



IWG Workshop:

A Deep Dive Into Standard Setting for the Consumption 1 Sector

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#DeltaSeries

Workshop Agenda

- 1:00-1:30 Introductions and Objectives
- 1:30-2:00 A Deep Dive into SASB Standard Setting Process
Issues Backed by Strong Evidence
Considerations for Accounting Metrics
- 2:00-2:15 Break
- 2:15-3:00 Breakout Session #1- Climate Change Impacts
IWG Group discussion (20 min)
Present findings (5 min/table)
- 3:00-3:45 Breakout Session #2- Health & Nutrition
IWG Group discussion (20 min)
Present findings (5 min/table)
- 3:45-4:00 Wrap Up & Next Steps

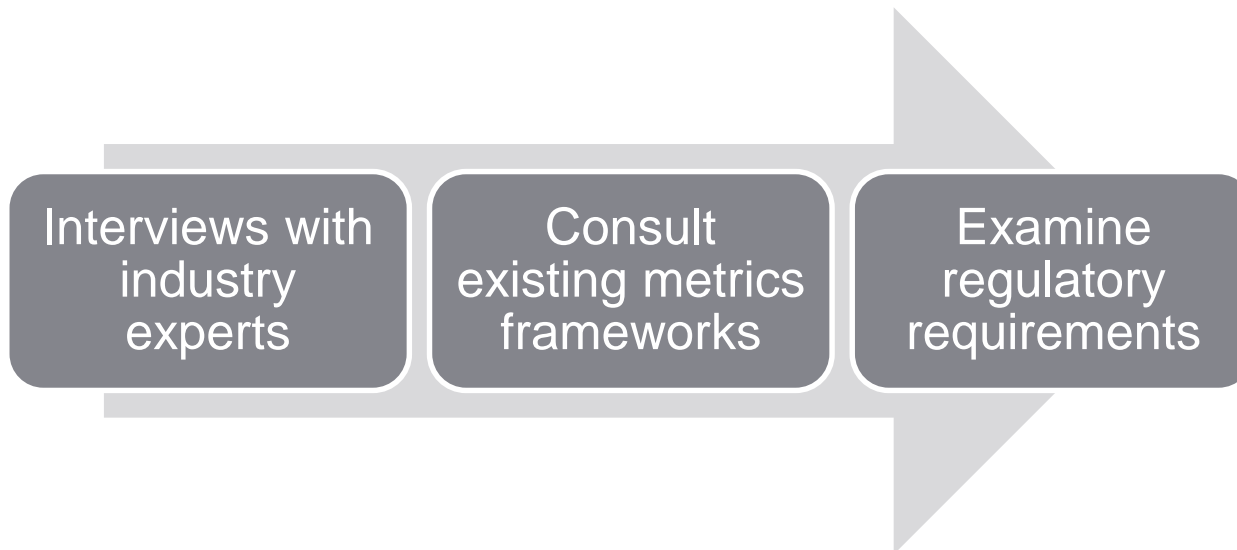


Objectives

- More Engagement
- Understand our Process
- Helping Research with Key Questions
- Next Steps
- Your Feedback



SASB Process- Research Phase



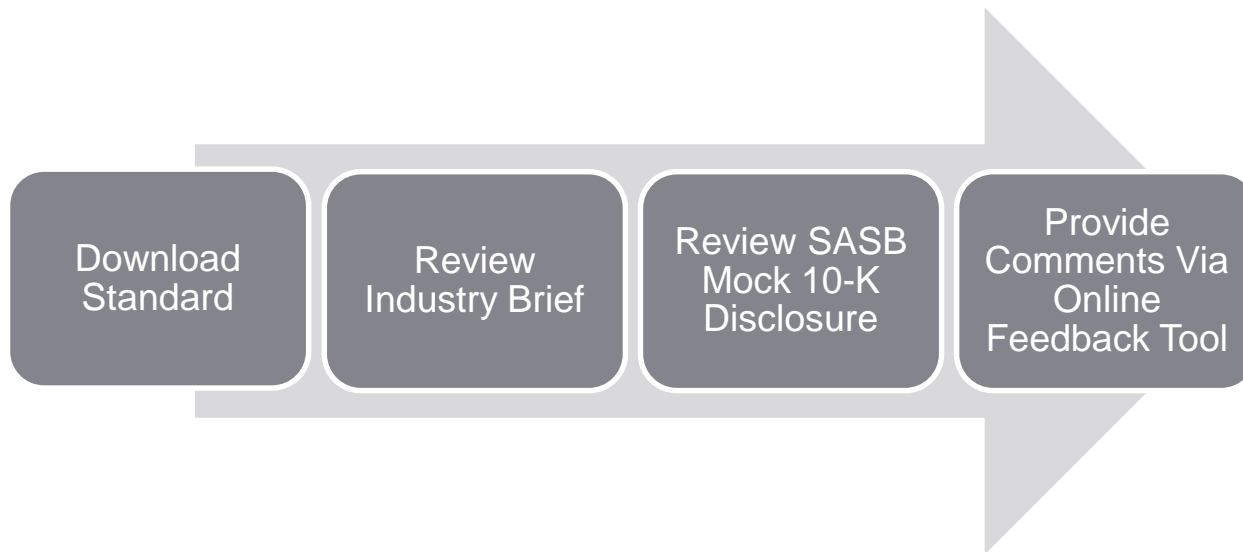
SASB Process- Development Phase

2



SASB Process- Finalization Phase

3



Materiality Assessment

SASB uses an evidence-based, multi-stakeholder approach

Universe of Sustainability Topics

Environment | Social Capital | Human Capital
| Business Model & Innovation | Leadership & Governance

