

ENGAGING SASB:

Civil Society Call to Action



GENERAL INFORMATION

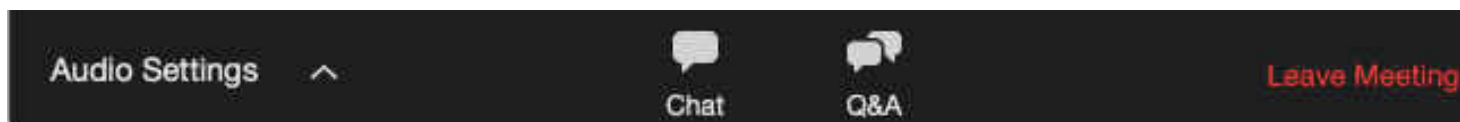
Open the **Q&A** window to ask questions to the panelists.

A screenshot of the Q&A window interface. The window has a title bar with three dots and the text 'Q&A'. The main content area shows a question and answer history. At the bottom, there is a text input field and a 'Send' button.

| Question/Answer | Time |
|--|-------|
| You asked: What happens when I raise my hand? | 18:03 |
| Molly Parker answered: I can take you off of mute. | 18:04 |

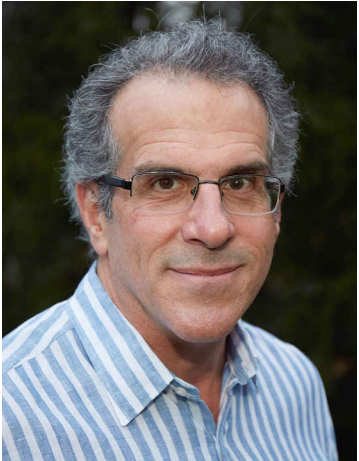
Please input your question

☐ Send Anonymously Send





MEET THE PANELISTS



Paul Rissman
Co-Founder,
Rights CoLab



**Delilah
Rothenberg**
Executive
Director, Pre-
Distribution
Initiative



**Hugues
Létourneau**
Manager,
Global Unions
Committee on
Workers'
Capital



David Parham
Director of
Research,
SASB



**Kelli Okuji-
Wilson**
Project Lead,
Human Capital
Management
Project, SASB



Joanne Bauer
Co-Founder,
Rights CoLab
(moderator)

FROM “A FUNDAMENTAL RESHAPING OF FINANCE”



(BlackRock, January 2020)

“Disclosure should be a means to achieving a more sustainable and inclusive capitalism.”

“This year, we are asking the companies that we invest in on behalf of our clients to publish a disclosure in line with industry-specific SASB guidelines by year-end...”

“[W]e will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them.”





FROM “CEO’S LETTER ON OUR 2020 PROXY VOTING AGENDA”

(State Street Global Advisors, January 2020)

“[L]everaging the [SASB] materiality framework... this year we are prepared to use our proxy voting power to ensure companies are identifying material ESG issues and incorporating the implications into their long-term strategy.”

“Beginning this proxy season, we will take appropriate voting action against board members...”



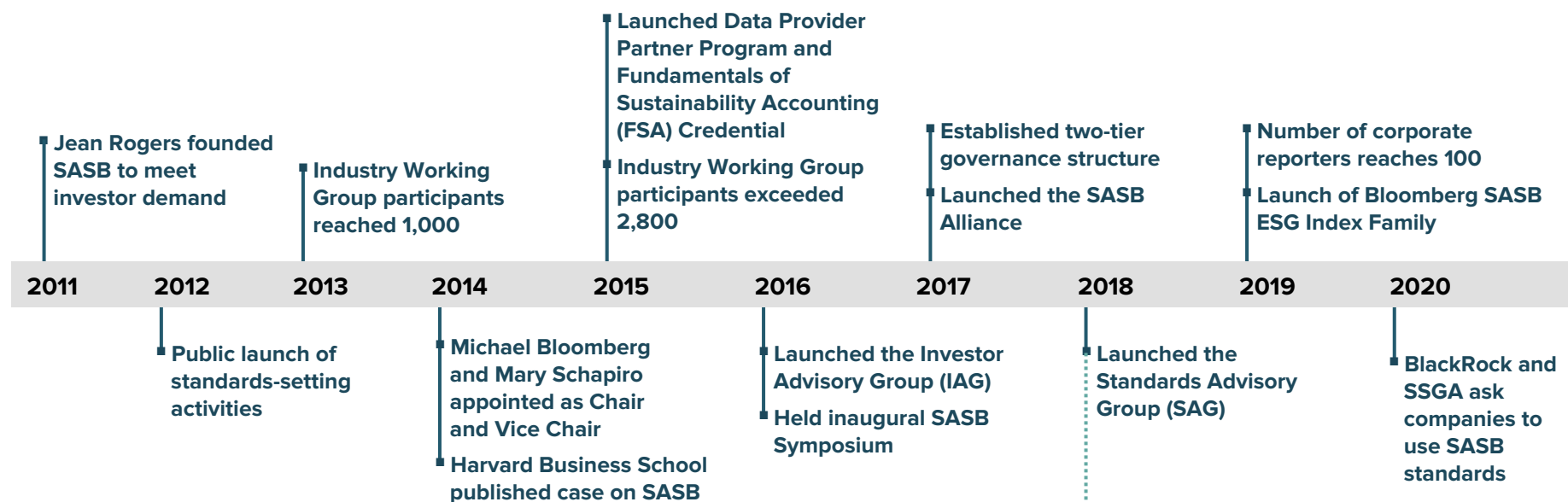
INSTITUTIONAL INVESTORS SUPPORTING IMPROVED ESG DISCLOSURE

SASB's Investor Advisory Group includes investors with over \$34 trillion in assets

