

MEMORANDUM

TO: File

FROM: Angie Kim
Division of Corporation Finance
U.S. Securities and Exchange Commission

RE: Meeting with representatives of the Sustainability Accounting Standards Board (SASB)

DATE: May 29, 2018

On May 23, 2018, Commission staff met with the following representatives of SASB: Jeffrey Hales, Jean Rogers and Thomas Riesenbergr. Among the topics discussed was the Business and Financial Disclosure Required by Regulation S-K concept release.

The following Commission staff participated: William Hinman, Elizabeth Murphy, Julie Davis, Charles Guidry and Angie Kim of the Division of Corporation Finance.

The attached materials were circulated prior to the meeting.



The Sustainability Accounting Standards Board

Update to the Securities and Exchange Commission

Jeffrey Hales, PhD

Chair of the Standards Board

Jean Rogers, PhD

Founder, SASB & Former Chair of the Standards Board

Thomas Riesenber

Director of Legal Policy & Outreach

May 23, 2018

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The Sustainability Accounting Standards Board

Independent board responsible for all aspects of standards setting

Jeffrey Hales, PhD

The SASB Chair

Professor, Georgia Institute of Technology – Ernest Scheller Jr. College of Business

*Sector Chair for Financials & Renewable Resources
& Alternative Energy*

Verity Chegar

Vice President, BlackRock Sustainable Investing

Sector Chair for Extractives & Minerals Processing

Robert Hirth, Jr.

Senior Managing Director, Protiviti
Chairman Emeritus, Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Sector Chair for Technology & Communications

Kurt Kuehn

Former CFO, UPS

Sector Chair for Transportation & Infrastructure

Lloyd Kurtz, CFA

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

Sector Chair for Health Care & Resource Transformation

Daniel L. Goelzer, JD

Senior Counsel, Baker & McKenzie LLP

Sector Chair for Services

Elizabeth Seeger

Head of Sustainable Investing, KKR

Sector Chair for Consumer Goods

Stephanie Tang, JD

Director of Legal, Corporate Securities, Stitch Fix

Sector Chair for Food & Beverage

The SASB Foundation Board

Fiduciary duty to oversee the funding and operations of the SASB and staff

Robert K. Steel – Chair

Partner & CEO
Perella Weinberg Partners

Mary Schapiro – Vice Chair

Promontory Advisory Board Vice Chair
Former Chairman – SEC

Michael R. Bloomberg

CHAIRMAN EMERITUS

Philanthropist, Founder of Bloomberg LP,
and three-term Mayor of New York City

Alan Beller

Senior Counsel
Cleary Gottlieb Steen & Hamilton

Robert H. Herz

Former Chairman – FASB

Laura Tyson, PhD

Director, Institute for Business
and Social Impact
Berkeley Haas School of Business

Rudi Bless

Chief Accounting Officer
Bank of America

Shawn Lytle

President
Delaware Investments / Macquarie, Inc.

Elisse Walter, JD

Former Chairman – SEC

Audrey Choi

CEO – Institute for Sustainable
Investing, Morgan Stanley

Jim McIntire

Former Treasurer, State of Washington

Matthew Welch

President
SASB (Ex-officio)

Jack Ehnes

CEO – CalSTRS

Clara Miller

President – The F.B. Heron Foundation

Jay Willoughby

CIO, TIFF

Steven O. Gunders, CPA

Partner
Deloitte & Touche LLP (Retired)

Kevin Parker

CEO – SICM

Chuck Zegar

Philanthropist, Co-Founder
of Bloomberg LP

Curtis Ravenel

Global Head, Sustainable Business and
Finance – Bloomberg LP



Institutional Investor Support for Improved ESG Disclosure

SASB's Investor Advisory Group includes investors with over \$20 trillion in assets

