ENGAGING SASB:
Civil Society Call to Action

Webinar, Thursday April 2, 2020, 12 pm ET
Open the **Q&A** window to ask questions to the panelists.
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)

Engaging SASB: Civil Society Call to Action
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.”
“[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

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Jean Rogers founded SASB to meet investor demand

Industry Working Group participants reached 1,000

Public launch of standards-setting activities

Michael Bloomberg and Mary Schapiro appointed as Chair and Vice Chair

Harvard Business School published case on SASB

Launched Data Provider Partner Program and Fundamentals of Sustainability Accounting (FSA) Credential

Industry Working Group participants exceeded 2,800

Established two-tier governance structure

Launched the SASB Alliance

Launched Data Provider Partner Program and Fundamentals of Sustainability Accounting (FSA) Credential

Launched the Investor Advisory Group (IAG)

Harvard Business School published case on SASB

Launched the SASB Alliance

Launched the Standards Advisory Group (SAG)

Held inaugural SASB Symposium

Launched the Investor Advisory Group (IAG)

Held inaugural SASB Symposium

November 2018
Codified Standards issued for 77 industries in 11 sectors

BlackRock and SSGA ask companies to use SASB standards

Provisional Standards Issued 2013-2016

- 6 industries in Health Care sector
- 7 industries in Financials sector
- 6 industries in Technology & Communication sector
- 8 industries in Non-Renewable Resources sector
- 8 industries in Transportation sector
- 10 industries in Services sector
- 5 industries in Resource Transformation sector
- 15 industries in Consumption sector
- 6 industries in Renewable Resources & Alternative Energy sector
- 8 industries in Infrastructure sector

Number of corporate reporters reaches 100
Launch of Bloomberg SASB ESG Index Family
SASB & Human Capital in the Private Equity Context
Limited Partners (LPs) delegate management of the fund and portfolio to the General Partner (GP)
- Fund life generally ~10-12 years
- Investments made in first ~3 years
- Often taken control positions
- Exits to other financial investors, companies, or IPO for each PortCo after ~3-7 years
- Limited regulatory requirements for reporting, but LPs set requirements upfront
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)
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 2019."
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.”

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.

'Realizing the Coronavirus Is Exposing Inequality Among America's Workers'

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

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

Inequality hurts economic growth, finds OECD research

Why and how investors can respond to income inequality
### Materiality & Varying Interpretations: SASB

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

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

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

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.

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

- 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.

Source: XPO Logistics Inc., 2018 Sustainability Report
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

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Growing Investor Focus on Sustainability
A rapidly increasing share of institutional assets are managed with ESG issues in mind

Pri Signatory Assets Under Management (US$ trillion)

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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.

Source: PRI

4/4/2020 © SASB
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

Materiality Determination

FUNDAMENTAL TENETS OF SASB’S APPROACH
- Evidence-Based
- Industry-Specific
- Market-Informed

APPROACH

CRITERIA FOR METRIC SELECTION
- Fair Representation
- Useful
- Applicable
- Comparable
- Complete
- Verifiable
- Aligned
- Neutral
- Distributive

TOPICS
- Potential to affect value creation
- Of interest to investors

PRINCIPLES FOR TOPIC SELECTION
- Relevant across an industry
- Actionable by companies
- Reflective of stakeholder concern

STANDARDIZED

PRESENTATION

INFORMATION

OBJECTIVES
- Material
- Decision-useful
- Cost-effective
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

Relevant Information
All environmental, social, and governance topics of interest to a wide range of stakeholders

Financially Material Data
Sustainability factors reasonably likely to affect the financial condition or operating performance of a company

Sustainability Report

Brodest Range of Stakeholders

Investor Communications

Investors
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

**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

**Renewable Resources & Alternative Energy**
- Biofuels
- Forestry Management
- Fuel Cells & Industrial Batteries
- Pulp & Paper Products
- Solar Technology & Project Developers
- Wind Technology & Project Developers
Robust Standards Designed to Provide Decision-Useful Information

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

- **Industry-specific disclosure topic**
- **Accounting metrics**
- **Technical protocol for compiling data**
- **Activity metrics for normalization**
Standard-Setting Process
Project-based model to maintain the SASB standards

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

*Indicates that a Standards Board decision is required in order to proceed
Standards Enhancement Projects Underway
10 projects were approved in the last three quarterly Board meetings

