</table>

Note: One or more standard setting projects may be proposed upon completion of a research project.
SASB Opens Public Comment Period on Core Governance Documents
Feedback invited through November 30, 2020

DOWNLOAD the exposure drafts and submit public comments at sasb.org
Project Alerts
Stakeholders invited to subscribe to project alerts to follow advancements on projects of interest

Human Capital

Page Last Updated: June 11, 2020

- Project Overview
- Project Status
- Contact Information
- Published Documents & Supplemental Materials
- Board Materials & Decisions
- Subscribe to Project Updates

Fill out this form for project-specific notifications about calls for public feedback, advancement in project phases, and research questions.

First Name*

Last Name*

Email*

Primary Job Function*

Company Name*

Job Title*

https://www.sasb.org/standard-setting-process/current-projects/
SASB Blog – Today in Market Feedback
Series of blogs focusing on engagement with the market

➢ Plan to publish blogs regularly focusing on market feedback

➢ First blog published this week, focusing on Tailings Management Project

➢ Encourage the public to monitor the blog regularly for subsequent blog posts
Human Capital Research Project

Kelli Okuji Wilson
Sector Lead Analyst, Health Care
Project Manager, Human Capital Research Project
Session Agenda

Human Capital Research Project Update

- Project overview

Early Hypotheses Testers Phase: Consultation Summary

- Key statistics and outcomes
- Key take-aways by theme

Next Steps / Q&A

- Framework revisionary phase – Objectives and scope
- Review of project outcomes and deliverables for the Standards Board
Human Capital Research Project Update
SASB’s Human Capital Research Project
Project objectives and scope

1. Assess scope & prevalence of various human capital management (HCM) themes across SASB’s 77 industries
2. Further develop SASB’s evidenced-based, market-informed view on HCM in the SASB standards

Project Background

- Growing feedback from both investors and issuers suggest that the codified standards had not fully accounted modern-day human capital management (HCM) issues.
- SASB acknowledged this feedback during codification, initiated cross-cutting review on human capital and concluded that additional work was needed after codification.
- SASB initiated its human capital research project in September 2019 to analyze the growing body of broad, industry-agnostic research around human capital and financial impacts.

Project Scope

Production of Human Capital Management Framework
Human Capital Project Phases
The Human Capital Project will be executed in six key phases

- Literature Review
- Preliminary Framework Development
- Early Hypothesis Testers
- Preliminary Framework Revision
- Public Consultation
- Framework Finalization
Early Hypotheses Testers Phase: Consultation Summary
Human Capital Project Phases
The Human Capital Project will be executed in six key phases

- **Description**: Solicitation of investor feedback on the body of evidence associated with potential revisions to our general issue taxonomy for human capital issues.

- **Objective**: Ensure robust body of evidence to enable finalization of general issue taxonomy before proceeding to additional evidence-gathering.
Early Hypotheses Testers Phase: Consultation Summary

Key statistics and outcomes

Objective

Ensure robust body of evidence to enable finalization of general issue taxonomy before proceeding to additional evidence-gathering

Participant Statistics

- **Early Hypotheses Testers Workshop:**
  - 40 participants representing 23 unique companies/organizations plus some one-on-one targeted consultations
  - Composed of majority of investors and some subject matter experts (includes academics, major accounting firms, and international nonprofit organizations)
  - 3-hour event comprised of a) one-hour panel with subject matter experts and b) two 30-minute break-out sessions covering key themes from the Preliminary Framework

- **Standards Board:** Solicitation of Standards Board members’ input through three small group discussions

Key Outcomes

- **Increased consensus among investors on the relevant key themes** affecting human capital management

- **Expanded participant views** on key human capital management themes

- To a lesser extent, enhanced investor clarity on the research project objectives and how the SASB Conceptual Framework and industry-specific standards work together and SASB’s approach to developing its standards

- **Critical input from Standards Board members** on relevant issues to pursue as the next steps in the research project
Early Hypotheses Testers Key Insights: Alternative Workforce
Investor consensus that alternative workforce information is relevant to investment considerations and engagement

- Define industry-specific characteristics of alternative workers to determine and assess risks
  - Example: Highly-skilled freelancer versus low-skilled temporary worker

- Alternative workforce metrics are useful to:
  - Broadly elucidate a company’s human capital management strategy tied to a larger corporate strategy
  - Identify hiring patterns relative to business/economic cycles
  - Identify outliers within an industry
  - Provide information on a company’s worker “mix” and would be ideally accompanied by a cost-benefit analysis (traditional employees versus alternative workforce)
Early Hypotheses Testers Key Insights: Workforce Investment
Investors prefer more granularity around workforce investment data.

