



GRI & SASB™

AN UNDERSTANDING OF ALIGNMENT

A BROWNFLYNN WEBINAR || MAY 21, 2014



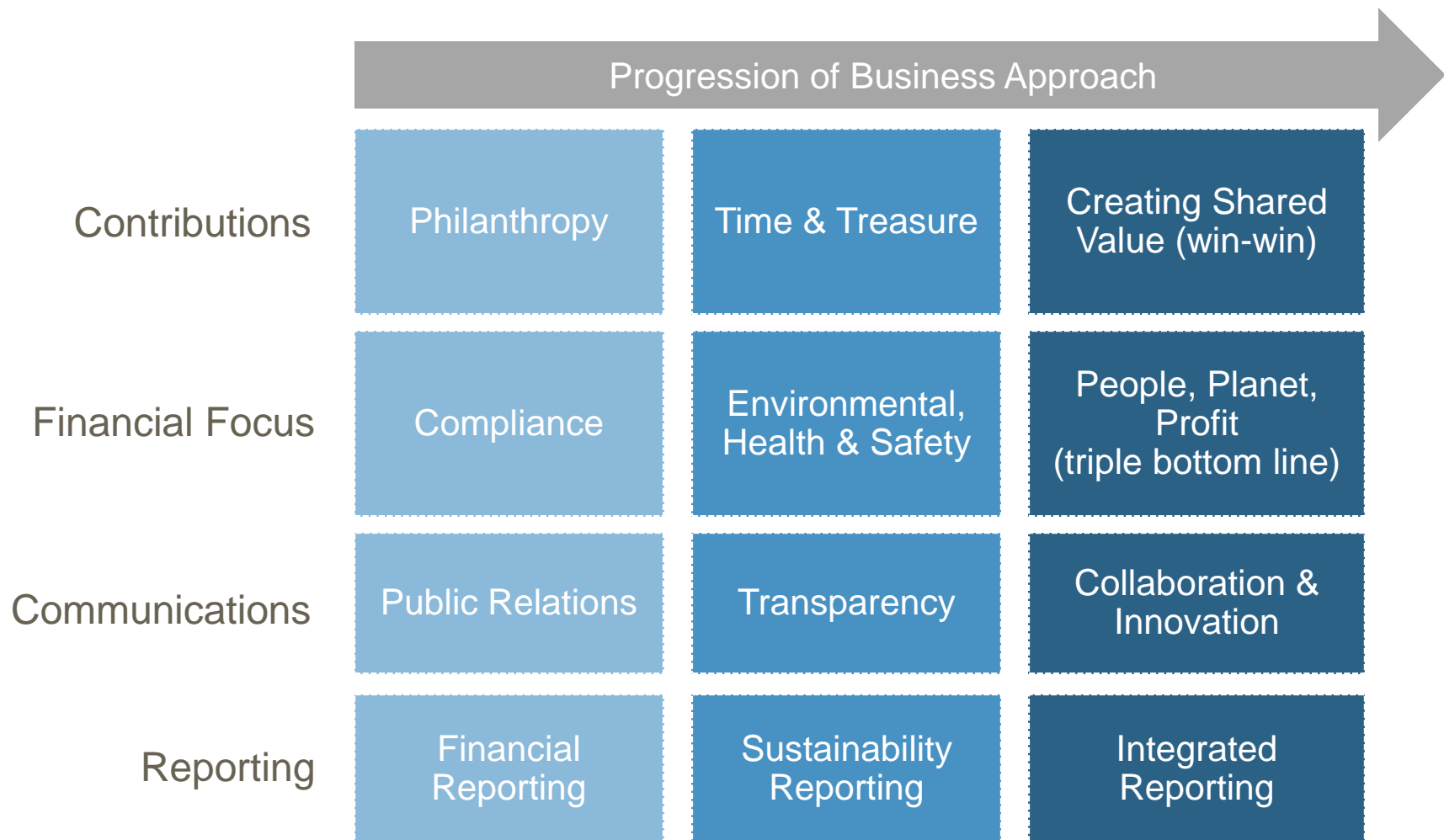
Do Good. Do Well. **Win.**™

- Founded in January 1996
- Leading corporate responsibility and sustainability consulting firm
- Extensive experience in guiding regional, national and global clients on their sustainability journeys
- Founding member U.S. Business Council for Sustainable Development
- First U.S.-certified Global Reporting Initiative (GRI) training partner
- Carbon Disclosure Project (CDP) accredited silver consultancy partner
- BrownFlynn is a women-owned company



- BrownFlynn is a certified training partner for GRI, but the material presented here is not GRI-certified content.
- BrownFlynn has no official relationship with SASB™. SASB™ is currently in the process of developing certified training content. All information provided comes from the SASB™ website.

