

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

*Industry Working Group
Orientation Materials*

May 2014





Contents

Welcome	1
SASB Industry Working Groups – an Introduction	2
Resources	3
Process	3
The “Materiality Lens”	4
Working Group Timeline	5
Protocol and Rules of Engagement.....	6
Contact SASB	8
Appendices	i
Appendix I – SASB Principles	i
Appendix II – ESG-related Topics Included in SASB Research	iii
Appendix III – Sustainable Industry Classification System™ (SICS™).....	iv



Welcome

On behalf of the Sustainability Accounting Standards Board (SASB), we welcome you as a participant in our Industry Working Groups (IWGs). SASB's goal is ambitious – and necessary. It has the potential to change and improve corporate disclosure, on par with the accomplishments of the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB).

SASB Standards provide disclosure guidance for industry-specific sustainability topics. Companies determine whether the SASB topics contain material information in its operating context, and then use the SASB Standards to disclose material information about that topic.

Creating new standards must involve the perspectives of professionals like yourself, who know the industry and understand the challenges and opportunities posed by sustainability topics.

We recognize your time is valuable, and thus are committed to efficiently leveraging your time and expertise to provide outcomes that will benefit investors, corporations, and the public.

Again, on behalf of SASB, thank you for your time and expertise. Please keep in touch during the working group process and let us know what we can do to continue to improve the experience.

Sincerely,

Jean Rogers
Executive Director & Founder

Katie Schmitz Eulitt
Director, Stakeholder Engagement
Advisory Council Chair

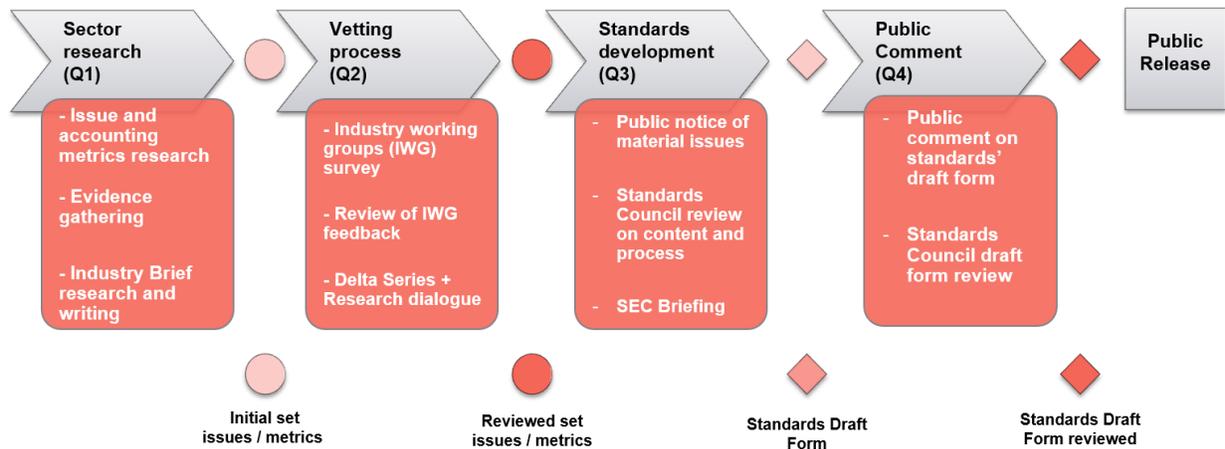


SASB Industry Working Groups – an Introduction

Thank you for committing to participate in the important work of SASB’s industry working groups (IWGs).

The Sustainability Accounting Standards Board (SASB) was created to fill a void in a world characterized by greater uncertainty, a broader range of risks and opportunities, and significant resource constraints beyond access to financial capital. SASB standards articulate industry-specific, material, non-financial factors facing companies and investors today.

Industry Working Group (IWG) members play a critical role in the standards development process (shown below), providing expert feedback on SASB standards, helping to ensure the standards will be decision-useful for companies and investors alike.



SASB Standards Development process is certified by:





Resources

The table below delineates the resources you need to fulfill your role in your IWG, as well as the means by which these materials will be made available to you.

Item	Where to Find It
1. SASB Industry Research Brief	Links to your SASB industry research briefs questionnaires will be distributed via email ¹ based on the group(s) for which you have registered. You will receive a separate email associated with each group for which you have registered.
2. SASB Principles	Appendix I of this document
3. Review the “Materiality Lens”	Page 4 of this document
4. SASB IWG Questionnaire	Links to industry briefs and questionnaires will be distributed via email based on the group for which you have registered. You will receive a separate email associated with each group for which you have registered.