Key Insights: Workforce Investment

• **Workforce investment metric should:**
  - Dissect the various levers companies use to invest in its people (Examples include salaries, pensions, workforce training)
  - Differentiate between initial training costs of new employees versus ongoing training of existing employees

• **Potential ways to assess workforce investment:**
  - Promotion velocity and turnover metrics
  - Learning and development expenditures vis-a-vis investment in pipeline programs linked to percent of internal/external recruitment
Early Hypotheses Testers Key Insights: Mental Health & Health-Related Benefits

Investors recognition of mental health as a relevant issue is growing

- **Investors’ observations toward mental health and health-related benefits:**
  - Growing understanding among investors between the interrelationship between physical and mental health
  - COVID-19 pandemic is yielding increased disclosure on the topic of mental health
  - Prioritization of mental health as part of the broader human capital/corporate strategy must come from “the top” (i.e. the Board of Directors)
Early Hypotheses Key Insights: Workplace Culture
Workplace culture information is relevant to investors, but difficult to use to measure and compare companies

Key Insights: Workplace Culture

- **Challenges to assessing culture:**
  - Culture is difficult to measure
  - Information on company culture is not well disclosed public – This makes assessment and comparison difficult
  - Many companies were not prepared to discuss with investors what constitutes company culture (Multiple reasons)

- **Workplace culture at a conceptual level:**
  - Should be viewed as a set of behaviors exhibited by the company and its employees and should be distinct from employee engagement

- **Workplace culture at a practical level is:**
  - A significant factor in the investment decision process, especially in industries that rely on innovation and are built on intangible value
  - A key engagement topic to elucidate a company’s nuances and possible competitive advantages of its corporate strategy (at a qualitative level)
  - Comprised of diversity, inclusion, and engagement as key indicators of culture that investors believe are most credibly linked to financial impacts
Early Hypotheses Testers Key Insights: COVID-19 Pandemic / Protests for Racial Justice Impacts

COVID-19 pandemic/protests for racial justice impacts highlight existing systemic issues

Key Insights: COVID-19 Pandemic

- The COVID-19 pandemic has cast a light on existing systemic cracks:
  - While it is not necessarily surfacing any new issues, it is highlighting the importance of certain human capital issues particularly related to social and economic systems under stress
  - As a result, the pandemic raises the question around business resilience and the role of the company in providing for its employees now and in the future (e.g. providing a social safety net)
- Major issues affected by the pandemic are: Employee health & safety and supply chain management issues

Key Insights: Protests for Racial Justice Impacts

- There is an increased focus on whether CEOs are making statements that are broadly supportive or whether they are making decisions consistent with those statements within their own companies.
- Globally, and particularly in the EU, there are challenges to reporting diversity data - Collecting racial or ethnic data is legally prohibited in some jurisdictions. Changes will require a cultural, and perhaps regulatory, shift in thinking in some of these jurisdictions.
- Companies have expressed challenges associated with disclosure of certain metrics such as pay gap, promotion, and retention rate, which are helpful for understanding how minority workers are supported. While companies are doing this work and tracking it, they have cited barriers to disclosing this information.
Next Steps
**Human Capital Project Phases**

**Current state**

- **Literature Review**
- **Preliminary Framework Development**
- **Early Hypothesis Testers**
- **Preliminary Framework Revision**
- **Public Consultation**
- **Framework Finalization**

- **Description**: Finalization of general issue taxonomy revisions based on EHT feedback and further develop framework to connect industry-agnostic human capital themes to industry-specific impacts.

- **Objective**: Establish complete draft framework for public consultation period.
Revision Phase of the Human Capital Framework Scope
Phase purpose, objectives and outcomes

**Objective**
Actively apply the issues outlined in the Analysis and Conclusions section of the Preliminary through a sector-specific lens by applying each human capital issue to each of the 77 industries

**Phase Purpose**

- **Assess if and how these themes manifest in each industry**, which will provide a valuable source of input to further develop the Human Capital Framework in preparation for a public consultation period
- **Leverage results** from this phase to support eventual standard-setting activities after the Framework is finalized