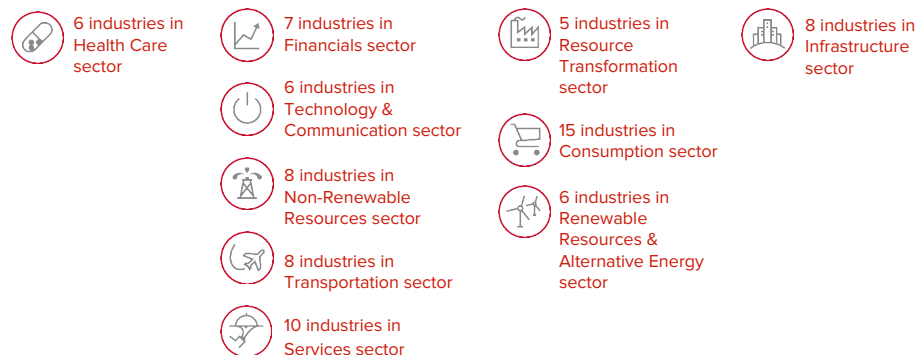
Asset Manager IAG Members



SASB ORGANIZATIONAL MILESTONES



Provisional Standards Issued 2013-2016



November 2018 Codified Standards issued for 77 industries in 11 sectors





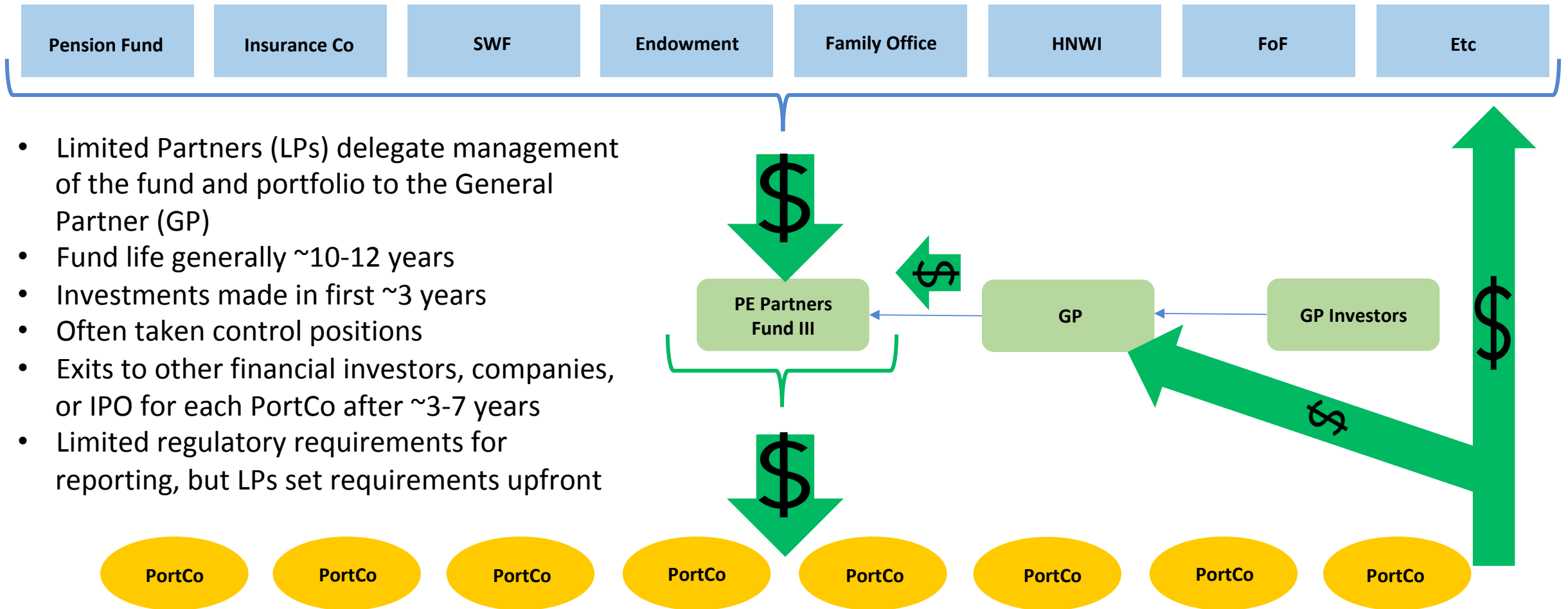
Presentation by Delilah Rothenberg

April 2nd, 2020

For Rights CoLab SASB Webinar

SASB & Human Capital in the Private Equity Context

Private Equity: High-Level Overview



ESG in the Investment Process

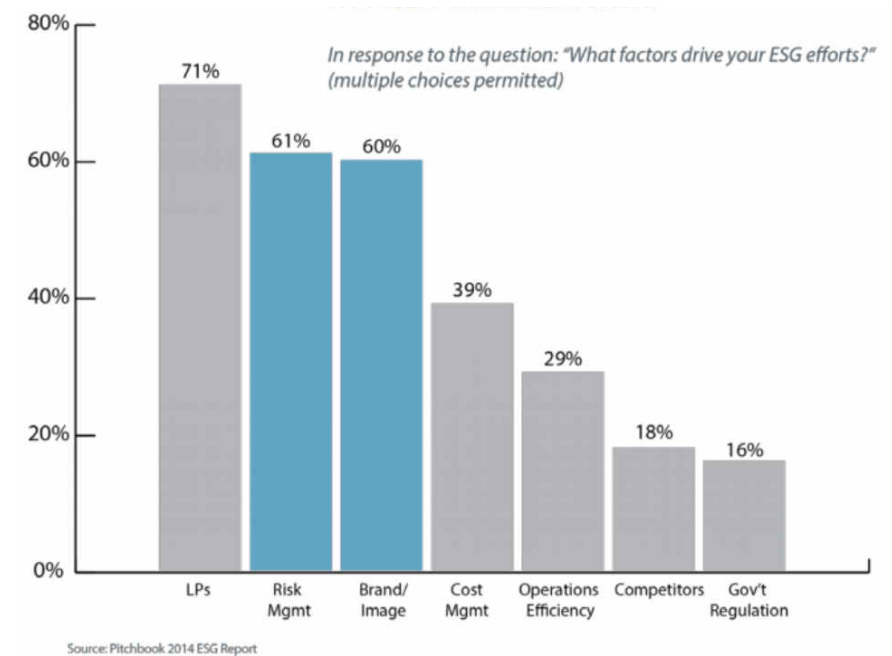


A strong ESG program will have:

- An ESG Management System with roles and responsibilities, policies and procedures, monitoring and evaluation and reporting at each stage of the investment process AND at the fund manager level (increasingly common, but latter relatively uncommon)
- Investment Professional and other team member performance tied to ESG metrics (currently uncommon)
- Senior management endorsement and support
- Appropriate resources (uncommon)
- Transparency and accountability, including appropriate records and documentation
- Ideally structured for long-term outlooks (not as concerned with quarterly reporting, IRR, EBITDA – but this is uncommon)

Why Do PE Investors Care About ESG & Impact?

- As per a 2015 PwC survey of LPs: “Responsible investment is rapidly becoming a mainstream concern within the investment industry. The dramatic growth in the number of investors who have adopted the Principles for Responsible Investment (PRI) is only the latest indicator of the increased attention the sector is paying to the integration of ESG factors into investment management”
 - 18% of LPs have withdrawn capital from an investment or withheld capital on ESG grounds
 - Almost all (97%) of LPs interviewed carry out an ESG assessment of a GP’s approach to RI before allocating funds to a GP
 - 97% of LPs believe that responsible investment will increase in importance over the next year
- “The trend in the market seems clear. Asset class after asset class has been added in terms of ESG considerations. Now we can see increased interest and commitment in the private equity sphere, although much remains to be done” – **AP6, Sweden**
- “Initially, reputational risk mitigation was seen as the main reason for considering ESG factors. Then, investors recognized that ESG factors can pose investment risks. There is now increasing focus on the opportunity to enhance returns and create positive impact from ESG integration.” - **Partners Group, Switzerland**
- Regulators globally are beginning to consider ESG reporting requirements (e.g. SEC, Bank of England, EU and several developing countries)

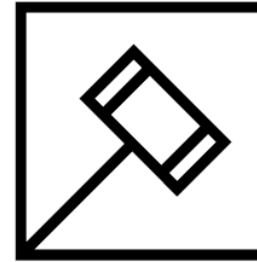


Human Rights

Figure 4: Level of engagement on human rights

Q. What is your level of concern for emerging responsible investment or ESG issues? - Human rights for portfolio companies (incl. modern slavery) (very concerned and slightly concerned)

Q. How are you addressing this issue? - Human rights for portfolio companies (incl. modern slavery) (implemented measures)



76%

of respondents are concerned about human rights

71%

of those concerned about human rights have or plan to address this issue in the next year

Source: PwC PE Responsible Investment Survey 2019
Base: All respondents (162)

Investor pressure is becoming more refined, with many LPs unpacking the broad notion of “human rights” to focus on salient issues

We have noticed that investors are more familiar with the notion of human rights due diligence and the broader requirements set forth in the UN Guiding Principles than they were a few years ago, especially in Western Europe.

Our experience also shows that investor-led ESG engagement programmes focusing on human rights have considerably improved in the past couple of years, with significant issues (or salient issues) getting the attention they deserve.

These include living wages, discrimination and equal pay, customer and employee privacy among others. Initiatives like the Corporate Human Rights Benchmark (CHRB – a collaboration led by investors and civil society organisations), that draws on input and expertise from investors including APG, have been instrumental in shedding light on key human rights risks that exist in various industries and that might therefore exist across portfolios. CHRB recently said that its members would push for greater corporate transparency and engagement this year. It also committed to expanding its assessment to include human rights practices in the technology sector, with a pilot planned for 2019⁸.

Are Quality Jobs Good for Business?

JUST Capital's 100 "Most Just Companies"

- pay their median U.S. worker 33% more
- Are >10x likelier to have conducted gender pay equity analyses
- Face 74% fewer employment discrimination cases and pay 99% fewer fines to the EEOC
- Have on average 8% higher ROE

Companies that adopt profit-sharing see a gain in profitability on average of 4% after adoption

"Another ESG fund that gets high marks for governance and performance is Parnassus (PARNX), which emphasizes companies that treat employees well. It has beaten the S&P 500 by more than two percentage points a year the past decade."

"Consumers, for their part, have increasing influence on each other through social media, and rarely make distinctions between a given company's internal practices and those of its partners or suppliers. Exploitation of workers by any company partner or supplier can have significant reputational costs for both brands and businesses."