Evidence-Based Research

Evidence of
Interest

Evidence of
Financial Impact

Heat Map:

- Financial Risks
- Legal Drivers
- Industry Norms
- Stakeholder Interest
- Industry R&D

Financial Value Drivers:

- Revenue and Cost
- Assets and Liabilities
- Cost of Capital

Industry Working Group

Corporations

Market
Participants

Public
Interest

Industry-Specific Disclosure

Evidence of Interest

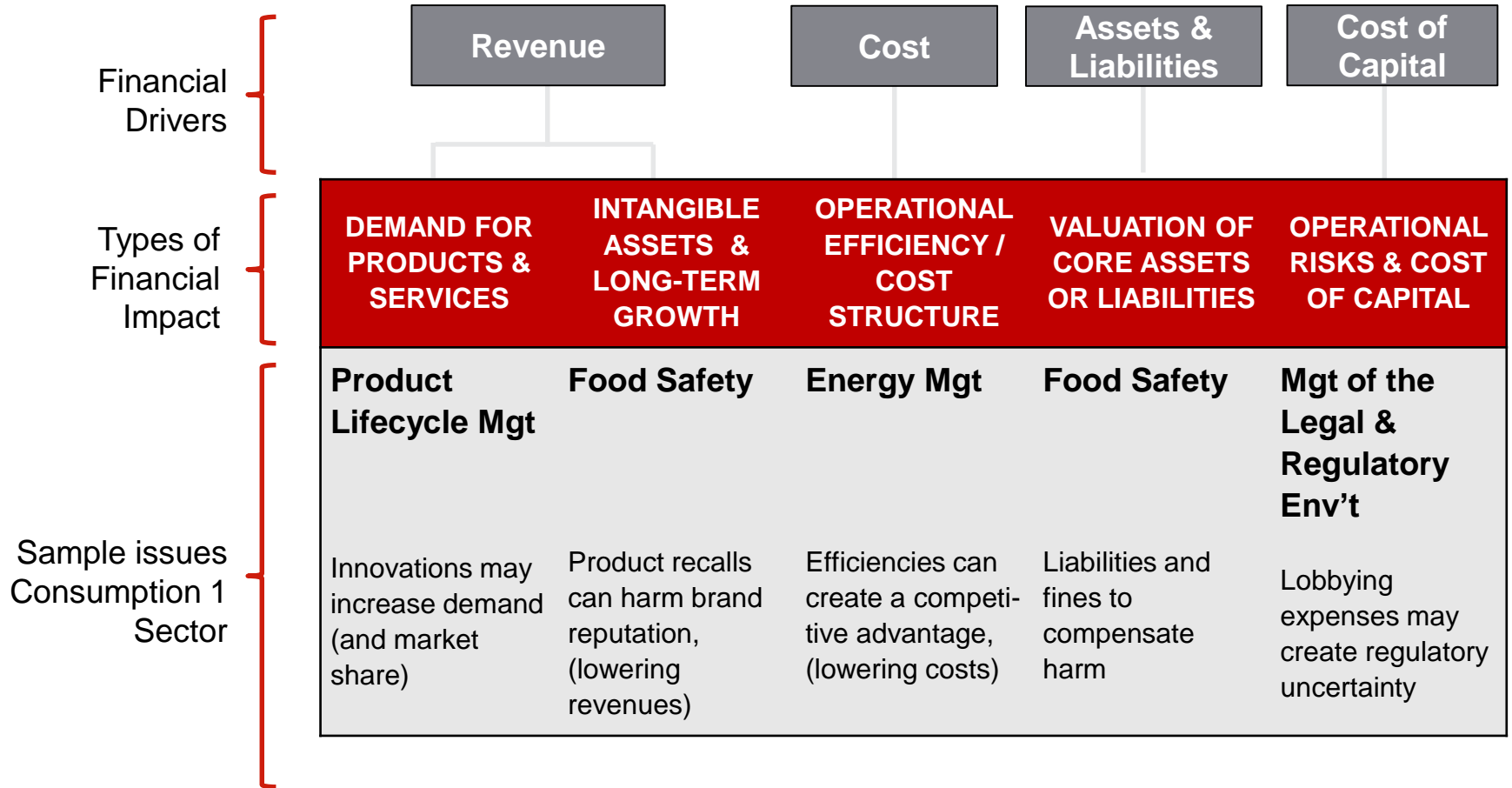
The 5 frequency tests

	Financial Risks	Legal Drivers	Industry Norms	Stakeholder Concerns	Innovation Opportunities
Source Documents	10-K and 20-F Forms	Legal news	CSR reports	Shareholder resolutions + General media	Innovation-related news
Perspective	Management	Government	Industry peers	Shareholders + General public	Industry leaders