**Phase Outcomes**

- **Further develop the Preliminary Framework** based on the industry-specific ways in which the themes identified in the Framework manifest within each sector and associated industries
- **Gain further clarity on the contents of the Preliminary Framework** at an industry-specific level to support eventual standard-setting once the Framework is finalized
## Key Project Outcomes

Key set of deliverables designed to inform future standard-setting project outcomes

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital Framework</td>
<td>Identifies and address the relevant human capital themes that are broadly impacting industries as a business-critical, sustainability issue</td>
</tr>
<tr>
<td>Industry Heat Map</td>
<td>Identifies potential industries where these human capital themes have industry-specific manifestations and areas for potential research and/or standard-setting activities</td>
</tr>
<tr>
<td>General Issue Category recommendations</td>
<td>Outlines the Research staff's view on the Human Capital Sustainability Dimension General Issue Categories</td>
</tr>
<tr>
<td>Project pipeline recommendations</td>
<td>Recommends a set of initial areas to begin industry-specific research and/or standard-setting projects on human capital issues</td>
</tr>
</tbody>
</table>
Project Next Steps

1 Preparation for public consultation period includes:
   - Explore industry-specific sustainability impacts of these industry-agnostic themes
   - Strengthen evidence in the Preliminary Framework and research additional themes raised as relevant by investors in targeted consultations

2 Open public consultation period on the revised Framework
   - Target October/November
Questions?


Kelli Okuji Wilson
Sector Lead Analyst, Health Care
Project Manager, Human Capital Research Project
Kelli.Okuji-Wilson@sasb.org / kelli@sasb.org
Appendix
<table>
<thead>
<tr>
<th>Theme</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace culture (Diversity &amp; engagement)</td>
<td>Analyze impacts of diversity (both gender and racial/ethnic diversity) and engagement to each of their respective industries to assess the applicability of the issue in an industry-specific context</td>
</tr>
<tr>
<td>Workforce investment</td>
<td>Apply the issue of workforce investment focusing on on-the-job training and wealth-building financial benefits in an industry-specific context</td>
</tr>
<tr>
<td>Alternative workforce</td>
<td>Apply the issue of alternative workforce using the definition in the Preliminary Framework in an industry-specific context focusing specifically on the ramifications at the disclosure topic level</td>
</tr>
<tr>
<td>Mental health &amp; health-related benefits</td>
<td>Apply the issue of mental health &amp; health-related benefits in an industry-specific context focusing on mental health as aspect of overall worker health and safety</td>
</tr>
</tbody>
</table>

1 Theme refers to the issues outlined in the Preliminary Framework “Analysis & Conclusions” section of the document – These themes are Alternative Workforce, Workforce Investment, Mental Health & Health-Related Benefits, and Workplace Culture.
Human Capital Through The Project-Based Model

INITIATE Standard-Setting Project

Preliminary Deliberations

PROPOSE Standards Update

Public Comment Period

Exposure Draft Deliberations

ISSUE Standards Update

Monitoring Industries & Issues

Post-Implementation Review

Re-deliberation, as needed

Industry-specific assessments

List of research and/or standard-setting projects

Human Capital

= STANDARDS BOARD DECISION is required to proceed
Tailings Management in Extractives

Ekaterina Hardin
Analyst, Extractives & Minerals Processing Sector Lead
Session Objectives

- Metrics Presentation from Staff
- Open Issues Discussion with Board
**Objective**

- Reframe topic(s) associated with tailings to fully cover newly emerged points of investor interest. This could mean possible restructuring of the standards to follow SASB's framework and general issue categories (add S,G to E)
- Revise metrics to address 1) management of tailings storage facilities and 2) social impacts of mismanagement
- Improve global applicability of metrics

**Project Background**

Catastrophic tailings storage facility failures in 2014 (Canada), 2015 (Brazil), and 2019 (Brazil) confirmed the materiality of the topic but revealed incompleteness of its metrics. The Investor Mining & Tailings Safety Initiative, formed in 2019, is developing disclosure metrics with industry cooperation that could be referenced in the standards.

Project applies to two industry standards: 1) Metals & Mining and 2) Coal Operations.


**Project Outcomes**

Provide topics and metrics for companies to disclose management of tailings facilities.