Research has shown that a 1% workforce reduction can lead to a **31%** increase in voluntary turnover.²¹

150–250%

It is estimated that layoffs can cost firms **150–250%** of an employee's salary.²²

2.3–3.8%

From 1984–2011, companies on the Fortune 100 Best Companies to Work For list delivered stock returns that beat peers by **2.3–3.8%** per year. The study found that employee satisfaction improves performance, not the other way around.¹⁰



Companies with high levels of employee engagement experienced earnings per share growth **4.3X** greater than peers from 2011–2015.¹¹

Common ESG Metrics & Frameworks

Frameworks & Guidance for Standards, Policies & Procedures



Frameworks Designed for Reporting (and sometimes due diligence)



Examples of relevant issues some metrics frameworks cover:

Compensation and benefits, remuneration policies and employee involvement, compensation ratios, grievance mechanisms, employee development programs, hiring locally, full-time / part-time / temporary / outsourced / etc, demographic and DEI metrics, parental leave, retention / turnover, incidents and their management, notice periods regarding operational changes, approach to collective bargaining, stakeholder engagement, local suppliers, local economic and community impacts, political contributions and \$ received from government, anti-competitive behavior, human rights topics

Examples of Why SASB is Attractive to PE Investors

- ✓ Focus on financially “material” issues makes reporting burden more manageable
 - ✓ Portfolio companies are often smaller than public companies and can’t afford major data collection efforts
 - ✓ Material issues by industry vs. other frameworks which are general
 - ✓ Not getting into the weeds of ESG issues – just focusing on what matters to the bottom line for investors
 - ✓ Allows investors to focus on traditionally accepted definitions of “fiduciary duty”
- ✓ Integrated reporting approach
 - ✓ Makes data easier to analyze than traditional forms of ESG reporting (avoiding the stereotypical glossy sustainability report that takes forever to read and eliminates need to pull out data that may not be clearly articulated)
 - ✓ Elevates ESG issues to be just as important as traditional financial data
 - ✓ ESG and financial issues are often inextricably linked anyway, so why not?
- ✓ LPs and the institutional market are gravitating toward this framework, and adopting it increases the probability of standardization across the industry

But Risks Remain

“SASB identifies financially material issues, which are the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors.”

- ✓ Often overlooks ESG issues like quality jobs and good benefits which may not be material at the company level, but are material for investors at the portfolio / systemic risk level
 - ✓ Benefits like paid sick leave and time off, healthcare, retirement, living wage to help workers have financial cushion in times of shock (note current ripple effects through the economy)
- ✓ Overlooks investment structure issues that exacerbate economic inequality and jeopardize jobs, such as:
 - ✓ Appropriate levels of leverage used in PE transactions that can push risk to workers and destabilize markets
 - ✓ PE executive-to-average-worker compensation ratios
- ✓ Reactionary
 - ✓ Risks around parental leave, forced arbitration, etc only surfaced during the #MeToo movement
 - ✓ What other risks haven't surfaced yet (e.g. those listed in 1st bullet point above, retirement benefits, etc)
- ✓ Some ESG risks, particularly S and G, apply across companies – focus on industry has pros and cons

As Rick Alexander of the Shareholder Commons has pointed out, returns for institutional investors who are universal owners of the market are not just comprised of alpha, but also beta.

What are we missing by only focusing on factors that influence individual companies and alpha?

Economic Inequality is a Systemic Market Risk

US income inequality is a 'national emergency,' billionaire Ray Dalio says

- Widening income inequality and under-investment in public education "pose an existential risk for the U.S.," hedge fund billionaire Ray Dalio wrote in a paper released Thursday.

Published 6:21 AM ET Fri, 5 April 2019 | Updated 1:18 PM ET Wed, 10 April 2019



BUSINESS • COVID-19

'If We Don't Work, We Don't Get Paid.' How the Coronavirus Is Exposing Inequality Among America's Workers



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Countries

Topics

> Français

OECD Home > Newsroom > Inequality hurts economic growth, finds OECD research

> Upcoming events

> Publications and statistics

> Photos and videos

Inequality hurts economic growth, finds OECD research

09/12/2014 - Reducing income inequality would boost economic growth, according to new OECD analysis. This work finds that countries where income inequality is decreasing grow faster than those with rising inequality.

8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



PRE

THE DISTRIBUTION INITIATIVE

The Washington Post
Democracy Dies in Darkness

Politics

Capitalism in crisis: U.S. billionaires worry about the survival of the system that made them rich

MarketWatch

Latest Watchlist Markets Investing Barron's Economy Personal Finance Ret

Home > Economy & Politics > Capitol Report

GET EMAIL ALERTS

Economic inequality could cause U.S. debt downgrade, Moody's says

Published: Oct 27, 2018 3:10 p.m. ET



Aa

Moody's would be the second major ratings agency to cut the sovereign rating

PRI Principles for Responsible Investment

TIIP THE INVESTMENT INTEGRATION PROJECT

ASSET OWNERS INVESTOR TOOLS ESG ISSUES SUSTAINABLE MARKETS SDGS SIGNATORIES

HOT TOPICS Credit ratings Climate change Human rights Cyber security Tax avoidance Fiduciary duty Investment managers F

ACADEMIC RESEARCH

Why and how investors can respond to income inequality

24 October 2018

Materiality & Varying Interpretations: SASB

| | | Consumer Goods | | | | | | |
|-----------------------------|--|---------------------------------|-------------------------|---------------------------------|------------|-------------------------------|--|-----------------------|
| Dimension | General Issue Category ^① | Apparel, Accessories & Footwear | Appliance Manufacturing | Building Products & Furnishings | E-Commerce | Household & Personal Products | Multiline and Specialty Retailers & Distributors | Toys & Sporting Goods |
| 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 | | | | | | | |
| Human Capital | <u>Selling Practices & Product Labeling</u> | | | | | | | |
| | Labor Practices | | | | | | | |
| | Employee Health & Safety | | | | | | | |
| | Employee Engagement, Diversity & Inclusion | | | | | | | |
| Business Model & Innovation | Product Design & Lifecycle Management | | | | | | | |
| | Business Model Resilience | | | | | | | |
| | Supply Chain Management | | | | | | | |
| | Materials Sourcing & Efficiency | | | | | | | |
| | Physical Impacts of Climate Change | | | | | | | |
| Leadership & Governance | Business Ethics | | | | | | | |
| | Competitive Behavior | | | | | | | |
| | Management of the Legal & Regulatory Environment | | | | | | | |
| | Critical Incident Risk Management | | | | | | | |
| | Systemic Risk Management | | | | | | | |



Amazon fires warehouse worker who led Staten Island strike for more coronavirus protection

PUBLISHED MON, MAR 30 2020-8:43 PM EDT | UPDATED 34 MIN AGO



SHARE [f](#) [t](#) [in](#) [e](#)

Materiality & Varying Interpretations: SASB

BUSINESS
INSIDER

- A 2018 study found that cities that had required employers to pay workers while they were ill experienced a 40% drop in infection rates a year later.

The Seattle Times



Bellingham physician who decried lack of coronavirus protections is removed, sparking protest

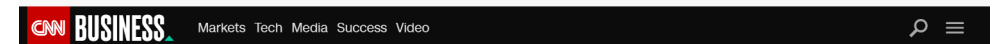
March 29, 2020 at 12:44 pm | Updated March 29, 2020 at 7:21 pm

THE WALL STREET JOURNAL.

MARKETS | CREDIT MARKETS

Lenders Brace for Private-Equity Loan Defaults

Financial institutions raised default probability estimates for loans to private-equity-owned companies



31,000 Toys 'R' Us employees: No job and no severance

by Chris Isidore @CNNAmoney

March 16, 2018: 10:29 AM ET

Recommend 5



Other Considerations to Keep in Mind

For each issue, governance and accountability are key:

- ✓ Are there appropriate and thorough policies and procedures in place?
- ✓ Are appropriate roles and responsibilities assigned?
- ✓ Are the policies and procedures communicated and are people appropriately trained on their implementation?
- ✓ What are the KPIs, and how are they tracked and reported upon through the company to senior management and the board / shareholders (and potentially other stakeholders)?
- ✓ How are team members incentivized to perform against these KPIs?
- ✓ How are grievances, critical concerns, conflicts, and incidents disclosed and managed?
 - Through management
 - To shareholders
 - To other stakeholders, as appropriate
 - Is there whistle-blower protection and non-retaliation?

Let's Encourage SASB to Include a Dimension of Systemic Risk Metrics

PRE

THE
DISTRIBUTION
INITIATIVE

Please stay in touch and get involved!

Delilah Rothenberg:

Delilah@predistributioninitiative.org

www.predistributioninitiative.org

A multi-stakeholder effort to improve investment structures so that:

- Workers and communities share more of the gains of economic growth
- Investment teams have stronger incentives to integrate ESG
- Systemic risks, including economic inequality and climate change, are addressed

The initial focus is co-creating private equity fund structures that share more economics with workers and narrow the wealth gap.

“Nothing about us without us”

Labor and civil society are critical stakeholders and voices in this process!



Webinar: Engaging SASB Civil Society Call to Action

April 2nd , 2020

Hugues Létourneau, Program Manager
Global Unions Committee on Workers' Capital

What is the CWC's interest in sustainability disclosures?

- About the CWC: we are a global network of trade unions and worker nominated pension trustees
- CWC Guidelines for the Evaluation of Workers' Human Rights and Labour Standards informs engagement with investment chain initiatives
- Work with trade unions and pension trustees to “mainstream” the integration of the ILO Fundamental Rights and Principles at Work in the investment chain

What opportunity do we see with SASB?