You will receive items 1-3 above by the start date of your working group(s). Item 4, the SASB IWG questionnaire will be emailed several days after the launch of the working group.s

If you do not receive these materials via email, **please check your junk mail and spam filters**. Please follow up with Katie Schmitz Eulitt (katie@sasb.org) for any missing documents.

Process

Your work with a SASB industry working group should take just a few hours of self-paced time. The work flow is straightforward.

1. **Read this document**
 - a. **SASB Principles**
 - b. **“Materiality Lens”**
2. **Review the SASB Industry Brief**
3. **Complete your SASB questionnaire**

Key points to note about the Industry Questionnaire:

¹ Please request a hard copy of SASB working group materials if you have difficulties accessing and/or working with them online.



- **Please carefully review all the materials mentioned above before beginning the questionnaire.**
- You may start and stop the questionnaire at any time.
- You may complete the questionnaire at your own pace during the period during which your IWG is in session.
- Questionnaire results will be aggregated and all answers will be anonymous.

The “Materiality Lens”

As you read the SASB Industry Brief and later respond to our Industry Questionnaire, we ask that you view these materials through a “materiality lens”. You will be reviewing evidence compiled by SASB to substantiate the inclusion of disclosure topics for the industry in SASB standards that will be issued in 2015..

Ask yourself the following questions as you review the proposed disclosure topics identified by SASB for your industry:

- Is there evidence of the financial impact of information on this topic on companies in the industry?
- Is potential for systemic disruption inherent in this disclosure topic?
- Would it be valuable for companies to manage this issue?
- Are suggested accounting metrics decision-useful for investors?
-

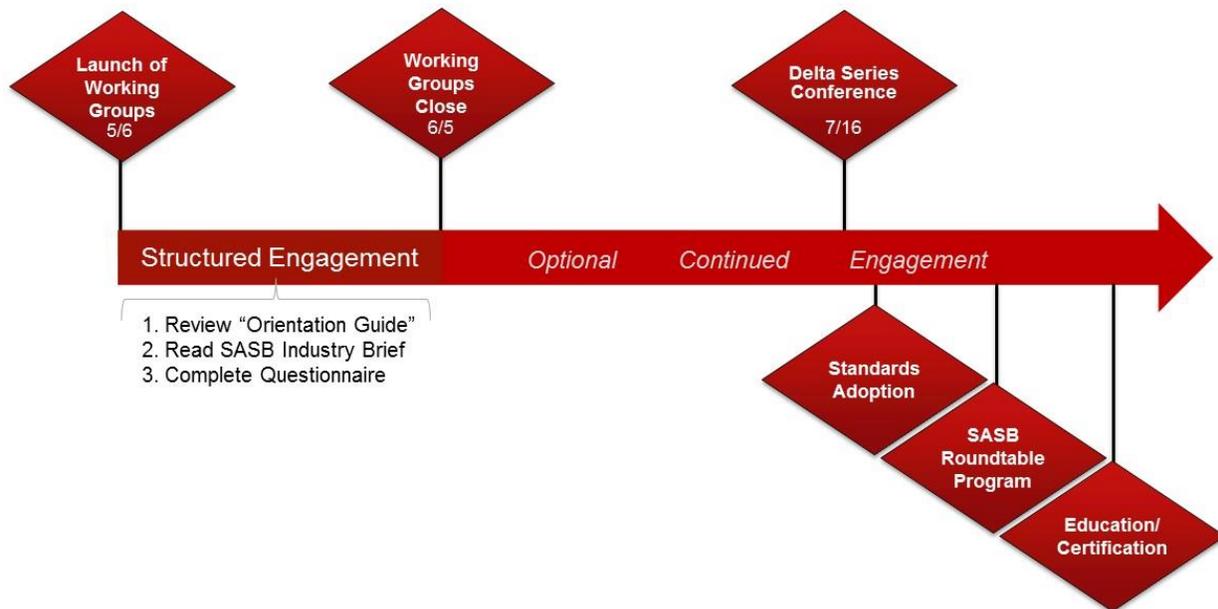
As you respond to the survey, please SASB’s Principles (see Appendix I) in mind. It may also be helpful to re-read the agreement letter you signed when you registered to participate in our IWGs (included in Section II of this document under *Protocol and Rules of Engagement*) before you begin.