Provide metrics for companies to address social impacts from mismanagement of tailings storage facilities

Revise metrics to improve global applicability

Project Lead: ekaterina.hardin@sasb.org

Background Information
<table>
<thead>
<tr>
<th>RISKS</th>
<th>Current Standard</th>
<th>New Standard</th>
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<tbody>
<tr>
<td>Improper disposal</td>
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<td>Toxic releases</td>
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<tr>
<td>Environmental contamination</td>
<td>W&amp;HMM</td>
<td>W&amp;HMM</td>
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<tr>
<td>Tailings storage facilities</td>
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<td></td>
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<tr>
<td>Management Failure of tailings storage facilities</td>
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<tr>
<td>Lack of appropriate failure preparedness and response plans</td>
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- Narrow **Waste & Hazardous Material Management Topic** to focus on long term environmental chemical impacts

- Add new topic **Tailings Storage Facilities Management** to cover management of TSFs and prevention of physical catastrophes
Current Status
Project Timeline
Target project completion: February 2021

- Project Launch
- Board Decision
- Board Update

2019 Q4
- Targeted Consultation Period

2020 Q1
- Research & Consultation

Q2
- Vote on Topics
- Update on Metrics
- Exposure Draft Development

Q3
- 90-day Exposure Draft Public Comment Period

Q4
- Final Standards Revision

2021 Q1

Q2

September 18 2020 Standards Board Meeting
Recent Developments

1. Global Industry Standard on Tailings Management release
   - Guidelines and principles, no KPIs
   - Can be used a source for alignment and Technical Protocols development

2. Additional Consultations to help with metrics formulation
   - International Council on Mining and Metals
   - Global Tailings Review
   - Standards Advisory Group

3. Additional Research
   - Towards Zero Harm Compendium of Papers, dam review reports, existing disclosures
Standards Update: Metrics
Metrics for Topic:
Waste and Hazardous Materials Management
## Waste and Hazardous Materials Management: Concepts to Measure

<table>
<thead>
<tr>
<th>Sustainability Impact Angle</th>
<th>Source of Sustainability Impact</th>
<th>Concept to be Measured</th>
</tr>
</thead>
</table>
| Environmental contamination | **Non-mineral waste:** Improper disposal of industrial hazardous waste | **For each source:**
|                             |                                 | (1) amount of waste produced, or raw hazardous materials used |
|                             | **Mineral waste:** Accidental releases of heavy metals or processing chemicals left over in tailings | (2) prior history of related incidents |
|                             | **Hazardous raw materials:** cyanide, sulfuric acid etc. incidents such as spills* | (3) management approach to minimize risk of future incidents |

*Does not apply to Coal Operations

Risk exposure

Risk likelihood
## Waste & Hazardous Materials Management Metrics

<table>
<thead>
<tr>
<th>Metric Ref. #</th>
<th>Accounting Metric</th>
<th>Category</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total weight produced of non-mineral waste; percentage that is (a) hazardous, (b) recycled</td>
<td>Quantitative</td>
<td>Million metric tons, Percentage (%)</td>
</tr>
<tr>
<td>2</td>
<td>Total weight produced of mineral waste; percentage that is (a) tailings, (b) reused</td>
<td>Quantitative</td>
<td>Million metric tons, Percentage (%)</td>
</tr>
<tr>
<td>3</td>
<td>Total weight of hazardous raw materials used in processing; percentage recycled*</td>
<td>Quantitative</td>
<td>Thousand metric tons, Percentage (%)</td>
</tr>
<tr>
<td></td>
<td>Note to metric: For mineral processing operations, the entity shall provide a description of hazardous materials used</td>
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</tr>
<tr>
<td>4</td>
<td>Number of incidents related to (1) hazardous raw materials * (2) disposal of hazardous waste</td>
<td>Quantitative</td>
<td>Number</td>
</tr>
<tr>
<td>5</td>
<td>Description of waste and hazardous material management policies and practices for active and inactive operations</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Does not apply to Coal Operations

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**Risk exposure**

**Risk likelihood**
Metrics for Topic:
Tailings Storage Facilities Management
## Tailings Storage Facilities Management: Concepts to Measure

<table>
<thead>
<tr>
<th>Sustainability Impact Angle</th>
<th>Source of Sustainability Impact</th>
<th>Concept to be Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both environmental and social externalities</td>
<td>Long term chronic impacts on the environment from failed facilities resulting in seepage and leakage of tailings</td>
<td>1) number of facilities and consequences classification level</td>
</tr>
<tr>
<td></td>
<td>Physical dam collapse leading to catastrophic environmental damage and loss of life</td>
<td>(2) likelihood of a structural integrity fault or an accident + management approach to minimizing chances of an such</td>
</tr>
<tr>
<td></td>
<td>Lack of proper accident preparedness and emergency response plan</td>
<td>(3) management approach to minimizing consequences of an accident</td>
</tr>
</tbody>
</table>