Evidence of Financial Impact

Financial Analysis of Sustainability Performance



Industry Working Group Feedback for Consumption I Sector

	Agricultural Products	Meat, Poultry, and Dairy	Processed Foods	Non-Alcoholic Beverages	Alcoholic Beverages	Tobacco	Household & Personal Products
Environment	<ul style="list-style-type: none"> GHG Emission Water Management Land Use & Eco. Impacts 	<ul style="list-style-type: none"> GHG Emission Water Management Land Use & Eco. Impacts 	<ul style="list-style-type: none"> Energy Management & GHG Emission Water Management 	<ul style="list-style-type: none"> Energy Management & GHG Emission Water Management 	<ul style="list-style-type: none"> Energy Management & GHG Emission Water Management 		<ul style="list-style-type: none"> Water Management
Social Capital	<ul style="list-style-type: none"> Food Safety 	<ul style="list-style-type: none"> Food Safety 	<ul style="list-style-type: none"> Food Safety Health & Nutrition Labeling & Marketing Integrity 	<ul style="list-style-type: none"> Health & Nutrition Labeling & Marketing Integrity 	<ul style="list-style-type: none"> Responsible Drinking & Marketing 	<ul style="list-style-type: none"> Public Health Responsible Marketing 	
Human Capital	<ul style="list-style-type: none"> Labor Conditions 	<ul style="list-style-type: none"> Workforce Health & Safety 					
B. Model Innov.	<ul style="list-style-type: none"> Climate Change Adaptation 	<ul style="list-style-type: none"> Animal Care & Welfare Climate Change Adaptation 	<ul style="list-style-type: none"> Product Lifecycle Management 	<ul style="list-style-type: none"> Product Lifecycle Management 	<ul style="list-style-type: none"> Product Lifecycle Management 	<ul style="list-style-type: none"> Climate Change Adaptation 	<ul style="list-style-type: none"> Product Lifecycle Management Product Stewardship
Leadership & Governance	<ul style="list-style-type: none"> Supply Chain Management Management of Legal & Reg. Environment Competitive Behavior 	<ul style="list-style-type: none"> Supply Chain Management 	<ul style="list-style-type: none"> Supply Chain Management 	<ul style="list-style-type: none"> Supply Chain Management 	<ul style="list-style-type: none"> Supply Chain Management 	<ul style="list-style-type: none"> Supply Chain Management 	<ul style="list-style-type: none"> Supply Chain Management