For a more detailed overview of SASB’s approach on materiality, including the Supreme Court’s definition of materiality, please refer to our [Conceptual Framework](#), as well as the *Regulation, Materiality and Evidence – SASB’s Approach* in Section II of this document.



Working Group Timeline

Structured Engagement & Beyond



Opportunities for additional optional engagement include ongoing engagement with SASB and fellow group members through the SASB Delta Series. Delta Series conferences feature industry experts and luminaries at the intersection of sustainability and finance. They provide opportunities to network with other IWG members, participate in panel discussions regarding SASB standards, and explore use of SASB standards in your organization.



Protocol and Rules of Engagement

All interactions within the IWGS are conducted under Chatham House Rule.

As a reminder, every IWG participant has signed the SASB Industry Working Group Agreement when registering to participate in a SASB Industry Working Group. Please review the complete agreement, reiterated below, as you engage in your work as a SASB IWG participant.

1. I will support SASB as an independent, non-profit standards setting organization that can enable the capital markets to recognize all underlying forms of capital upon which sustainable value creation depends, by keeping apprised of its current activities and publications.
2. I understand SASB'S key stakeholders to be publicly traded U.S. corporations, the Securities and Exchange Commission, and the investment community. I understand the beneficiaries of SASB to be the public, who will benefit from improved environmental, social and governance performance and competitiveness of U. S. industries; U.S. corporations, who will gain sustainable value creation; and the investment community, who will benefit from a more sustainable and robust pool of investment opportunities.
3. I agree to promote the work of SASB and the need for industry-based sustainability performance and disclosure standards in the corporate and financial communities as appropriate.
4. I understand the charter of the IWGs is to create the best industry Standard available, at any given time, and I offer my experience and expertise in the spirit of this objective.
5. I agree to uphold a high level of integrity to the sustainability Standard.
6. I acknowledge I am participating in an IWG as an individual, representing myself and bringing my own expertise and experience. Furthermore, I acknowledge I am not representing my employer nor does my participation in an IWG signify an endorsement from my employer.
7. While my participation in an IWG does not commit my employer/company to pilot SASB industry Standards, I understand SASB's interest in doing so and I will advise my organization of the Standard's existence.
8. I hereby agree not to share access to the IWG brief and survey with any of my colleagues. I acknowledge that I will be the sole-user of these materials. Should I choose to engage in a discussion with my colleagues, relevant to the SASB Standards development process, I will indicate that in the feedback I provide.
9. As a member of an IWG, I understand that I will be invited to be a member of the Consensus Body as part of the American National Standards Institute (ANSI) process to approve the full body of SASB standards for 80+ industries, once completed. Invitation to join the Consensus Body does not mandate participation.
10. I agree to openly and honestly assess the "real world" application of the Standards.



11. I understand that my comments and suggestions put forth while participating in an IWG will be considered by SASB's staff but are not guaranteed incorporation into the final Standard.
12. While active participation in an IWG is a finite amount of time, I agree to be available as a resource to SASB for a period of three years, commencing from when my IWG begins activity.
13. The IWGs will operate under the Chatham House Rules. When a meeting is held under the Chatham House Rules, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

I will carry out the above agreements to the best of my ability and this agreement can be terminated at SASB's sole discretion without cause.



Contact SASB

If you have questions or comments about your experience with our IWGs or, if you experience technical difficulties with SASB Industry Questionnaire, please contact our Stakeholder Engagement Team:

Katie Schmitz Eulitt
Director, Stakeholder Engagement
Advisory Council Chair
email: katie@sasb.org
phone: +1.415.830.9220, ext. 105

Harrison Thomas
Manager, Stakeholder Engagement
email: harrison.thomas@sasb.org
phone: +1.415.830.9220, ext. 123

Deb Martin
Manager, Stakeholder Engagement
email: deb.martin@sasb.org
phone: +1.415.830.9220, ext. 122



Appendices

Appendix I – SASB Principles

SASB has articulated a core set of Principles that will guide decision-making throughout SASB's evolution. These principles will serve an important checklist against which to compare tangible progress.

Our standards development and improvement process is designed to facilitate broad participation and objectively consider all stakeholder views and is subject to oversight from an external Standards Council and the SASB Board of Directors. The Principles will guide all stakeholders that, alongside our staff, will be involved in setting each industry's standards.