- SASB plays an important role in the US market where the CWC supports many workers' rights campaigns

XPOLogistics

Marriott
HOTELS · RESORTS · SUITES

- There continues to be gaps in ability of investors to effectively appraise a company's approach to fundamental workers' rights

Total amount of monetary losses as a result of legal proceedings associated with labor law violations

Quantitative

Reporting currency

XPO will not disclose this figure, except to the extent material and required by SEC rules.

Source: XPO Logistics Inc., 2018 Sustainability Report

- SASB focus on financial materiality relies on a company's definition of information that is important for "reasonable investors" → CWC believes there is an opportunity to elevate human and workers' rights

Thank You!

Contact:

Hugues Letourneau

Program Manager

Global Unions Committee on Workers Capital

www.workerscapital.org | hletourneau@share.ca





Sustainability Accounting Standards Board

SASB Overview and Human Capital Project

April 2, 2020

David Parham
Director of Research – Projects

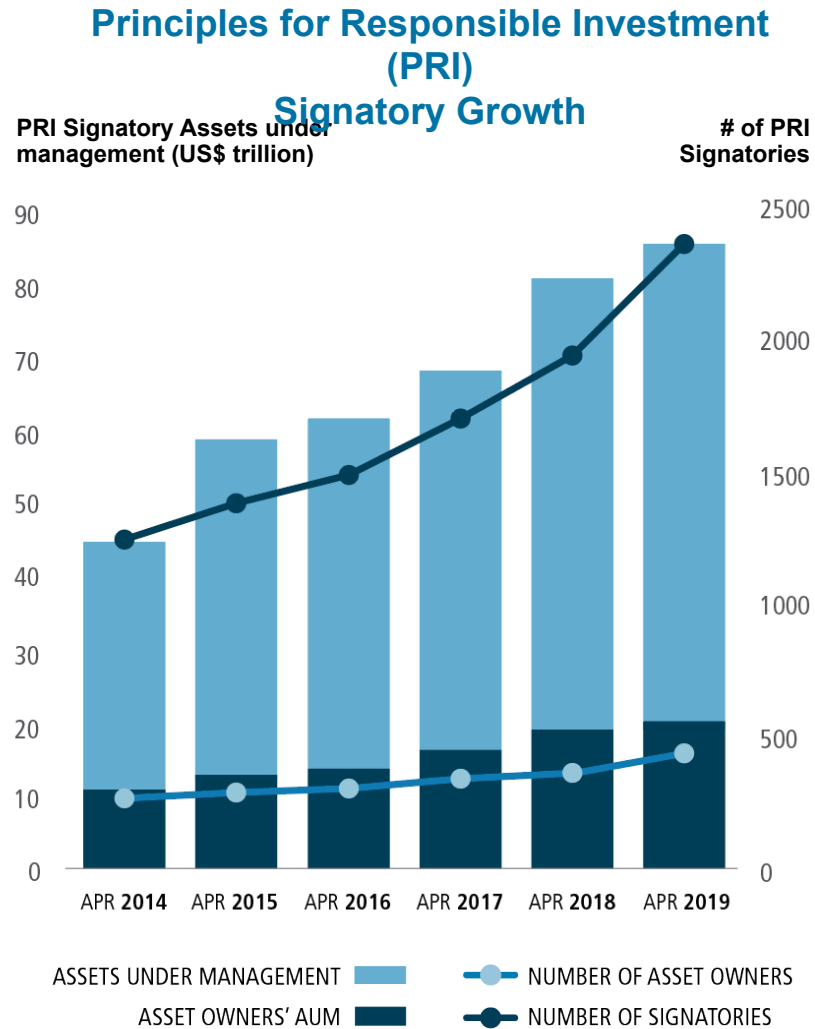
Kelli Okuji-Wilson
Sector Analyst, Healthcare

SASB Overview



Growing Investor Focus on Sustainability

A rapidly increasing share of institutional assets are managed with ESG issues in mind



Source: PRI

Over 2300 PRI Signatories* Include:

- 432 asset owners representing USD 20 trillion in assets
- ~70% of the world's top 100 asset managers (incl. Aberdeen Standard, BlackRock, Capital Investment Group, Legal & General, PIMCO, SSGA, Vanguard)

All PRI signatories commit to**:

- Seek appropriate disclosure on ESG issues by the entities in which they invest
- Incorporate ESG issues into investment analysis and decision-making processes
- Be active owners and incorporate ESG issues into their ownership policies and practices

* As of June, 2019

** Reflects only three of six PRI Principles, to which all signatories commit.

SASB – Sustainability Accounting Standards Board

Independent, non-profit standards-setting organization for ESG information



SASB connects businesses and investors on the financial impacts of sustainability

77 industry-specific disclosure standards

Used by companies and investors globally



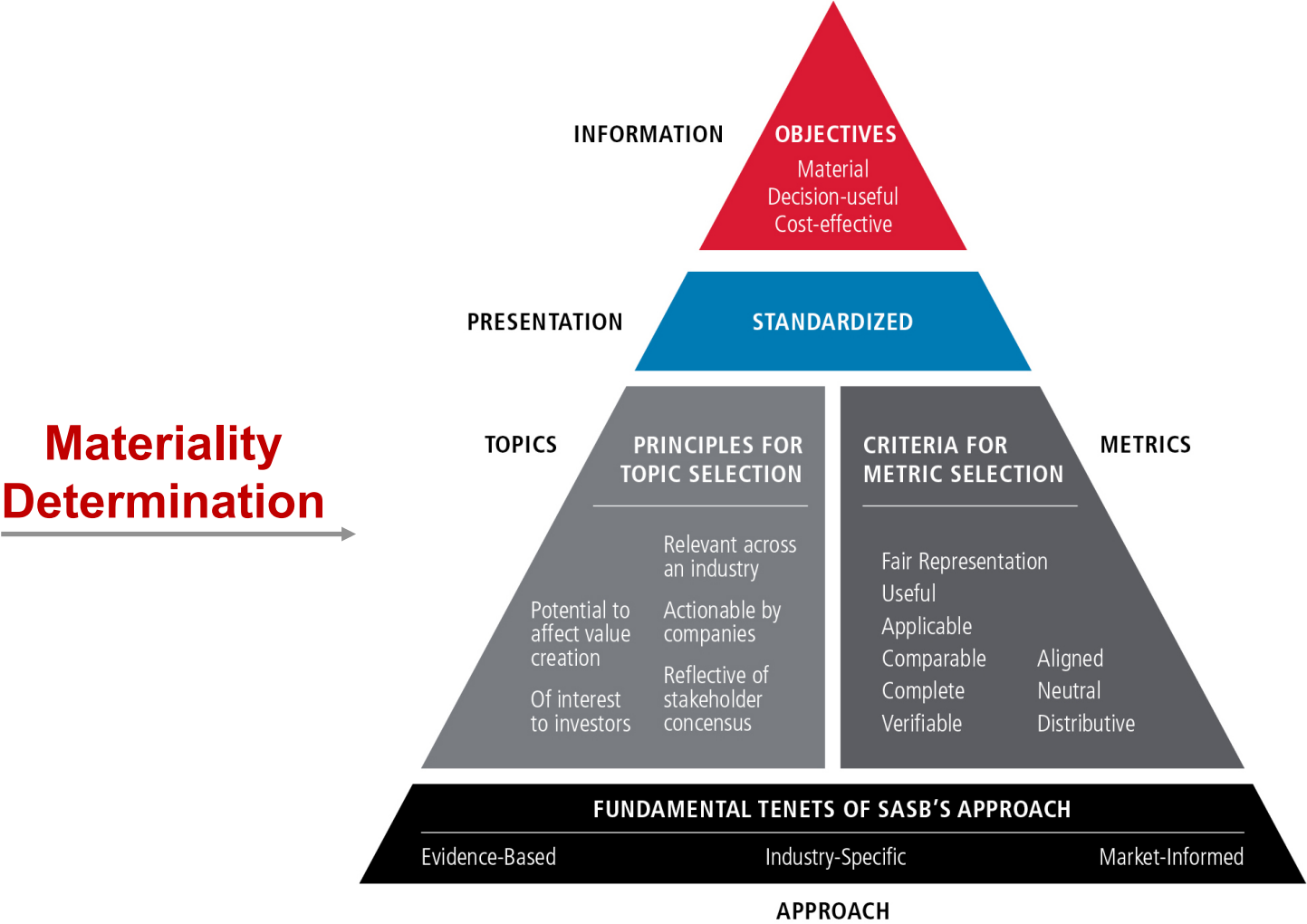
What Makes SASB Different?