Reviewed after IWG, expected to remain in final list

Seeking additional evidence & inputs

Issue up for removal

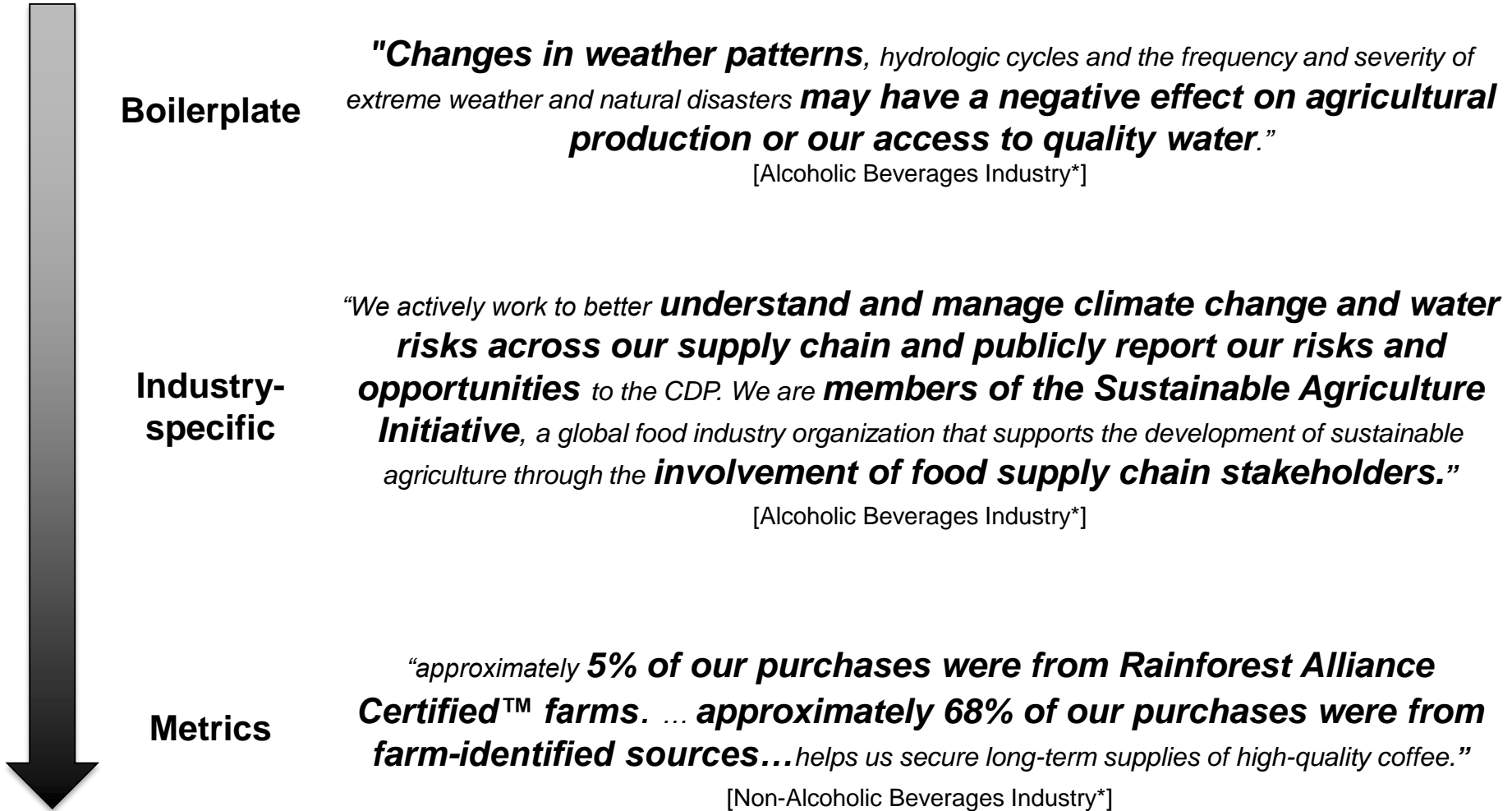


Industry Working Group Proposals for Consumption I Sector Issues

	Agricultural Products	Meat, Poultry, and Dairy	Processed Foods	Non-Alcoholic Beverages	Alcoholic Beverages	Tobacco	Household & Personal Products
Environment	<ul style="list-style-type: none"> Waste Mgt Energy Mgt 	<ul style="list-style-type: none"> Waste Mgt Air Pollution Energy Mgt 	<ul style="list-style-type: none"> Waste Mgt 	<ul style="list-style-type: none"> Ecological Impacts 	<ul style="list-style-type: none"> Ecological Impacts Waste Mgt 		<ul style="list-style-type: none"> GHG & Energy Mgt Waste Mgt
Social Capital	<ul style="list-style-type: none"> Food Security 			<ul style="list-style-type: none"> Food Safety 			
Human Capital	<ul style="list-style-type: none"> Employee Health & Safety Employee Diversity 	<ul style="list-style-type: none"> Working Conditions Community Relations 	<ul style="list-style-type: none"> Labor Relations/ Working Conditions Employee Health & Safety Employee Diversity 	<ul style="list-style-type: none"> Employee Diversity 	<ul style="list-style-type: none"> Employee Health & Safety Employee Diversity 		
B. Model Innov.	<ul style="list-style-type: none"> Product Lifecycle Mgt 	<ul style="list-style-type: none"> Food Waste 	<ul style="list-style-type: none"> Food Waste Climate Change Adaptation 			<ul style="list-style-type: none"> Counterfeit Products 	
Leadership & Governance	<ul style="list-style-type: none"> Political Spending 		<ul style="list-style-type: none"> Political Spending 				