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Clarify and strengthen the core principles and concepts that govern SASB’s Standards</td>
<td>Assess investor interest in risks and opportunities associated with plastics use in the two industries</td>
<td>Evaluate two metrics and associated technical protocols to examine and improve measurability, completeness, comparability, alignment, and cost-effectiveness.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rules of Procedure</th>
<th>Systemic Risk in Asset Management</th>
<th>Supply Chain Management in the Tobacco Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure that the operations and Standard-setting processes detailed in the document reflect SASB’s procedures today</td>
<td>Evaluate the Systemic Risk Management topic in the Asset Management &amp; Custody Activities industry standard, including scope and accounting metrics</td>
<td>Assess financial materiality of supply chain management and material sourcing topics in the Tobacco industry standard.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Capital</th>
<th>Tailing Management in Extractives</th>
<th>Alternative Meat &amp; Dairy in Food &amp; Beverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
<td>Evaluate the issue of tailings facility management in the Metals &amp; Mining and Coal Operations industry standards, including scope and accounting metrics</td>
<td>Assess implications on the Food &amp; Beverage industry standards from increasing consumer demand for products with reduced environmental impact.</td>
</tr>
</tbody>
</table>

| 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 | |
All active projects are posted to the SASB website
Ensuring public transparency of standards-setting process

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 evidence-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.
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
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

Industries
- 50 out of 77 industry standards contain HCM topics
- Top Industries: Food & beverage (Food retailers & distributors), Infrastructure (Waste management), Consumer Goods (Multiline and specialty retailers and distributors)

HCM-Related Disclosure Topics
- 23 out of 195 unique topics across all industries are HCM topics
- Examples: Recruiting & managing a global, diverse & skilled workforce; Health & safety; Employee diversity & inclusion

Industry-specific HCM Metrics
- 121 out of 981 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

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry</th>
<th>Disclosure Topic</th>
<th>Accounting Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex. Extractives and Minerals Processing</td>
<td>Ex. Oil and Gas - Services</td>
<td>Workforce Health &amp; Safety</td>
<td>(1) Total Recordable Injury Rate (TRIR), (2) Fatality Rate, (3) Near Miss Frequency Rate, (4) Total Vehicle Incident Rate (TVIR), and (5) Average hours of Health, Safety, and Emergency Response training for (a) full-time employees, (b) contract employees, and (c) short-service employees</td>
</tr>
</tbody>
</table>

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**
- General Issue Category: Employee Health & Safety
- Disclosure Topic: Workforce Health & Safety
- Accounting Metric: Number of reported cases of silicosis*

**Industry: Road Transportation**
- General Issue Category: Employee Health & Safety
- Disclosure Topic: Driver Working Conditions
- Accounting Metric: (1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees*

* 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

Fundamental shifts in market perspective prioritizing HCM issues

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

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

Strong signals of market interest & engagement

Increasing regulation and policy globally

SASB feedback network

¹ Passed California State Senate on September 10, 2019
What is SASB Seeking to Accomplish in This Project?
Project Fundamentals

<table>
<thead>
<tr>
<th>Project description</th>
<th>Scope</th>
<th>Outcomes</th>
</tr>
</thead>
</table>
| • 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 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 | • 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 |
### Project Plan Structure - Key Objectives

<table>
<thead>
<tr>
<th>Project Plan Key Component</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Summary</strong></td>
<td>• Project scope, objectives, and expected outcomes</td>
</tr>
<tr>
<td><strong>Introduction</strong></td>
<td>• What is human capital?</td>
</tr>
<tr>
<td></td>
<td>• How is human capital currently incorporated in the codified standards?</td>
</tr>
<tr>
<td></td>
<td>• Why and where are there areas of opportunity for improvement?</td>
</tr>
<tr>
<td></td>
<td>• What is the purpose of the framework?</td>
</tr>
<tr>
<td><strong>Evidence – Literature Review</strong></td>
<td>• How do certain general industry characteristics tie to material financial impacts and broad human capital themes?</td>
</tr>
<tr>
<td><strong>Evidence – Market Consultation</strong></td>
<td>• Validate, vet, and build upon Literature Review findings through market feedback</td>
</tr>
<tr>
<td><strong>Analytical Framework</strong></td>
<td>• Preliminary development</td>
</tr>
<tr>
<td></td>
<td>• Final development</td>
</tr>
<tr>
<td></td>
<td>• See next slide for example</td>
</tr>
<tr>
<td><strong>Findings/Conclusions</strong></td>
<td>• Presentation in written form (Format TBD)</td>
</tr>
</tbody>
</table>
## Connecting Human Capital Issues to Financial Impacts
### Human Capital Framework - Example

<table>
<thead>
<tr>
<th>Identified Value Drivers</th>
<th>Human Capital – General Issue Category (GIC)</th>
<th>Potential Financial Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Shifting demographics</td>
<td>Employee Diversity, Inclusion, &amp; Engagement</td>
<td>• Expenses: COGS, G&amp;A</td>
</tr>
<tr>
<td>• Changing societal</td>
<td></td>
<td>• Intangibles: R&amp;D, Patents</td>
</tr>
<tr>
<td>expectations of the</td>
<td></td>
<td>• Long-term assets: PP&amp;E</td>
</tr>
<tr>
<td>obligations of the</td>
<td></td>
<td></td>
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<tr>
<td>employer to the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Technology/intellectual capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Shifting demographics</td>
<td>Labor Practices</td>
<td>• Long-term liabilities: Pension liabilities</td>
</tr>
</tbody>
</table>
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.

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

Webinar, Thursday April 2, 2020, 12 pm ET