SASB standards intend to be for investors, rather than broader stakeholders

-  **Financially Material**
-  **Decision-Useful**
-  **Cost-Effective**
-  **Industry-Specific**
-  **Evidence-Based**
-  **Market-Informed**

SASB's Conceptual Framework Guides Standards Development

Clear criteria govern disclosure topic and metric selection



The SASB Approach to Financial Materiality

Standards targeted to the needs of investors for financially relevant ESG information



SASB Standards

Identify ESG factors reasonably likely to affect the
financial condition or operating performance
of companies within an industry

REQUIRE

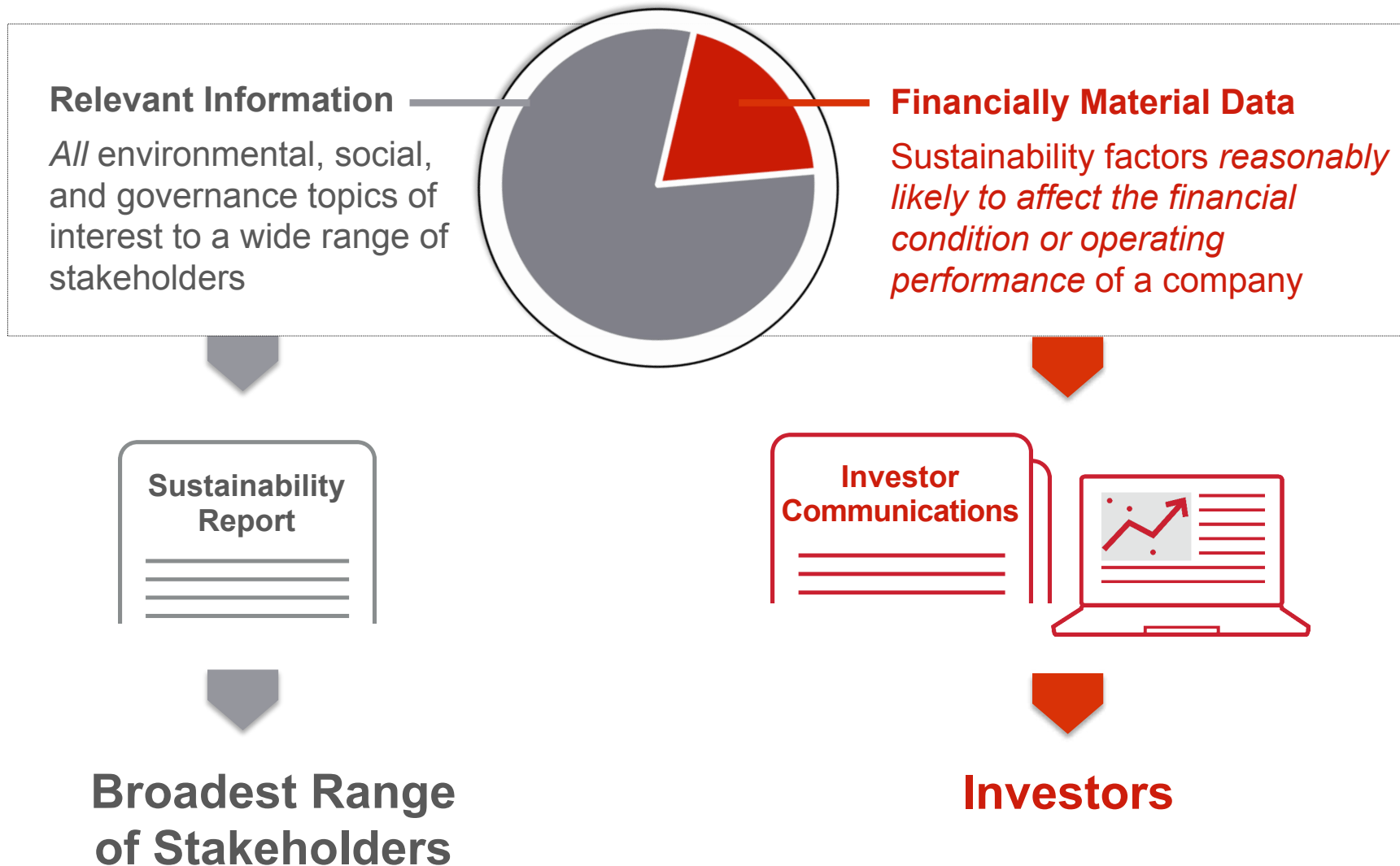
Evidence of Investor Interest

AND

Evidence of Financial Impact

Complementary Efforts

Target sustainability information to specific audiences for specific purposes



Evaluation of Materiality of Sustainability Issues in Each Industry

SASB's research process starts with a broad universe of sustainability issues

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

Industries Grouped by Resource Intensity & Sustainability Impacts

Sustainable Industry Classification System (SICS®): 77 industries within 11 sectors



Consumer Goods

- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Building Products & Furnishings
- E-Commerce
- Household & Personal Products
- Multiline and Specialty Retailers & Distributors
- Toys & Sporting Goods



Extractives & Minerals Processing

- Coal Operations
- Construction Materials
- Iron & Steel Producers
- Metals & Mining
- Oil & Gas - Exploration & Production
- Oil & Gas - Midstream
- Oil & Gas - Refining & Marketing
- Oil & Gas – Services



Financials

- Asset Management & Custody Activities
- Commercial Banks
- Consumer Finance
- Insurance
- Investment Banking & Brokerage
- Mortgage Finance
- Security & Commodity Exchanges



Food & Beverage

- Agricultural Products
- Alcoholic Beverages
- Food Retailers & Distributors
- Meat, Poultry & Dairy
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants
- Tobacco



Health Care

- Biotechnology & Pharmaceuticals
- Drug Retailers
- Health Care Delivery
- Health Care Distributors
- Managed Care
- Medical Equipment & Supplies



Infrastructure

- Electric Utilities & Power Generators
- Engineering & Construction Services
- Gas Utilities & Distributors
- Home Builders
- Real Estate
- Real Estate Services
- Waste Management
- Water Utilities & Services



Renewable Resources & Alternative Energy

- Biofuels
- Forestry Management
- Fuel Cells & Industrial Batteries
- Pulp & Paper Products
- Solar Technology & Project Developers
- Wind Technology & Project Developers



Resource Transformation

- Aerospace & Defense
- Chemicals
- Containers & Packaging
- Electrical & Electronic Equipment
- Industrial Machinery & Goods



Services

- Advertising & Marketing
- Casinos & Gaming
- Education
- Hotels & Lodging
- Leisure Facilities
- Media & Entertainment
- Professional & Commercial Services



Technology & Communications

- Electronic Manufacturing Services & Original Design Manufacturing
- Hardware
- Internet Media & Services
- Semiconductors
- Software & IT Services
- Telecommunication Services



Transportation

- Air Freight & Logistics
- Airlines
- Auto Parts
- Automobiles
- Car Rental & Leasing
- Cruise Lines
- Marine Transportation
- Rail Transportation
- Road Transportation

SASB standards contain industry-specific disclosure topics, metrics, and guidance

Accounting metrics

Technical protocol for compiling data

Activity metrics for normalization

| TOPIC | ACCOUNTING METRIC | CATEGORY | UNIT OF MEASURE | CODE |
|------------|---|--------------|---|--------------|
| Greenhouse | Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations | Quantitative | Metric tons CO ₂ -e (t), Percentage (%) | EM-EP-110a.1 |
| | Amount from: | | | |

1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalent (CO₂-e), and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the [Intergovernmental Panel on Climate Change \(IPCC\) Fifth](#)

| ACTIVITY METRIC | CATEGORY | UNIT OF MEASURE | CODE |
|---|--------------|---|-------------|
| Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas | Quantitative | Thousand barrels per day (Mbbbl/day); Million standard cubic feet per day (MMscf/day) | EM-EP-000.A |
| Number of offshore sites | Quantitative | Number | EM-EP-000.B |
| Number of terrestrial sites | Quantitative | Number | EM-EP-000.C |

Standard-Setting Process

Project-based model to maintain the SASB standards



**Indicates that a Standards Board decision is required in order to proceed*

Project screening – input from:

- Market & public engagement
- Standards Advisory Group
- Standards Board
- Staff research

Research Program – objective:

Conduct research and obtain market input to determine if standard setting should be pursued (meets four criteria)

Standard-Setting Agenda:

- Project determined to meet four criteria
- Prioritization informed by agenda priorities (Sept. 2019 meeting)
- Initiates standard-setting process

Standards Enhancement Projects Underway

10 projects were approved in the last three quarterly Board meetings

Conceptual Framework

Clarify and strengthen the core principles and concepts that govern SASB's Standards

Rules of Procedure

Ensure that the operations and Standard-setting processes detailed in the document reflect SASB's procedures today

Human Capital

Assess the scope and prevalence of various human capital management themes across SASB's industries to develop a solid evidenced-based view on this cross-cutting theme

Content Moderation on Internet Platforms

Evaluate technology companies' management of user-generated content, advertisements, and other third-party content to assess implications related to social capital

Plastics Risks and Opportunities (Pulp & Paper, & Chemicals Industries)

Assess investor interest in risks and opportunities associated with plastics use in the two industries

Systemic Risk in Asset Management

Evaluate the Systemic Risk Management topic in the Asset Management & Custody Activities industry standard, including scope and accounting metrics

Tailing Management in Extractives

Evaluate the issue of tailings facility management in the Metals & Mining and Coal Operations industry standards, including scope and accounting metrics

Measuring Performance on Raw Materials Sourcing (Apparel, Accessories & Footwear Industry)

Evaluate two metrics and associated technical protocols to examine and improve measurability, completeness, comparability, alignment, and cost-effectiveness.