SASB WILL ISSUE STANDARDS WHEN:

1. **They are applicable to all investors.** SASB will publish standards on an issue *if and only if* the evidence base indicates that the issue is material across constituencies.
2. **They are pertinent and relevant across an Industry.** SASB will only publish standards on issues that present a robust evidence base for being systemic and/or endemic to the industry. **They are focused on driving value creation.** In addition to using an evidence-base to determine materiality, SASB will strive to ascertain, through research and documentation of the Industry Working Groups, the link of each standard with long term value creation, valuation and/or risk mitigation.
3. **The expected benefits exceed the perceived costs.** SASB will strive to determine that a proposed standard fills a significant need on the part of investors or the public and that the perceived costs it imposes, compared with possible alternatives, are justified in relation to the overall expected benefits.
4. **They are actionable by the companies.** They are within the control or influence of companies and industries.
5. **They are easily verified.** SASB standards must be measurable, quantifiable when possible, comparable, replicable and auditable.
6. **They are objective and support decision making.** SASB will ensure, insofar as possible, the neutrality of information resulting from its standards. To be neutral, information must report non-financial performance as faithfully as possible, emphasizing material issues rather than value judgments. **They are of the highest quality possible at any given time.** SASB will strive to integrate best-in-class thinking and data to identify the most appropriate approaches. Standards will be grounded in a consistently applied framework, clear and unambiguous language and will provide necessary detail to support replicable disclosure from company to company.



7. They embody **the minimum set of standard criteria** which are:
- Applicable: The accounting metric is applicable to most companies in the industry
 - Auditable: The data underlying this accounting metric can be verified
 - Comparable: The data allow for peer-to-peer benchmarking within the industry
 - Complete: Individually, or as a set, the accounting metric provides enough information to understand and interpret performance associated with the material issue
 - Cost-effective: The data are already collected by most companies or can be collected in a timely manner and at a reasonable cost
 - Directional: The accounting metric provides clarity about whether an increase/decrease in the numerical value signals improved/worsened performance
 - Relevant: Adequately describes performance related to the material issue, or is a proxy for performance
 - Useful: Provides decision-useful information to companies and investors
8. They are **reflective of the views of stakeholders**. SASB will actively solicit input and carefully weight all stakeholder views in developing standards. When needed, SASB will act as the final determinant of standards and will base such determination on research, industry consultation, public input, SASB's judgment and careful deliberation about the usefulness, materiality and cohesiveness of resulting information.
9. They support **the shift to integrated reporting**, that is to say, the inclusion of sustainability standards in financial disclosures such as the Form 10-K and 20-F. The standards will be designed to be compatible with financial disclosure mechanisms currently required by the SEC.
10. They support **the convergence to international accounting standards**, by considering the usefulness of the standards to existing efforts in disclosure and reporting frameworks in countries around the world.