Aberdeen

Calvert

NORTHERN
TRUST

STATE STREET
GLOBAL ADVISORS

apg
All Pensions Group

CAPITAL
GROUP

nuveen | TIAA INVESTMENTS

UAW RETIREE
Medical Benefits Trust

bc imc

Domini



UBS

BLACKROCK

Goldman Sachs
Asset Management

ONTARIO
TEACHERS'
PENSION PLAN

Vanguard

Breckinridge
CAPITAL ADVISORS

JANA
PARTNERS LLC

PGGM



CalPERS



New York City Comptroller
Scott M. Stringer

PIMCO

WELLS FARGO
ASSET MANAGEMENT

CALSTRS

Nordea

QM^α

Wespath
BENEFITS | INVESTMENTS



Ongoing Standards Development Process

SASB standards will be maintained to evolve along with the markets they serve



The SASB Oversight and Decision-Making

- Quarterly meetings of the Sustainability Accounting Standards Board
- Board meetings are public, next meeting is on July 11 in NYC at Fordham University. Board meeting information is available on <https://www.sasb.org/standards/public-meetings-sasb/>
- General comment letters can be sent to comments@sasb.org; comments on standards can be made through <https://www.sasb.org/standards/exposure-drafts/>

Sector Advisory Group Formation is Underway

Stakeholders will advise on ongoing standards development

SAG Purpose

Provide feedback to the SASB Staff and Standards Board regarding the content and use of the standards

Apply: www.sasb.org/sag

Membership Profile & Time Commitment

Composition 15-20 Members	Expertise
Companies (60%)	Sustainability Finance Legal
Investors (20%)	Buy-side analysts & sector PMs Sell-side analysts Equity and Fixed Income
SMEs (20%)	Industry Consultants Accountants Attorneys


QUARTERLY MEETINGS

PERIODIC CALLS


PUBLIC LISTING OF MEMBERSHIP

SASB Standards Offer Multiple Benefits To Companies

SASB Standards are a useful tool to guide communication to investors




Own the data investors increasingly use to evaluate companies




Cost-effectively disclose progress, strategy, and data using industry standard metrics



Benchmark performance with peers



More effectively meet investor requests for disclosure of financially material sustainability information



Focus conversations with investors on **drivers of long-term risk and return**

Transform Disclosure from Boilerplate to Decision Useful

Three Apparel & Accessories risk factor disclosures are nearly identical

Company A

Failure of our contractors or our licensees' contractors to comply with our code of conduct, local laws and other standards could harm our business.

We work with hundreds of contractors outside of the United States to manufacture our products, and we also have license agreements that permit unaffiliated parties to manufacture or contract for the manufacture of products using our intellectual property. We require the contractors that directly manufacture our products and our licensees that make products using our intellectual property (including, indirectly, their contract manufacturers) to **comply with a code of conduct** and other environmental, health and safety standards for the benefit of workers. We also require these contractors to comply with applicable standards for product safety. Notwithstanding their contractual obligations, **from time to time contractors may not comply with such standards or applicable local law or our licensees may fail to enforce such standards or applicable local law on their contractors.** Significant or continuing noncompliance with such standards and laws by one or more contractors could harm our reputation or result in a product recall and, as a result, could have an adverse effect on our sales and financial condition.

Company B

Risks associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct, could harm our business.

We purchase nearly all merchandise from third-party vendors in many different countries, and we require those vendors to **adhere to a Code of Vendor Conduct**, which includes environmental, labor, health, and safety standards. **From time to time, contractors or their subcontractors may not be in compliance with these standards or applicable local laws.** Although we have implemented policies and procedures to facilitate our compliance with laws and regulations relating to doing business in foreign markets and importing merchandise into various countries, there can be no assurance that suppliers and other third parties with whom we do business will not violate such laws and regulations or our policies. Significant or continuing noncompliance with such standards and laws by one or more vendors could have a negative impact on our reputation, could subject us to liability, and could have an adverse effect on our results of operations.

Company C

We are subject to risks associated with selling and importing merchandise produced in other countries.

... We require our vendors (for both import and domestic purchasing) to **adhere to various conduct, compliance, and other requirements** including those relating to environmental, employment and labor (including wages and working conditions), health, safety, and anti-bribery standards. **From time to time, our vendors, their contractors, or their subcontractors may be alleged to not be in compliance with these standards or applicable local laws.** Although we have implemented policies and procedures to facilitate our compliance with laws and regulations relating to doing business in foreign markets and importing merchandise, there can be no assurance that suppliers and other third parties with whom we do business will not violate such laws and regulations or our policies. Significant or continuing noncompliance with such standards and laws by one or more vendors could have a negative impact on our reputation, could subject us to claims and liability, and could have an adverse effect on our results of operations.