Supply Chain Management in the Tobacco Industry

Assess financial materiality of supply chain management and material sourcing topics in the Tobacco industry standard.

Alternative Meat & Dairy in Food & Beverage

Assess implications on the Food & Beverage industry standards from increasing consumer demand for products with reduced environmental impact.

All active projects are posted to the SASB website

Ensuring public transparency of standards-setting process

The screenshot displays the SASB website's navigation menu. The 'STANDARDS' tab is active. Under the 'Standard-Setting Process' section, the 'Current Projects' link is highlighted with a green box. A red arrow points from the 'Find Your Industry' section to this link. A callout box titled 'Research Projects' is overlaid on the right, showing details for the 'Human Capital' project.

Navigation Menu:

- STANDARDS
- MARKET USE
- EDUCATION & MEMBERSHIP
- TOOLS
- ABOUT
- SEARCH
- DONATE NOW

Standard-Setting Process:

- Current Projects
- Standards Advisory Group
- Conceptual Framework
- Rules of Procedure
- Governance
- Board Meetings Calendar & Archive

Research Projects:

- Research Projects
- Standard-Setting Projects
- Other Projects

Human Capital

Project Lead: Kelli Okuji Wilson
Current Status: Research Project

The purpose of this project is to assess the scope and prevalence of various human capital management themes across SASB's sectors and within its 77 industries to develop a solid evidenced-based view on this cross-cutting theme. A major component of this project's objective is to design and implement a systematic analysis by the means of a human capital framework to assess the materiality of these various issues; determine which issues are cross-cutting and which are industry-specific; identifying key general issue categories; and potentially forming recommendations on how to advance this project from its research phase to a standard-setting phase.

Human Capital Project



What is Human Capital?

SASB defines human capital as:

- “[a sustainability] dimension [that] addresses the management of a company’s human resources (employees and individual contractors) as key assets to delivering long-term value.”

- **The concept of human capital currently includes issues related to:**

➤ Employee health and safety – Addresses a company’s ability to create a safety culture for those that operate in dangerous working environments

➤ Labor practices – Addresses working conditions and the management of labor relations in industries that rely on economies of scale and compete on the price of products and services, and in industries with legacy pension liabilities

➤ Employee diversity, inclusion, and engagement – Addresses incentives and compensation as well as the attraction and retention of employees in highly competitive or constrained markets for specific talent, skills, or education

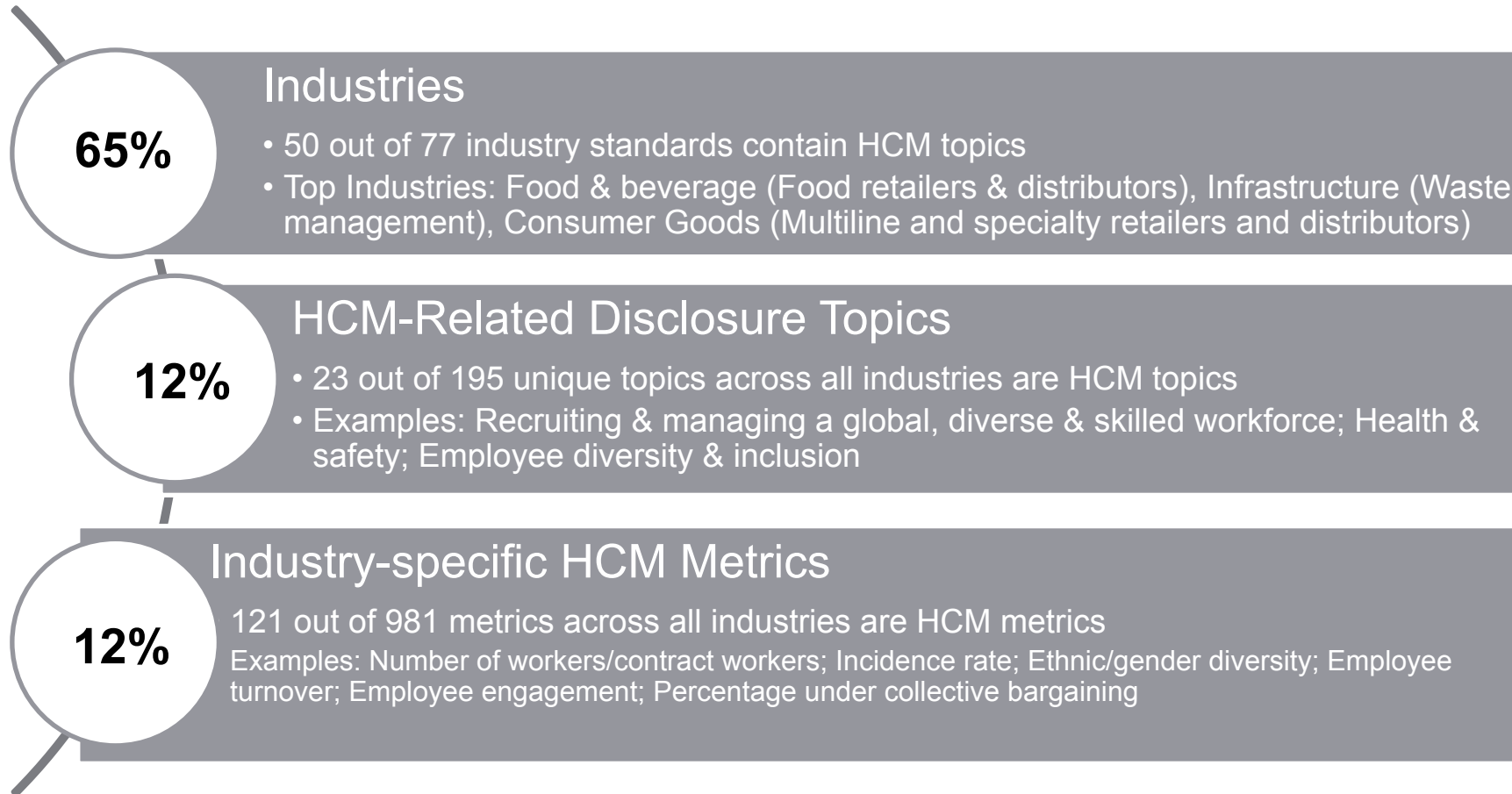
What is Human Capital? (cont.)

SASB's human capital definition largely excludes the concepts of:

- Human rights and community relations
 - These issues are predominantly addressed in the Social Capital sustainability dimension
-
- Supply chain management
 - This issue is predominantly addressed in the Business Model and Innovation sustainability dimension