### Risk exposure

- Long term chronic impacts on the environment from failed facilities resulting in seepage and leakage of tailings
- Physical dam collapse leading to catastrophic environmental damage and loss of life
- Lack of proper accident preparedness and emergency response plan

### Risk likelihood

- Long term chronic impacts on the environment from failed facilities resulting in seepage and leakage of tailings
- Physical dam collapse leading to catastrophic environmental damage and loss of life
- Lack of proper accident preparedness and emergency response plan
## Tailings Storage Facilities Management Metrics

<table>
<thead>
<tr>
<th>Disclosure Topic</th>
<th>Metric Ref. #</th>
<th>Accounting Metric</th>
<th>Category</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailings Storage Facilities Management</td>
<td>6</td>
<td>Number of (1) tailings facilities, (2) tailings facilities with a consequence classification of high or above</td>
<td>Quantitative</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>(1) Percentage of tailings facilities with a consequence classification of high or above consequence that have been subject to an independent dam review, and (2) percentage of such reviews that resulted in material findings</td>
<td>Quantitative, Discussion and analysis</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Note to metric: For tailings facilities subject to an independent dam review with material findings, the entity shall provide a description of correction measures taken</td>
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<td></td>
<td>8</td>
<td>Description of management systems used to monitor and maintain structural integrity of tailings facilities</td>
<td>Discussion and analysis</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Description of emergency preparedness and accident response policies and practices for tailings facilities**</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Risk exposure

Risk likelihood
Discussion Topics 1

Does the Board agree with applying an approach that allows for flexibility in defining hazardous waste that has previously been adopted by the Board in other SASB Standards?

- There is variability in how companies report and categorize waste (according to local jurisdictions and regions of operations)
- Some latitude is required for cost-effectiveness, but this impacts comparability
Discussion Topic 2

Does the Board support an aggregated data approach or a detailed table approach for the quantitative metrics in the TSF Management topic?

- TSFs risks vary site by site and even a single failure can cause a significant impact
- Staff sees a value in a data being presented in a form of a table on facility by facility basis
- Summary data could be tabulated at the bottom row of each
- All this would require from companies is a slight modification from the table they provided in response to the Investor Initiative response in 2019
- Staff seeks this approach only if there is an adequate benefit in the usefulness for the investors
Proposed Quantitative metrics in TSF Management Topic

With the **detailed table format option**, technical protocols will outline additional information and breakdown companies shall provide and percentage of facilities can be added at the bottom of the table as a total.

<table>
<thead>
<tr>
<th>Metric Ref. #</th>
<th>Accounting Metric Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Number of (1) tailings facilities, (2) tailings facilities with a consequence classification of high or above</td>
</tr>
<tr>
<td>7</td>
<td>(1) Percentage of tailings facilities with a consequence classification of high or above consequence that have been subject to an independent dam review, and (2) percentage of such reviews that resulted in material findings</td>
</tr>
</tbody>
</table>
## Example Disclosure: Aggregate Data vs. Detailed Table

<table>
<thead>
<tr>
<th>Metric Ref. #</th>
<th>Accounting Metric</th>
</tr>
</thead>
</table>
| 6            | 14 total facilities  
               7 tailings facilities with a consequence classification of High or above |
| 7            | 70% High or above consequence classification facilities that have been subject to an independent dam review (5 facilities)  
               80% with material findings (4 facilities) |

### Example: Aggregate Data Only

### Example: Detailed Data Table

<table>
<thead>
<tr>
<th>Facility #</th>
<th>Facility Name</th>
<th>Consequence Classification</th>
<th>DSR this year</th>
<th>DSR last 5 years</th>
<th>Findings</th>
<th>Corrective measures</th>
<th>Management approach</th>
<th>Emergency response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A</td>
<td>High</td>
<td>No</td>
<td>No</td>
<td>N/a</td>
<td>N/a</td>
<td>Approach A</td>
<td>Plan B</td>
</tr>
<tr>
<td>2</td>
<td>B</td>
<td>Very High</td>
<td>No</td>
<td>Yes</td>
<td>None</td>
<td>None</td>
<td>Approach A</td>
<td>Plan B+</td>
</tr>
<tr>
<td>3</td>
<td>C</td>
<td>High</td>
<td>Yes</td>
<td>Yes</td>
<td>Erosion</td>
<td>None</td>
<td>Approach A</td>
<td>Plan B</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>14</td>
<td>YY</td>
<td>Low</td>
<td>No</td>
<td>No</td>
<td>None</td>
<td>None</td>
<td>Approach A</td>
<td>Plan B+</td>
</tr>
</tbody>
</table>