Moving from Boilerplate Disclosure to Decision-Useful Information

SASB aims to improve quality of disclosure on sustainability topics



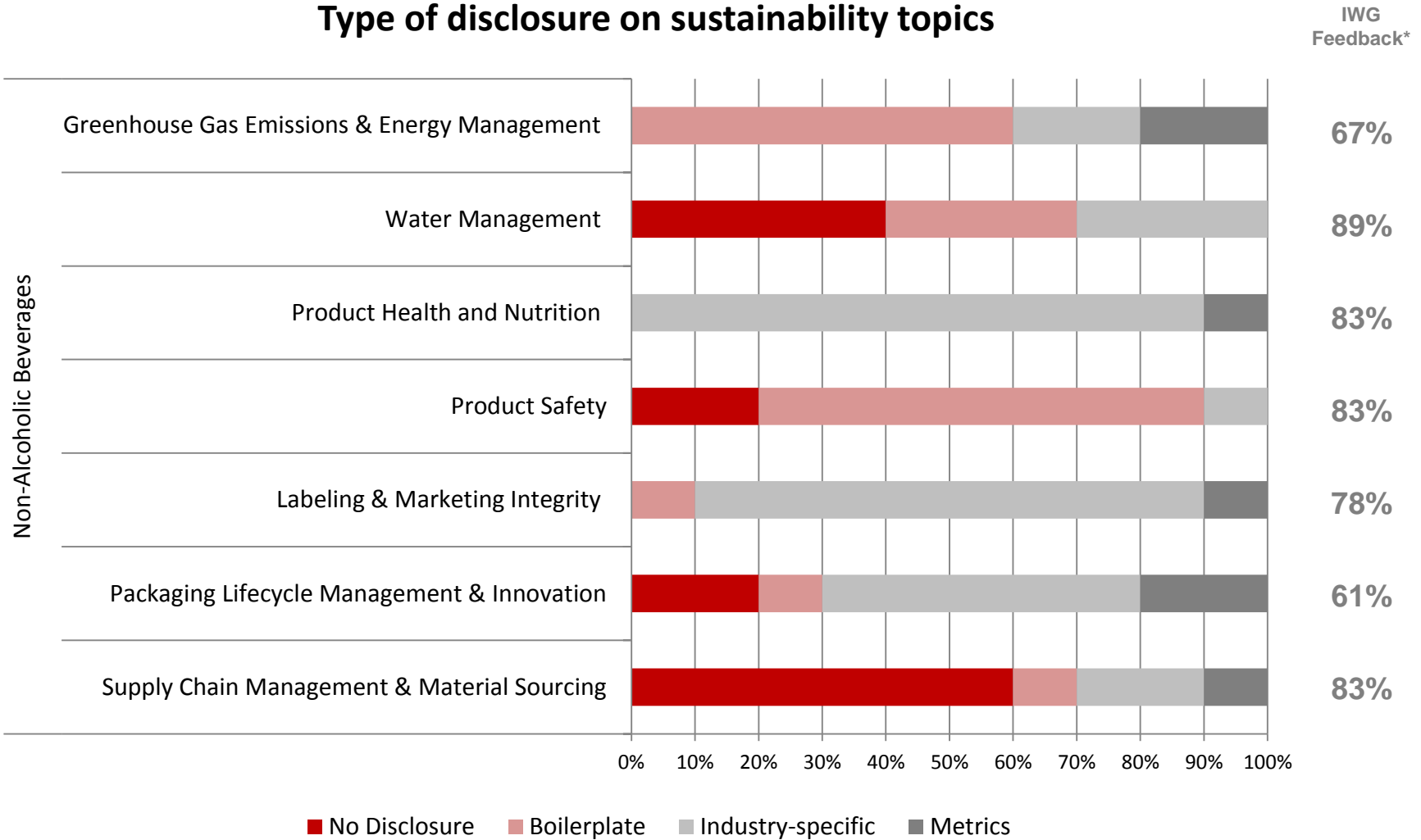
*FY 2013 Form 10-k Examples



State of Disclosure in SEC Filings – Non-Alcoholic Beverages

SASB performs disclosure quality analysis for each industry

Type of disclosure on sustainability topics



Note: 2013 annual SEC Filings for top companies in each industry





**Issues Backed by Strong Evidence
Using Water Management as an Example**



Disclosure Topic Principles

SASB is guided by these principles to select sustainability disclosure topics



Applicability to investors



Relevance across industry



Potential to affect value creation



Benefits exceeding the perceived costs



Actionable by companies



Reflective of the views of stakeholders

Water—Agricultural Products

Example of an issue backed by strong evidence

- Crop cultivation is the **greatest consumer of freshwater resources worldwide**.
 - ~70% of global freshwater is used for crop irrigation and livestock watering
- Water scarcity could lead to:
 - rising water costs, and
 - operational and/or regulatory risks
- Improving water efficiency/irrigation techniques and diversifying locations may **reduce operating costs and risks**

Water Heat Map

Evidence of Interest

SASB Heat Map

			Financial Risk	Legal Drivers	Industry Norms	Stakeholder Concerns			Innovation Opportunity	Frequency Score	Evidence of Interest
			1	2	3	4A	4B	4	5		
Environment	EN1	Climate change risks	2	0	2	0	0	0	0	4	3
	EN2	Environmental accidents and remediation	0	0	2	0	0	0	0	2	1
	EN3	Water use and management	4	4	4	3	0	2	0	14	4
	EN4	Energy management	0	0	4	3	0	2	0	6	3
	EN5	Fuel management and transportation	0	0	2	0	0	0	0	2	1
	EN6	GHG emissions and air pollution	4	0	4	0	0	0	0	8	4
	EN7	Waste management and effluents	3	0	4	1	0	1	0	8	4
	EN8	Biodiversity impacts	0	0	3	0	0	0	0	3	2
Social Capital	CM1	Communications and engagement	0	0	3	2	0	1	0	4	3
	CM2	Community development	0	0	3	1	0	1	0	4	2
	CM3	Impact from facilities	3	0	3	0	0	0	0	6	3
	CN1	Customer satisfaction	0	0	2	0	0	0	0	2	1
	CN2	Customer health and safety	4	0	3	3	0	2	0	9	4
	CN3	Disclosure and labeling	0	0	0	0	0	0	0	0	0
	CN4	Marketing and ethical advertising	0	0	0	0	0	0	0	0	0
CN5	Access to services	4	0	2	4	0	2	0	8	4	
CN6	Customer privacy	0	0	3	0	0	0	0	3	2	
CN7	New markets	4	0	2	3	0	2	0	8	4	
Human Capital	EM1	Diversity and equal opportunity	0	0	2	2	0	1	0	3	2



Water - IWG Feedback

Evidence of Interest

Number of Respondents: 27

Approval: 96%

Rank: 1st

“Whether in direct operations or in the supply chain, water is a critical input in proper quality and quantities.”