**Examples of disclosures for the “Labor Conditions in the Supply Chain” Topic in the Apparel, Accessories & Footwear Industry*

Standardize Metrics to Ensure Comparability

Good-faith metric disclosure doesn't result in comparability across companies

Example:

“Percentage suppliers audited to a code of conduct” metrics reported on the topic Labor Conditions in the Supply Chain in existing disclosures

- Number of environmental supplier assessments
- Number of business partners adhering to our code of conduct
- Percentage of level 1, 2, 3 suppliers audited
- Percentage of tier 1, 2, 3 that have completed supplier assessments 94% of suppliers
- 166 audits; 573 facilities; 2,768 social audits
- 100% screened using labor practice criteria
- Number of environmental audits performed
- Number of social audits performed
- Percentage of supplier visits that resulted in positive audits
- Number of positive supplier audits
- Total number of audits conducted



**Noncomparable
metrics**

**Unclear
methodologies**

**Different units of
measurement**

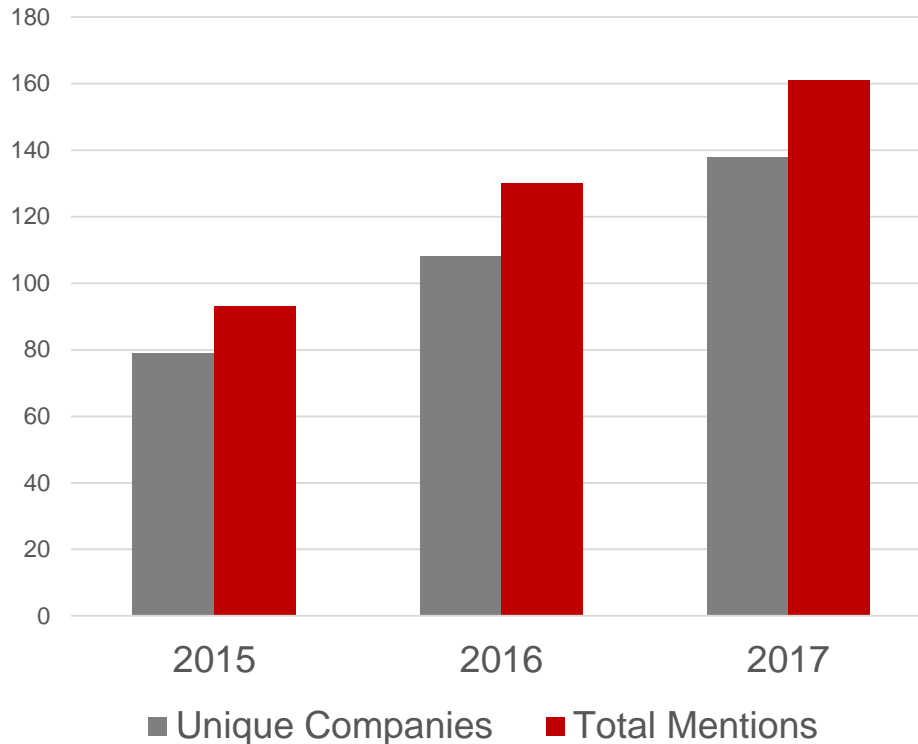
Limited usefulness

Source: Metrics identified from SASB review of 2016 Apparel, Accessories & Footwear Industry CSR reports.