7 are High or above  
70% are “yes”  
There are 80% with material findings
## Examples of disclosure format: Aggregate data in Percentage vs Absolute

<table>
<thead>
<tr>
<th>Metric Ref. #</th>
<th>Accounting Metric</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>14, 7</td>
<td>Number</td>
</tr>
<tr>
<td>7</td>
<td>70%, 80%</td>
<td>Percentage (%)</td>
</tr>
</tbody>
</table>

### Percentage Approach

**Company A**

14 total facilities
7 rated high and above

<table>
<thead>
<tr>
<th>Metric Ref. #</th>
<th>Accounting Metric</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>3, 2</td>
<td>Number</td>
</tr>
<tr>
<td>7</td>
<td>50%, 0%</td>
<td>Percentage (%)</td>
</tr>
</tbody>
</table>

**Company B:**

3 total facilities
2 rated high or above

<table>
<thead>
<tr>
<th>Metric Ref. #</th>
<th>Accounting Metric</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>3, 2</td>
<td>Number</td>
</tr>
<tr>
<td>7</td>
<td>1, 0</td>
<td>Number</td>
</tr>
</tbody>
</table>
Does the board agree with the approach on aligning with the GISTM regarding “material findings,” while acknowledging that comparability is negatively impacted?

- The GISTM does not define “material findings.” it was intentionally left up to the companies to determine this
- Staff recommends some specificity on examples of possible material findings, but in general seeks to align with GISTM
- This may reduce comparability, seeking to create a precise definition of material findings would likely be both technically infeasible as well as potentially cost prohibitive.
Next Steps

Ongoing Exposure Draft development

Proposed Exposure draft and Basis for Conclusions for vote
Tailings Management In Extractives Standards-setting Project


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Content Governance in the Internet Media & Services Industry

Greg Waters
Analyst, Technology & Communications Sector Lead
Session Outline

- Project overview
- Research project update
- Proposed project scope
- Looking ahead: externalities & business models
- Board decision on standard-setting
Content Governance in the Internet Media & Services Industry
Standard-Setting Project Proposal

⚠️ Problem Statement

The dissemination and moderation of user-generated content and advertisements is a crucial element of social media businesses that has a number of social implications.

However, these business models and their associated social externalities, such as harmful content, are not fully accounted for in the SASB standard for the Internet Media & Services industry.

🛠️ Summary of Staff Recommendation

Staff recommends that the Board approve a standard-setting project to evaluate content governance themes for inclusion in the Internet Media & Services Industry Standard.

🌟 Highlights of Recommendation

Scope of Project – Includes current disclosure topic Data Privacy, Advertising Standards and Freedom of Expression

Potential outcomes – addition of new topic and/or revision of existing topic; addition of metrics

Preliminary timeline – target completion at Q4 2021 SB meeting
Research Agenda Prioritization

- Governance Documents
- Thematic Issue – Materiality
- Industry Standard: Evaluating New or Emerging Issues
- Internationalization Advancement
- Alignment
- Thematic Issue – Measurement
- Industry Standard: Reevaluating Existing Content – Materiality
- Industry Scope and Structure Issues, Including New Industry Standards
- Technical Protocol Issues
- Standards Application Guidance
- Industry Standard: Reevaluating Existing Content – Measurement
Research Project Timeline
Staff Proposes that the Research Project Remain Ongoing Whilst Pursing New Project

2020 Q1
- Targeted Consultation Period

Q2
- Taxonomy Development
- Recommendation Development

Q3
- Board Decision
- Project Launch
- Board Update
- Consultation Period (Proposed)