– IWG member (Market Participant)

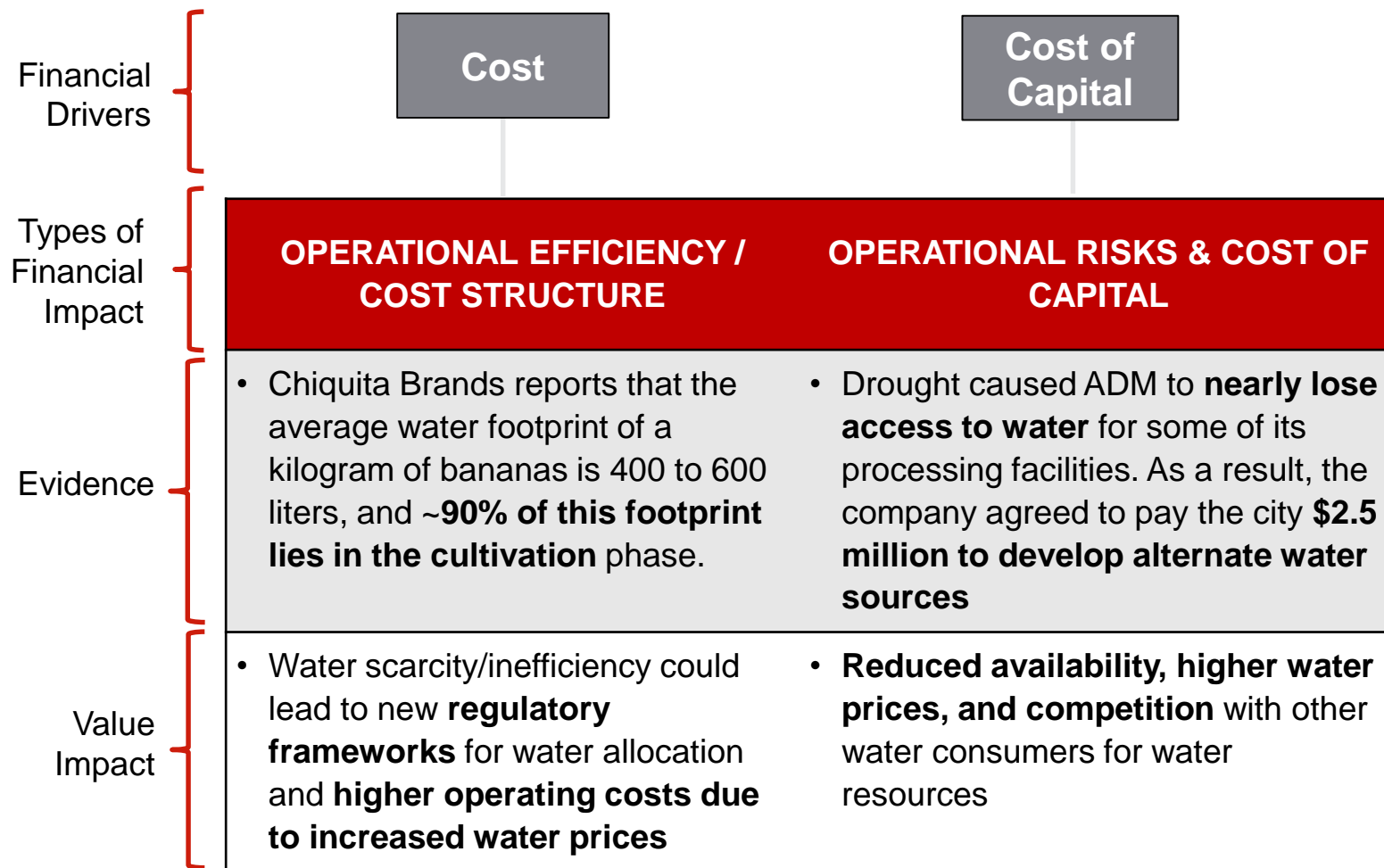
*“Weather and precipitation patterns increase the scarcity of water resources, driving up **operating costs and often necessitating capital investment**. In rain-fed systems, rainfall is typically the **most significant risk to yield** in any given year. And in irrigated systems, water is often the **most costly input** and also the most volatile in terms of price and availability. Moreover, agricultural water markets have historically been distorted by public subsidies.”*

– IWG member (Public Interest Group)



Water – Evidence of Financial Impact

Agricultural Products



Water – Suggested Metrics

Agricultural Products

Quantitative Metric:

- Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress*

Cubic
meters (m3),
Percentage (%)

Analysis

Helps identify operational efficiency of water management and exposure to risk due to water scarcity

*Baseline Water Stress is defined by according to the WRI Water Risk Atlas.