Human Capital Management (HCM) in the Codified Standards

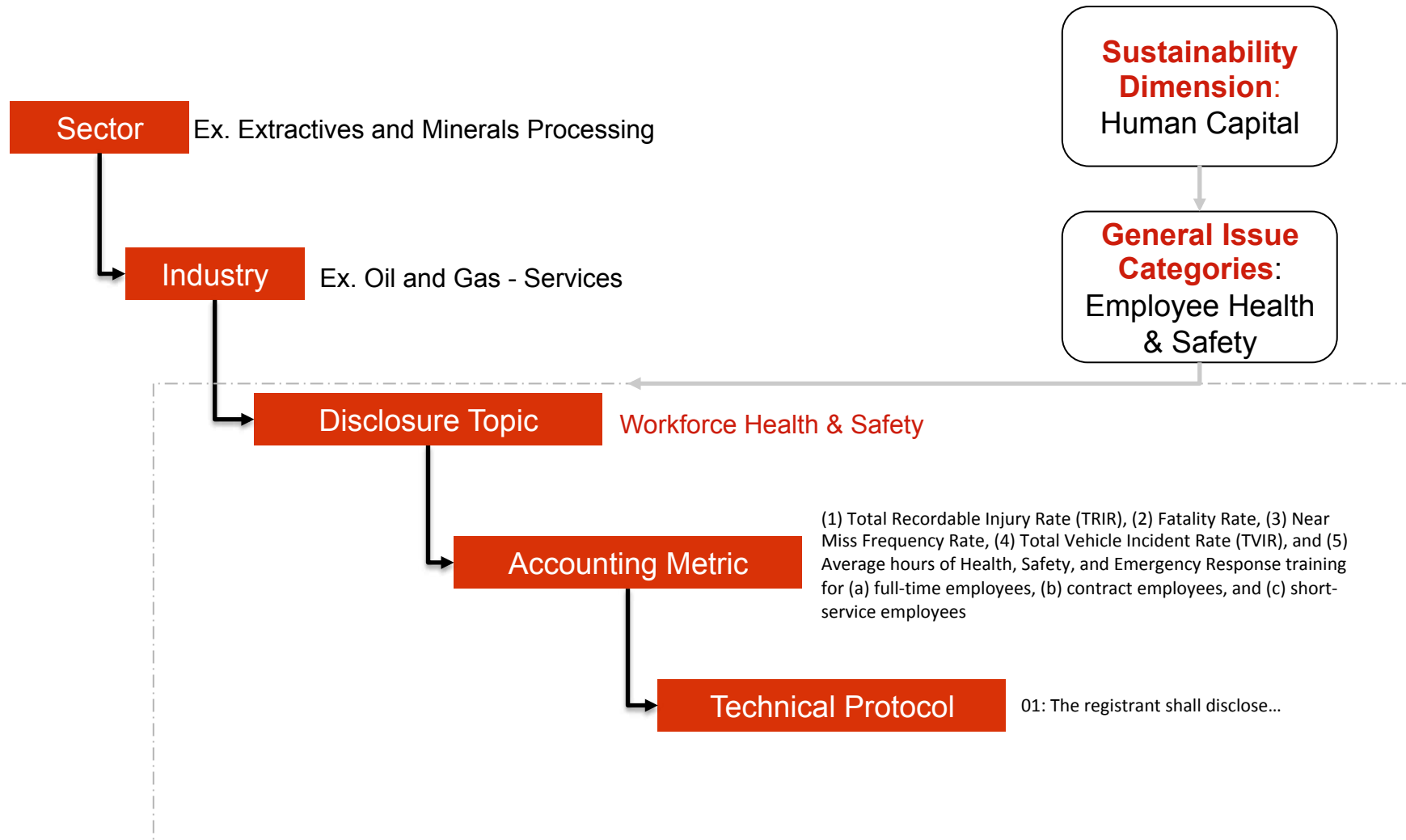
HCM Snapshot By the Numbers



Note: This analysis was completed on a broader definition of human capital, hence human capital management (HCM)-related disclosure topics, to highlight that some topics address a human capital element that are not exclusively under the human capital sustainability dimension. Examples of disclosure topics not strictly under the human capital sustainability dimension include accident and safety management; operational safety, emergency preparedness & response; media pluralism; and labor conditions in the supply chain.

A Note on SASB Terminology

Each Industry Standard Includes Industry-Specific Disclosure Topics and Metrics

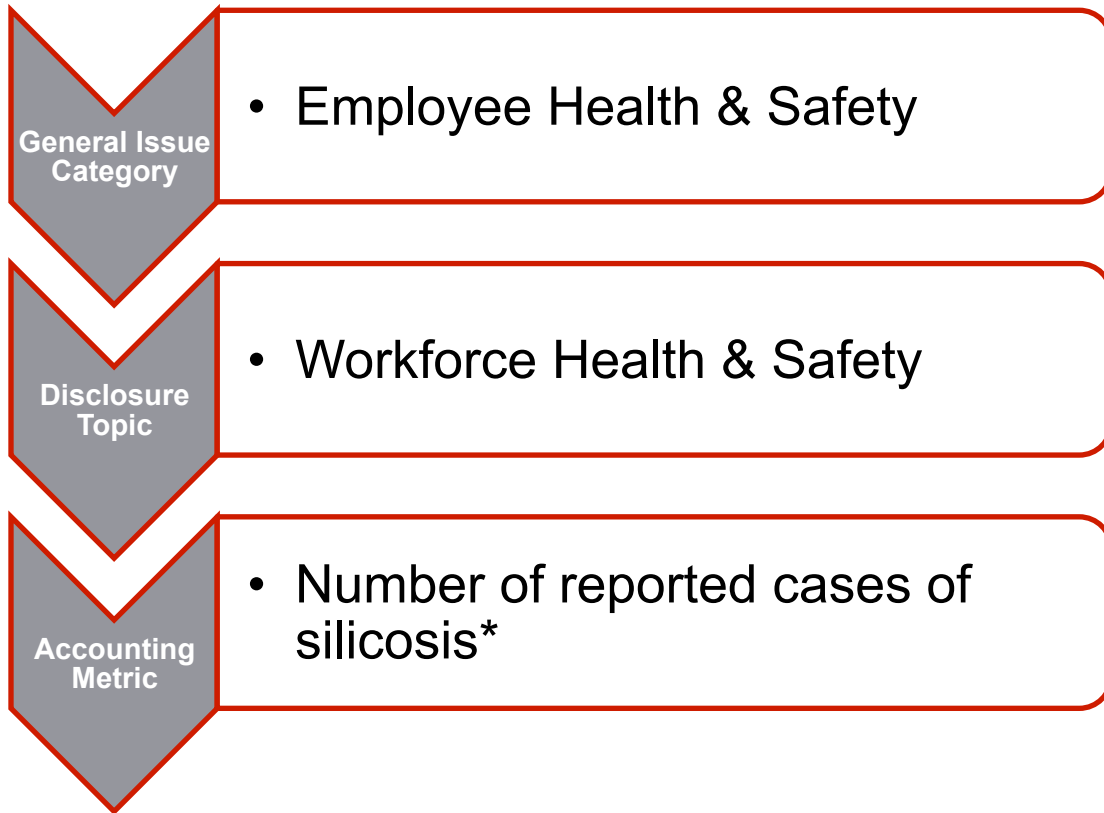


SASB standards also include suggested activity metrics to enable users to normalize data.

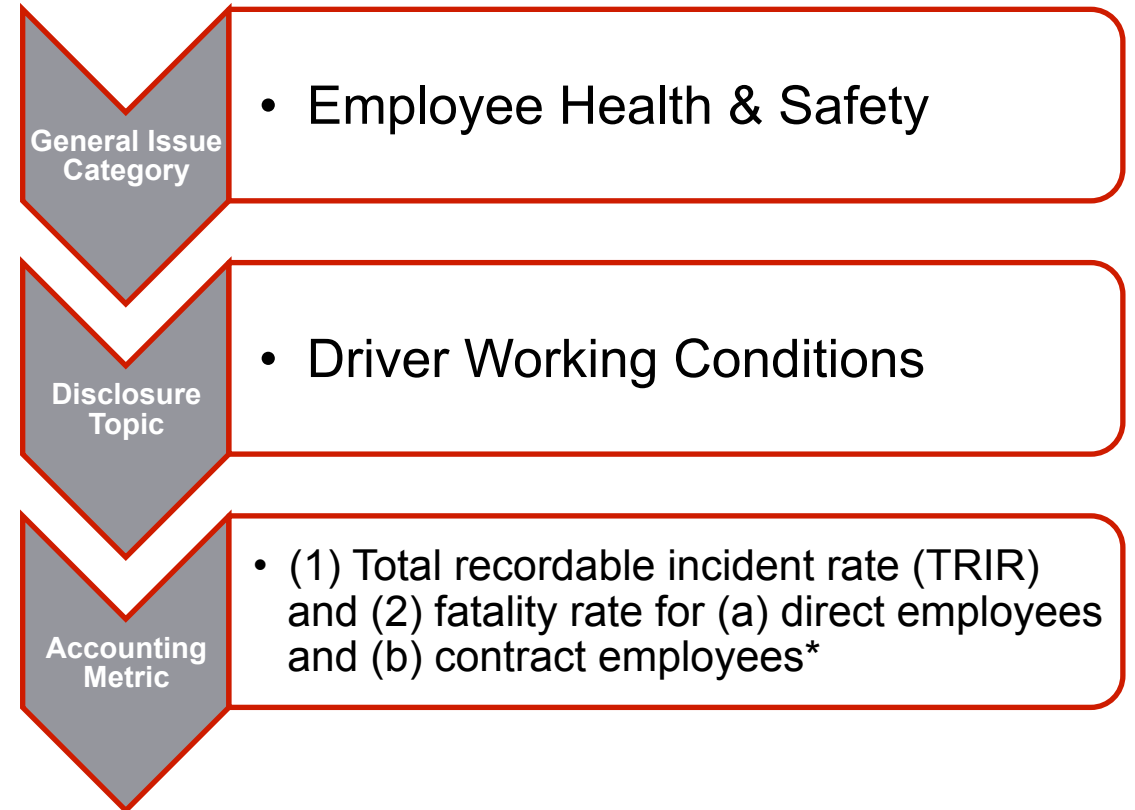
Disclosure Topics and Metrics are Industry-Specific