Q4
- Target date for Exposure Draft: Q2 2021
**Content Moderation Taxonomy**

Staff proposes focusing on a sub-set of the research project

<table>
<thead>
<tr>
<th>Social Issue</th>
<th>Social Media Platforms</th>
<th>Messaging Services</th>
<th>Game Publishers &amp; Platforms</th>
<th>Internet infra/ cloud services</th>
<th>Outsourced Services</th>
<th>Internet Service Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SASB SICS Industry</strong></td>
<td>Internet Media &amp; Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Harmful Content</strong></td>
<td>Applies broadly</td>
<td>Applies broadly</td>
<td>Applies in some instances</td>
<td>Applies in some instances</td>
<td>N/A</td>
<td>Applies in some instances</td>
</tr>
<tr>
<td><strong>User Privacy &amp; Freedom of Expression</strong></td>
<td>Applies broadly</td>
<td>Applies broadly</td>
<td>Applies in some instances</td>
<td>Applies in some instances</td>
<td>N/A</td>
<td>Applies in some instances</td>
</tr>
<tr>
<td><strong>Worker Health &amp; Safety</strong></td>
<td>Applies, especially large platforms</td>
<td>N/A</td>
<td>Does not appear to apply</td>
<td>Does not appear to apply</td>
<td>Applies in some instances</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Proposed Project Scope: Focus on the Internet Media & Services Industry

Staff is confident that research to date supports standard-setting

Inputs include:

- **Strong investor interest** in social media platforms’ management of user-generated content, ads

- Evidence suggesting that related management activities have significant **financial impact**
  - Cost of content review
  - Investment in AI/ML for monitoring
  - Brand safety concerns of advertisers

- Research and media reports on scale and extent of related social externalities related to harmful content, FOE

### Harmful Content

- CSAM, terrorism & violence
  - Hate speech
  - Disinformation/misinformation

### Freedom of Expression

- Incorrect content removal
  - Broader questions around limiting legal speech

### Privacy

- Personal/sensitive data collected and used for targeted ads and/or curated content
Most Social Media Platforms Are Advertising Businesses
Success depends on attracting/retaining users and delivering them ads

1. Growing & engaging the user base
   - Content Shaping: Showing users content that they like, optimizing for engagement
   - Content Moderation: Removing harmful or unwanted content to attract users & advertisers

2. Improving ad efficacy
   - Targeted Advertising: Use/collection of user data, developing tools for advertisers
Externalities Manifest Across Various Elements of Platform Operations

<table>
<thead>
<tr>
<th>Harmful Content</th>
<th>Freedom of Expression</th>
<th>Privacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Alert Icon]</td>
<td>![Microphone Icon]</td>
<td></td>
</tr>
</tbody>
</table>

- **Content Shaping**
- **Content Moderation**
- **Targeted Advertising**
Content Governance Looks Something Like This...

- Content Shaping
- Content Moderation
- Targeted Advertising
- Data Sharing and Compliance w/ Gov’t

= included in current standard
Three Potential Outcomes from this Standard-setting Project

1. **Expand scope of the current disclosure topic**
   - Additional metrics to capture harmful content, freedom of expression
   - Staff doesn’t anticipate changes to current metrics

2. **Add a new disclosure topic**
   - Additional metrics to capture content shaping & moderation
   - Likely GICs: *Product Quality & Safety* or *Customer Welfare*

3. **Split the current disclosure topic & add metrics**
   - Combination of options 1 and 2
Discussion Topics

Do you agree with the staff recommendation to add this project to the standard-setting agenda?

• Is the scope of the proposed project sufficiently clear?
• Do you agree with the proposed project scope?
• Do you agree with the recommended approach of maintaining the content moderation research project?
• Do you have concerns, suggestions or other input you would like the staff to be aware of in executing the standard-setting project, if approved by the Board?
Staff recommends that the Content Moderation research project remain ongoing

- Taxonomy to be made available to the public
- Staff will continue to perform research and solicit stakeholder input in several areas, including worker health & safety

https://www.sasb.org/standard-setting-process/current-projects/content-moderation-on-internet-platforms-research-project/

Greg Waters
Analyst, Technology & Communications Sector Lead
greg.waters@sasb.org
Criteria for Standard-Setting Projects (Agenda)

**Mission alignment**

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

**Scope/prevalence**

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

**Feasibility**

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

**Capacity**

Does Staff (and the Board) have sufficient capacity to formally address the issue; and does the issue warrant prioritization of resources over alternatives?
Appendix: Proposed Standard-Setting Project Timeline

Target project completion: 2021 Q4

- **2020 Q3**: Project Launch
- **2020 Q4**: Targeted Consultation Period
- **2021 Q1**: Exposure Draft Development
- **2021 Q2**: 90-day Exposure Draft Public Comment Period
- **2021 Q3**: Final Standards Revision
- **2021 Q4**: Research & Consultation

**Timeline Overview**
- Target completion: 2021 Q4
- Research & Consultation
- Targeted Consultation Period: 90-day Exposure Draft Public Comment Period
- Final Standards Revision