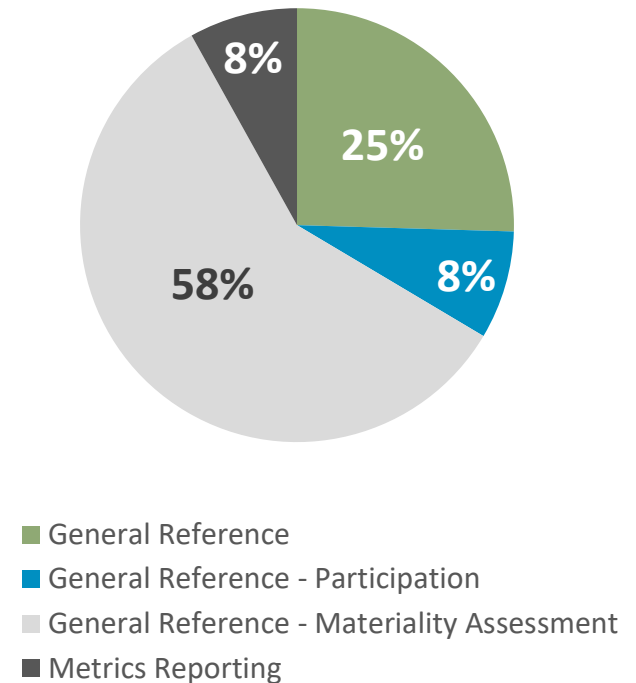
Growing Use of SASB Standards to Guide Disclosure

The number of companies that mention SASB is on the rise

SASB Mentions in Corporate Documents - Globally



Type of SASB Mentions – 2017
(161 mentions)



Companies Mention SASB Across Documents

Most frequent use of SASB Standards is in Corporate Responsibility Reports




	2015		2016		2017	
Total SASB Mentions	93	%	130	%	161	%
Corporate Responsibility	68	73%	85	65%	100	63%
Annual Report	9	10%	23	18%	27	17%
ESG Releases*	9	10%	12	9%	10	6%
DEF 14A (Definitive Proxy Statement)	1	1%	0	0%	5	3%
GRI Report	1	1%	2	2%	4	3%
Form 20-F	0	0%	0	0%	3	2%
Green Bond Report	0	0%	0	0%	3	2%
Website	0	0%	0	0%	3	2%
Form 6-K	1	1%	3	2%	2	1%
Governance Report	0	0%	1	1%	1	1%
Form 10-K	0	0%	0	0%	1	1%
PRE 14A (Preliminary Proxy Statement)	0	0%	0	0%	2	1%

Note: “ESG Releases” are public corporate documents on specific ESG topics (e.g. a company’s policy on conflict minerals, etc.)



Leading Examples of SASB Disclosure

Improving communications with investors on financially material ESG issues

				
Document	SASB Report	Sustainability Report & SASB Reference Guide	Form 10-K & Sustainability Report	Form 10-K
SASB Industry Metrics Reported	All	All	Some	Some
Alignment	SASB, TCFD	SASB, TCFD	n/a	SASB, GRI

Corporate Recognition of Value of Metrics

Recent example of disclosure of SASB metrics core to business

“We provide data on [SASB’s] energy and water management metrics that best correlate with our business and industry... These metrics enable us to better manage our portfolio, track our progress on resource efficiency improvements, and track renewable energy sourcing.”

- Digital Realty Trust, FY2017 10-K

Energy Data

Year ⁽¹⁾	Energy Consumption Data Coverage as % of Floor Area	Total Energy Consumed by Portfolio Area with Data Coverage (MWh) ⁽²⁾	Grid electricity consumption as a % of Energy Consumption	% of Energy Generated From Renewable Resources ⁽³⁾	Like-for-Like Change in Energy Consumption of Portfolio Area with Data Coverage ⁽⁴⁾	MWh per Occupied kW ⁽⁵⁾	MWh per Occupied kW Year over Year % Change
2016	84%	3,699,472	95%	23.4%	2.5%	6.50	(5.8)%
2015	77%	3,252,836	95%	9.5%	n/a	6.90	n/a

Water Data

Year ⁽¹⁾	Water Consumption Data Coverage as % of Floor Area	Total Water Consumed by Portfolio Area with Data Coverage (kGal) ⁽²⁾	Like-for-Like Change in Water Consumption of Portfolio Area with Data Coverage ⁽³⁾	kGal per Occupied kW ⁽⁴⁾	Gal per Occupied kW Year over Year % Change
2016	64%	459,127	(2.0)%	0.81	(5.8)%
2015	60%	403,373	n/a	0.86	n/a

Source: Digital Realty Trust, FY2017 10-K





**Accounting for a
Sustainable Future**