Examples from the Extractives & Minerals Processing and Transportation Sectors

Industry: Construction Materials



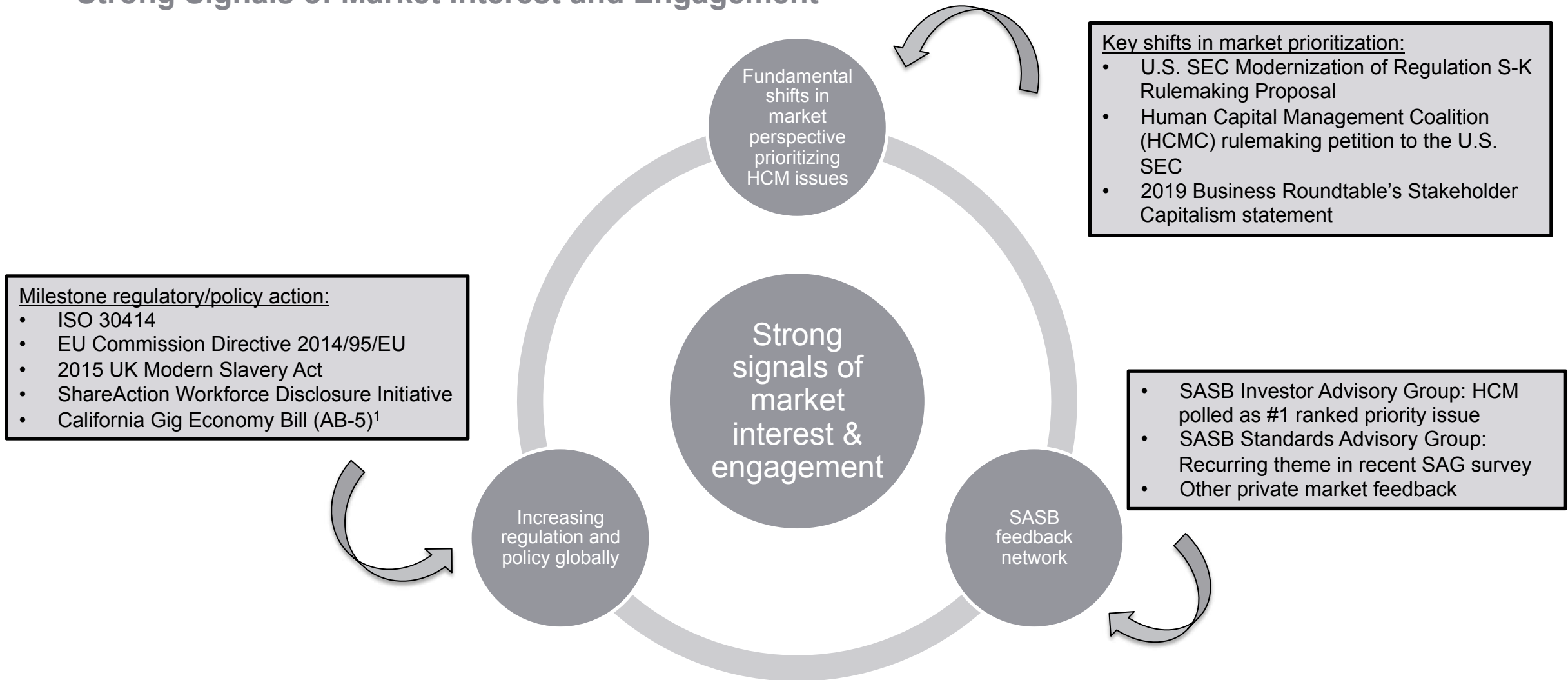
Industry: Road Transportation



* Performance metrics are supplemented by “Activity Metrics,” basic business data that may assist in the accurate evaluation, normalization, and comparability of disclosure.

The Genesis of the Human Capital Research Project

Strong Signals of Market Interest and Engagement



¹ Passed California State Senate on September 10, 2019

What is SASB Seeking to Accomplish in This Project?

Project Fundamentals

Project description

- Formal research project to:
 - Assess scope & prevalence of various human capital management (HCM) themes across SASB's 77 industries
- Further develop SASB's evidenced-based, market-informed view on HCM in the SASB standards

Scope

- Scope includes:
 - Production of a framework
 - Extensive research and stakeholder outreach to investors, companies, and subject matter experts to gather evidence
- Application of the framework will enable standard-setting project(s) to drive revisions to the standards

Outcomes

- Create a market-informed and evidenced-based framework that identifies the relevant, potentially financially-material human capital general issue categories
- The framework will enable the assessment of these issues on an industry-by-industry basis

How Does SASB Expect to Assess Human Capital in the Standards?

Project Plan Structure - Key Objectives

| Project Plan Key Component | Objective |
|---------------------------------------|---|
| Executive Summary | <ul style="list-style-type: none">• Project scope, objectives, and expected outcomes |
| Introduction | <ul style="list-style-type: none">• What is human capital?• How is human capital currently incorporated in the codified standards?• Why and where are there areas of opportunity for improvement?• What is the purpose of the framework? |
| Evidence – Literature Review | <ul style="list-style-type: none">• How do certain general industry characteristics tie to material financial impacts and broad human capital themes? |
| Evidence – Market Consultation | <ul style="list-style-type: none">• Validate, vet, and build upon Literature Review findings through market feedback |
| Analytical Framework | <ul style="list-style-type: none">• Preliminary development• Final development• <i>See next slide for example</i> |
| Findings/Conclusions | <ul style="list-style-type: none">• Presentation in written form (Format TBD) |

Connecting Human Capital Issues to Financial Impacts

Human Capital Framework - Example

| Identified Value Drivers | Human Capital – General Issue Category (GIC) | Potential Financial Impact |
|---|--|--|
| <ul style="list-style-type: none"> • Shifting demographics • Changing societal expectations of the obligations of the employer to the employee • Technology/intellectual capital | Employee Diversity, Inclusion, & Engagement | <ul style="list-style-type: none"> • Expenses: COGS, G&A • Intangibles: R&D, Patents • Long-term assets: PP&E |
| <ul style="list-style-type: none"> • Shifting demographics • Changing societal expectations of the obligations of the employer to the employee • Technology | Labor Practices | <ul style="list-style-type: none"> • Long-term liabilities: Pension liabilities |
| <ul style="list-style-type: none"> • Employee recruitment/retention • Increased regulatory oversight | Employee Health & Safety | <ul style="list-style-type: none"> • Expenses: CAPEX • Long-term assets: PP&E • Contingent liabilities |



Accounting for a Sustainable Future

HARNESSING BIG DATA FOR INVESTOR-LED ESG STANDARDS

Two interrelated components

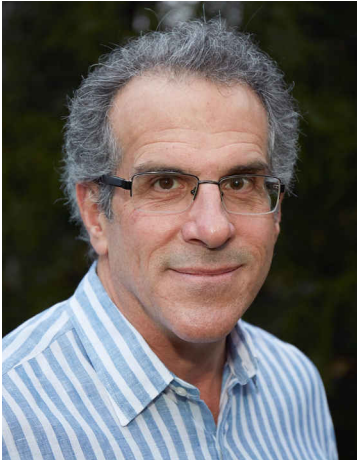
1. Collaboration with the Data Science Institute “Data for Good” program at Columbia University.
2. The launch of a Civil Society Advisory Group to SASB

Timeframe: April 2020 – March 2021

This project is made possible by the generous support of the Moving the Market initiative, a collaboration between Humanity United, UBS Optimus Foundation and Freedom Fund.



Q & A



Paul Rissman
Co-Founder,
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**Delilah
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Executive
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**Hugues
Létourneau**
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Joanne Bauer
Co-Founder,
Rights CoLab
(moderator)

THANK YOU FOR JOINING US TODAY

Engaging SASB: **Civil Society Call to Action**

For more information on Rights CoLab's SASB Project, visit www.rightscolab.org

For expressions of interest in the Civil Society Advisory Group, contact info@rightscolab.org