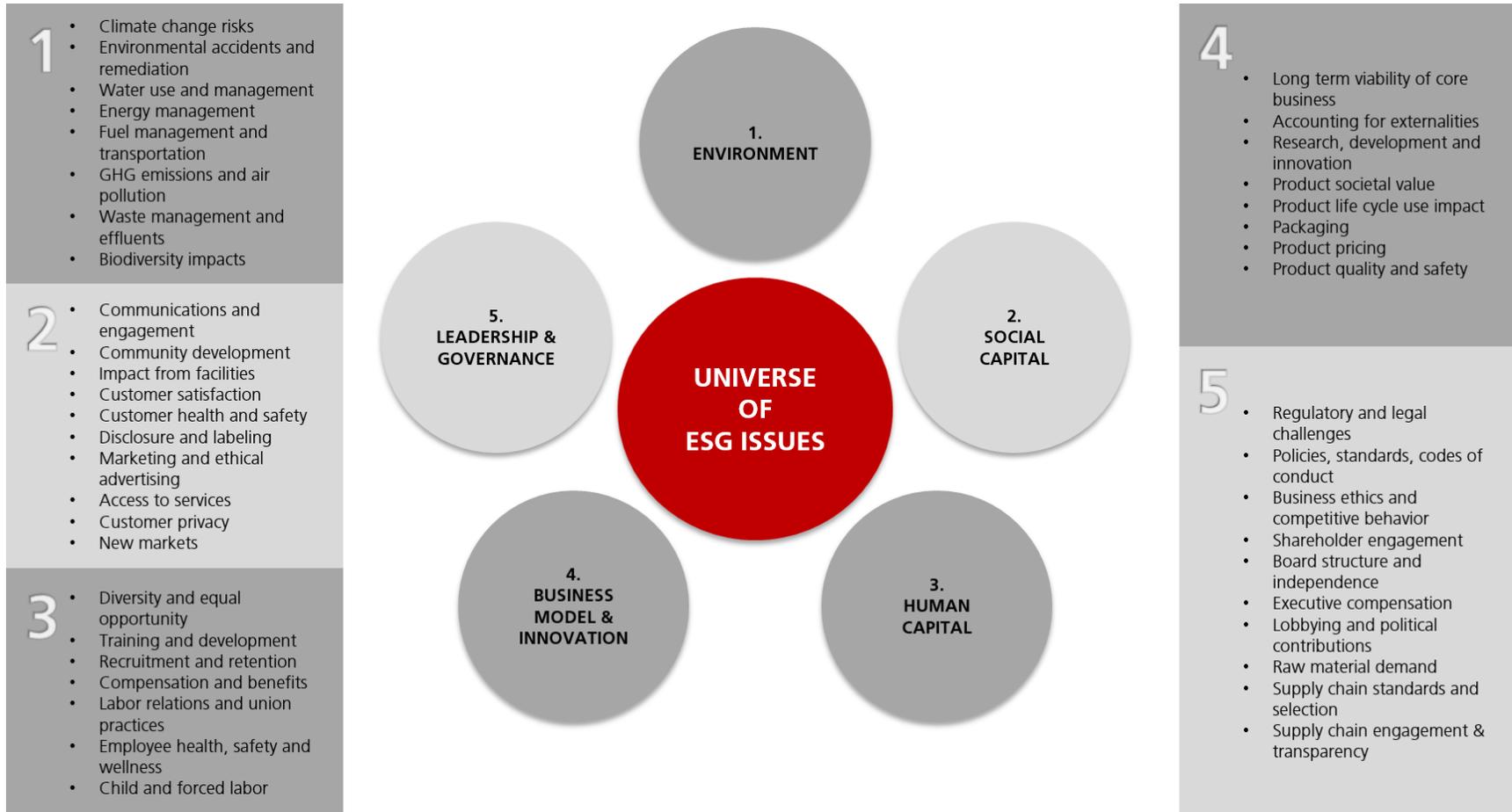
SASB WILL ALSO UPHOLD THE FOLLOWING GENERAL PRINCIPLES:

- To **judiciously manage standards improvement**, balancing the desire to minimize disruption of accounting, financial reporting and annual reporting with the need to improve usefulness of information. SASB must also balance the desire for comprehensive improvements against the need for simpler and more cost effective incremental improvements.
- To **provide clear, transparent and timely communications**, endeavoring at all times to keep the public informed of important developments about SASB's operations, activities, standards setting process and timelines for public comment.
- To **openly and honestly assess the 'real world' application of the standards** and review the effects of past decisions and interpret, amend, or replace standards in a timely fashion if such action is warranted.



Sustainability Accounting Standards Board Industry Working Group Orientation Packet

Appendix II – ESG-related Topics Included in SASB Research





Sustainability Accounting Standards Board Industry Working Group Orientation Packet

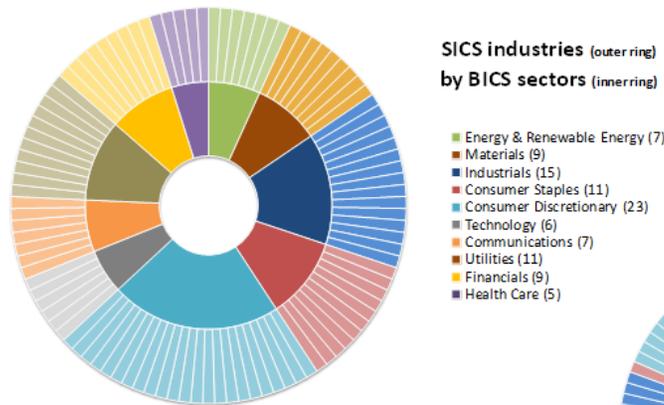
Appendix III – Sustainable Industry Classification System™ (SICS™)

Most major industry classification systems use revenue as their basis for classifying companies into specific sectors and industries. However, a company’s market value is determined by much more than financial performance alone. In order to more easily surface non-financial information and patterns, SASB developed the Sustainable Industry Classification System (SICS), which categorizes industries in order to acknowledge their **resource intensity** as well as their **sustainability innovation potential**. The system is tied back to standard classification systems (e.g., GICS and BICS) so users don’t have to learn another system and can toggle between a ‘traditional’ view and a more thematic view.

Traditional and Sustainable views

SICS’s 103 industries organized by BICS sectors and SICS thematic sectors

BICS –Traditional



SICS –Sustainable