Types of Evidence Backing Up Sustainability Disclosure Topics

Issues supported by evidence of interest, financial impact, forward-looking impact

Evidence Table for Agricultural Products

Material Sustainability Topics	Evidence of Interest				Evidence of Financial Impact				Forward-looking Impact		
	HM (1-100)	IWGs		EI	Revenue / Cost	Assets / Liabilities	Cost of Capital	EFI	Probability /Magnitude	Exter-nalities	FLI
		%	Priority								
Greenhouse Gas Emissions	40	82	7	Med	•		•	Low	•	•	Yes
Water Management	70	96	1	High	•		•	High	•	•	Yes
Land Use and Eco. Impacts	33	93	3	Med	•	•		Med			No
Food Safety	63	100	2	High	•	•	•	High		•	Yes
Labor Conditions	30	89	6	Med	•	•		Med			No
Climate Change Adaptation	34	85	4	Med	•	•	•	High	•	•	Yes
Supply Chain Management	23	85	5	Med	•		•	Med	•	•	Yes
Mgt of the Legal & Reg. Env't	0	89	8	Med		•	•	Low			No
Competitive Behavior	80	70	9	Med	•	•	•	Med			No



Accounting Metrics



Accounting Metric Criteria

SASB is guided by the following criteria to develop sustainability standards



Relevant / Useful

86%



Cost-effective

82%



Comparable

75%



Auditable

81%

Average agreement
for all accounting
metrics and for all
industries

Types Of Metrics And Harmonization

Seeking harmonization to improve cost-effectiveness of standards

17

Avg. metrics per industry

80%

Quantitative

20%

Discussion and Analysis

METRIC
TYPE

METRIC
HARMONIZATION

Required public disclosure **1%**

Voluntary public disclosure **12%**

Required tracking **29%**

Internally available **58%**

Harmonized v Less Harmonized Metrics

	Topic Angle	Proposed Metric for IWG	Source
Harmonized	Agricultural Products – Food Safety		
	<ul style="list-style-type: none"> • Voluntary food safety efforts • Mandatory recalls 	Number (percentage) of facilities that meet the Global Food Safety Initiative (GFSI) requirements	Global Food Safety Initiative (SQF, Gobaal G.A.P., BRC Global, IFS)
Less Harmonized	Non-Alcoholic Beverages – Health & Nutrition		
	<ul style="list-style-type: none"> • Product quality, safety, and recalls • Changing consumer health trends • Potential health risks with unproven ingredients 	Number of products that are zero or low calorie, and percentage of segment sales that contain artificial sweeteners	Internal tracking





Q & A
Break 2:00-2:15





Breakout Session #1: Climate Change Impacts



Topic 1: Issues for Discussion

	Agricultural Products	Meat, Poultry, and Dairy	Processed Foods	Non-Alcoholic Beverages	Alcoholic Beverages	Tobacco	Household & Personal Products
Climate Change Adaptation	✓	✓				✓	
Supply Chain	✓	✓	✓	✓	✓		
Water Management	✓	✓	✓	✓	✓		✓



Issue: Climate Change Adaptation

Key Elements

- **Adaptation to precipitation and temperature** changes due to extreme weather conditions, water scarcity, and increased prevalence of pests and disease
 - Increased operational **risk of water shortages and/or rising water costs**
 - **Effects** on crop yield, quality of land, and animal feed supply, and other sourcing risks

Industries Directly Affected



Agricultural Products

Meat, Poultry, and Dairy

Tobacco

Industries In-directly Affected

Agricultural Products

Processed Food

Non-Alcoholic Beverage

Alcoholic Beverage

Meat, Poultry, and Dairy

Rationale for Discussing

- Ensure that the right impacts and risks for each industry are captured
- Metrics are useful and comparable

Issue: Climate Change Adaptation

Direct Climate Change Impact through Operational Performance

Discussion of risks and opportunities related to **crop cultivation** presented by climate change



Discussion of strategy to manage risks to **feed sourcing and livestock production** presented by climate change



Discussion of processes and procedures to manage risks to **tobacco supply** presented by climate change



Issue: Supply Chain Management

Indirect Climate Change Impact

Description of the process for managing **crop cultivation and sourcing risks** arising from environmental and social issues

List of priority raw materials and discussion of **sourcing risks due to environmental considerations**

Percentage of **feed sourced from water-stressed regions**



Issue: Climate Change Adaptation

Evidence of Interest

	Agricultural Products	Meat, Poultry, and Dairy	Processed Foods	Tobacco
SASB Heat Map Score	34	43		30
IWG Responses	Y= 85% N=15%	Y= 96% N= 4%	<i>Proposed</i>	Y= 43% N= 29%
IWG Priority Ranking	4 of 9	8 of 8		4 of 4
IWG Survey Respondents	27	26		7

Issue: Climate Change

IWG Feedback

- “Resilience to climate change is a **key indicator of the ability of supply chains to minimize exposure to very expensive risks** associated with drought and other forms of extreme weather.”

– IWG Public Interest

- “Supply chain management is **critical to profitability** in this industry. The margins in this industry are very thin. **Efficiency and supply chain management are the key competitive drivers** for success.”

– IWG Corporation

- “It **depends on the investors' time horizon**. A 10 year horizon offers a substantially lessened exposure than a 30 year horizon to the effects of CC.”

– IWG Corporation

Issue: Climate Change Adaptation

Items for Discussion

1. Capturing differentiated impact of climate. Climate has direct impact on operations, indirect impacts on supply chain. It also impacts availability of water, which is a standalone issue for most industries in this sector.