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## Appendix: SASB’s Current Disclosure Topic Covers Some Relevant Areas
### Topic Name: Data Privacy, Advertising Standards & Freedom of Expression

<table>
<thead>
<tr>
<th>Metric</th>
<th>Name</th>
<th>Externality/Susty Angle</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC-IM-220a.1</td>
<td>Description of policies and practices relating to behavioral advertising and user privacy</td>
<td>Sensitive personal data collected and used for products and services</td>
</tr>
<tr>
<td>TC-IM-220a.2</td>
<td>Number of users whose information is used for secondary purposes</td>
<td></td>
</tr>
<tr>
<td>TC-IM-220a.3</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with user privacy</td>
<td></td>
</tr>
<tr>
<td>TC-IM-220a.4</td>
<td>(1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure</td>
<td>User freedom of expression may be impacted by sharing information with law enforcement</td>
</tr>
<tr>
<td>TC-IM-220a.5</td>
<td>List of countries where core products or services are subject to government-required blocking, content filtering or censoring</td>
<td>Gov’t-mandated censorship</td>
</tr>
<tr>
<td>TC-IM-220a.6</td>
<td>Number of government requests to remove content, percentage compliance with requests</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix: Top 20 Internet Media & Services Companies

<table>
<thead>
<tr>
<th>Name</th>
<th>Market Cap ($B)</th>
<th>Social Media?</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALPHABET INC</td>
<td>$ 1,128</td>
<td>Yes</td>
</tr>
<tr>
<td>FACEBOOK INC</td>
<td>$ 842</td>
<td>Yes</td>
</tr>
<tr>
<td>TENCENT HOLDINGS LTD</td>
<td>$ 674</td>
<td>Yes</td>
</tr>
<tr>
<td>NETFLIX INC</td>
<td>$ 245</td>
<td>No</td>
</tr>
<tr>
<td>PROSUS NV</td>
<td>$ 168</td>
<td>Yes</td>
</tr>
<tr>
<td>NASPERS LTD</td>
<td>$ 82</td>
<td>Yes</td>
</tr>
<tr>
<td>BOOKING HOLDINGS INC</td>
<td>$ 79</td>
<td>No</td>
</tr>
<tr>
<td>KE HOLDINGS INC</td>
<td>$ 61</td>
<td>No</td>
</tr>
<tr>
<td>UBER TECHNOLOGIES INC</td>
<td>$ 60</td>
<td>No</td>
</tr>
<tr>
<td>SPOTIFY TECHNOLOGY SA</td>
<td>$ 54</td>
<td>No</td>
</tr>
<tr>
<td>NAVER CORP</td>
<td>$ 46</td>
<td>No</td>
</tr>
<tr>
<td>Baidu Inc</td>
<td>$ 44</td>
<td>Yes</td>
</tr>
<tr>
<td>M3 INC</td>
<td>$ 42</td>
<td>No</td>
</tr>
<tr>
<td>SNAP INC</td>
<td>$ 33</td>
<td>Yes</td>
</tr>
<tr>
<td>TWITTER INC</td>
<td>$ 33</td>
<td>Yes</td>
</tr>
<tr>
<td>Z HOLDINGS CORP</td>
<td>$ 32</td>
<td>No</td>
</tr>
<tr>
<td>KAKAO CORP</td>
<td>$ 30</td>
<td>Yes</td>
</tr>
<tr>
<td>MATCH GROUP INC</td>
<td>$ 29</td>
<td>No</td>
</tr>
<tr>
<td>TENCENT MUSIC ENTERTAINM</td>
<td>$ 27</td>
<td>No</td>
</tr>
<tr>
<td>VERISIGN INC</td>
<td>$ 25</td>
<td>No</td>
</tr>
</tbody>
</table>

Data collected from Bloomberg on September 2, 2020
Upcoming Standards Board Meetings
Upcoming Standards Board Meetings*

December 2, 2020
February 25 & 26, 2021

Standards Board Meeting Calendar & Archive page contains full details of meeting dates and registration links to access live stream of the public meetings. Recordings and a summary of meeting outcomes are available shortly after each meeting.

We welcome you to visit our Contact Us page to subscribe for standards-related updates.

Please use our Public Comment Form to provide feedback on the standards.

*Dates are tentative. Public Standards Board meetings are announced a minimum of 10 days prior to the meeting date.
Accounting for a Sustainable Future