- a. Are we capturing the right impacts for each industry (e.g. direct impact for meat)?
- b. Should we consider a tiered approach for commodities or regions with different levels of risk? If so, what would you recommend we consider?

2. Decision useful and comparable metrics? Currently the metrics focus on strategies, risk and opportunities. They also focus on the broad portfolio of companies crops that they are producing or sourcing.

- a. Is it decision-useful to ask for qualitative disclosures about climate risk, opportunities and long-term strategy?
- b. How do we make metrics specific enough to reflect different sensitivity of commodities to climate change yet generic enough that it is comparable?



Topic #2: Health & Nutrition



Issue: Health & Nutrition

Key Elements

- Chronic and acute health & nutrition impacts of additives, synthetic sugars, trans-fats, MSG, etc.
- Improving nutritional value of food and quality for growth opportunities (Organic, non-GMO, Natural), non-additives.
- Portion Size
- Product taxes and bans

Industries Affected



Processed Foods



Non-Alcoholic Beverages

Rationale for Discussing

- There are many trends on this topics, need more clarity on the most important ones.
- Feedback on balancing positive/negative portfolio elements

Issue: Health & Nutrition

Proposed Metrics (Examples)

Description of **strategy to address health impacts** from products ingredients, portion size, or nutritional value

Percent of product portfolio containing **ingredients or additives** outside the FDA category of GRAS

Total addressable market and share of market for products **addressing health and nutrition trends**

Description of organization's **strategies to address product health profile** and approach to determining health risks of unproven products

Number of products that are **zero or low calorie**, and percentage of segment sales that contain **artificial sweeteners**



Processed Foods



Non-Alcoholic Beverages

Issue: Health & Nutrition

Evidence of Interest

	Processed Foods	Non-Alcoholic Beverages
SASB Heat Map Score	56	56
IWG Responses	Y= 86% M= 14% N= 0%	Y= 83% M= 17% N= 0%
IWG Priority Ranking	2 of 7	3 of 6
IWG Survey Respondents	29	18



Issue: Health and Nutrition

Items for Discussion

1. Major Trends/Topics

- a. Are there specific elements of health/nutritional profiles that are more important (to consumers or regulators) than others (i.e. organic, GMO, sugar-free)?
- b. How do we distinguish between long-term trends and fads?

2. Corporate Performance

- a. Should specific ingredients (i.e. BPA, trans-fats, artificial sweeteners, etc) be disclosed separately, or should broader metrics be used?
- b. Do the topics and metrics balance the risks and opportunities relating to this issue (i.e. both “positive” and “negative” aspects)?
- c. Are there additional gray areas “like low artificial” that fall between positive and negative attributes that need to be better defined? E.g. should "low artificial" be accounted for in the metrics?



New Issues



Industry Working Group Proposals for Consumption I Sector Issues

	Agricultural Products	Meat, Poultry, and Dairy	Processed Foods	Non-Alcoholic Beverages	Alcoholic Beverages	Tobacco	Household & Personal Products
Environment	<ul style="list-style-type: none"> Waste Mgt Energy Mgt 	<ul style="list-style-type: none"> Waste Mgt Air Pollution Energy Mgt 	<ul style="list-style-type: none"> Waste Mgt 	<ul style="list-style-type: none"> Ecological Impacts 	<ul style="list-style-type: none"> Ecological Impacts Waste Mgt 		<ul style="list-style-type: none"> GHG & Energy Mgt Waste Mgt
Social Capital	<ul style="list-style-type: none"> Food Security 			<ul style="list-style-type: none"> Food Safety 			
Human Capital	<ul style="list-style-type: none"> Employee Health & Safety Employee Diversity 	<ul style="list-style-type: none"> Working Conditions Community Relations 	<ul style="list-style-type: none"> Labor Relations/ Working Conditions Employee Health & Safety Employee Diversity 	<ul style="list-style-type: none"> Employee Diversity 	<ul style="list-style-type: none"> Employee Health & Safety Employee Diversity 		
B. Model Innov.	<ul style="list-style-type: none"> Product Lifecycle Mgt 	<ul style="list-style-type: none"> Food Waste 	<ul style="list-style-type: none"> Food Waste Climate Change Adaptation 			<ul style="list-style-type: none"> Counterfeit Products 	
Leadership & Governance	<ul style="list-style-type: none"> Political Spending 		<ul style="list-style-type: none"> Political Spending 				



Wrap Up & Next Steps



Next Steps

- ✓ Participate in Public Comment Period- Begins **January 13th, 2015**

<http://www.sasb.org/engage/public-comment/>

- ✓ Follow Consumption I Sector Status

<http://www.sasb.org/sectors/consumption/>

- ✓ Help Spread the Word

Invite SASB to speak at relevant meetings/conferences/webinars

- ✓ Download Provisional Standards and Consider Use

Release scheduled for **June 2015**

<http://www.sasb.org/standards/download/>



Q&A





**Accounting for a
Sustainable Future**

Thank You!