- **Materiality trends**
- What are SASB™ and GRI?
- How SASB™ and GRI support each another



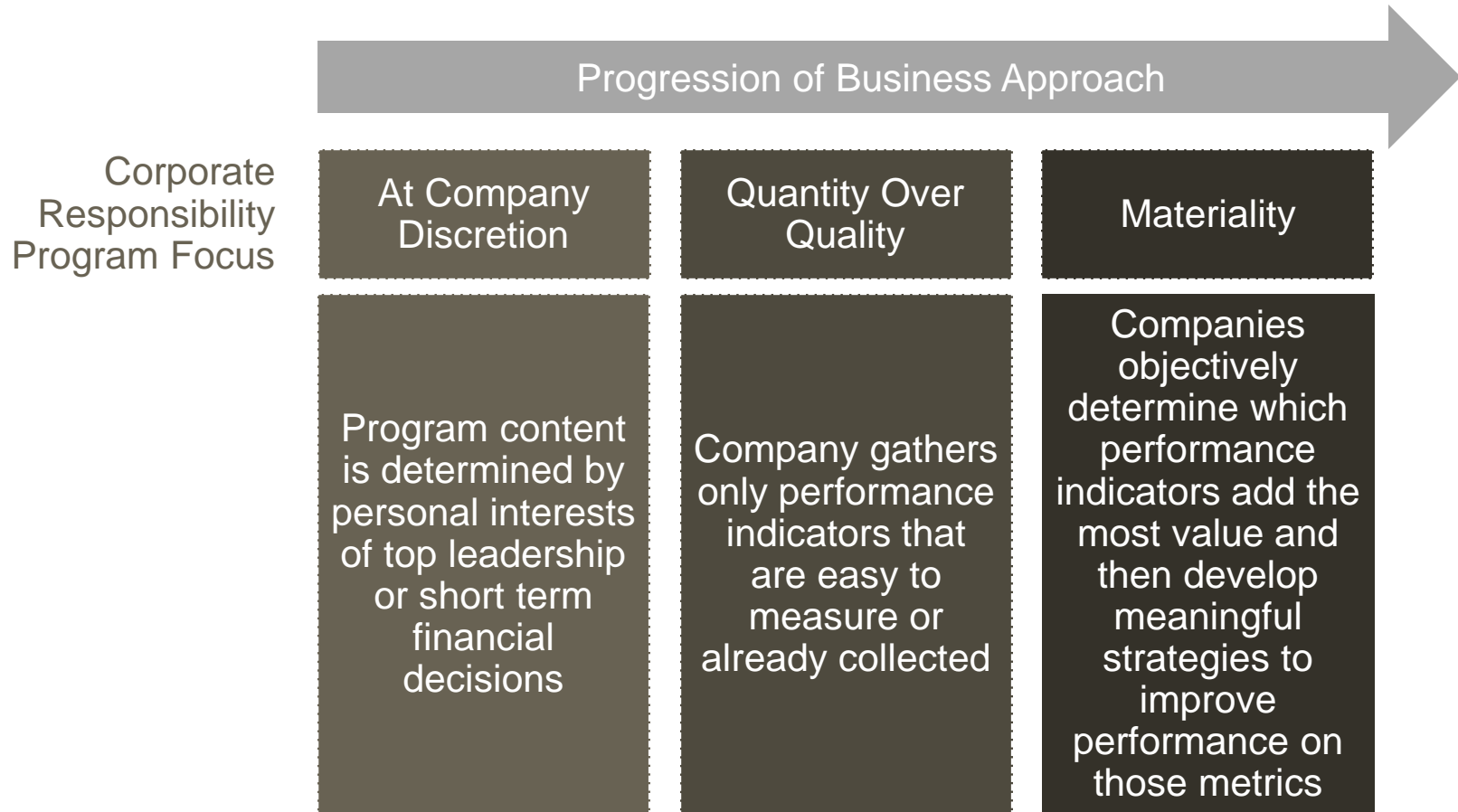


Table of Comparisons

SASB	GRI
10-K (or 20-F)	Sustainability Report
Determined through the lens of investors	Determined through the lens of all stakeholders (employees, communities, NGOs, partners, investors, end users, media, etc.)
Standards are established at the industry level to help guide companies	GRI guidelines apply to all companies with some metrics established at the industry level (sector supplements)
“Companies are ultimately responsible for determining which information is material to their operations and are required to include such information in their Form 10-K or 20-F and other periodic SEC filings.”	Companies determine which topics are material, and GRI provides a framework through which material topics can be identified.

Materiality as defined by the **U.S. Supreme Court**:

“...presenting a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable **investor** as having significantly altered the total mix of information available”.

Materiality as defined by **GRI**:

“The report should cover Aspects [topics] that:

- reflect the organization’s significant **economic, environmental and social impacts**;

or

- substantively influence the assessments and decisions of **stakeholders**”

- Materiality trends
- **What are SASB™ and GRI?**
- How SASB™ and GRI support each another

“SASB provides sustainability accounting standards for publicly-listed corporations in the U.S. for use of disclosing material sustainability issues for the benefit of investors and the public. SASB standards are intended for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as Form 10K and 20-F.”

SASB seeks to provide investors with comparable information.

Source: <http://www.sasb.org/approach/conceptual-framework/>

Why is it important?

SASB™ is establishing an understanding of material sustainability issues facing industries and creating sustainability accounting standards suitable for disclosure in standard filings to the SEC, such as the Form 10-K and 20-F.

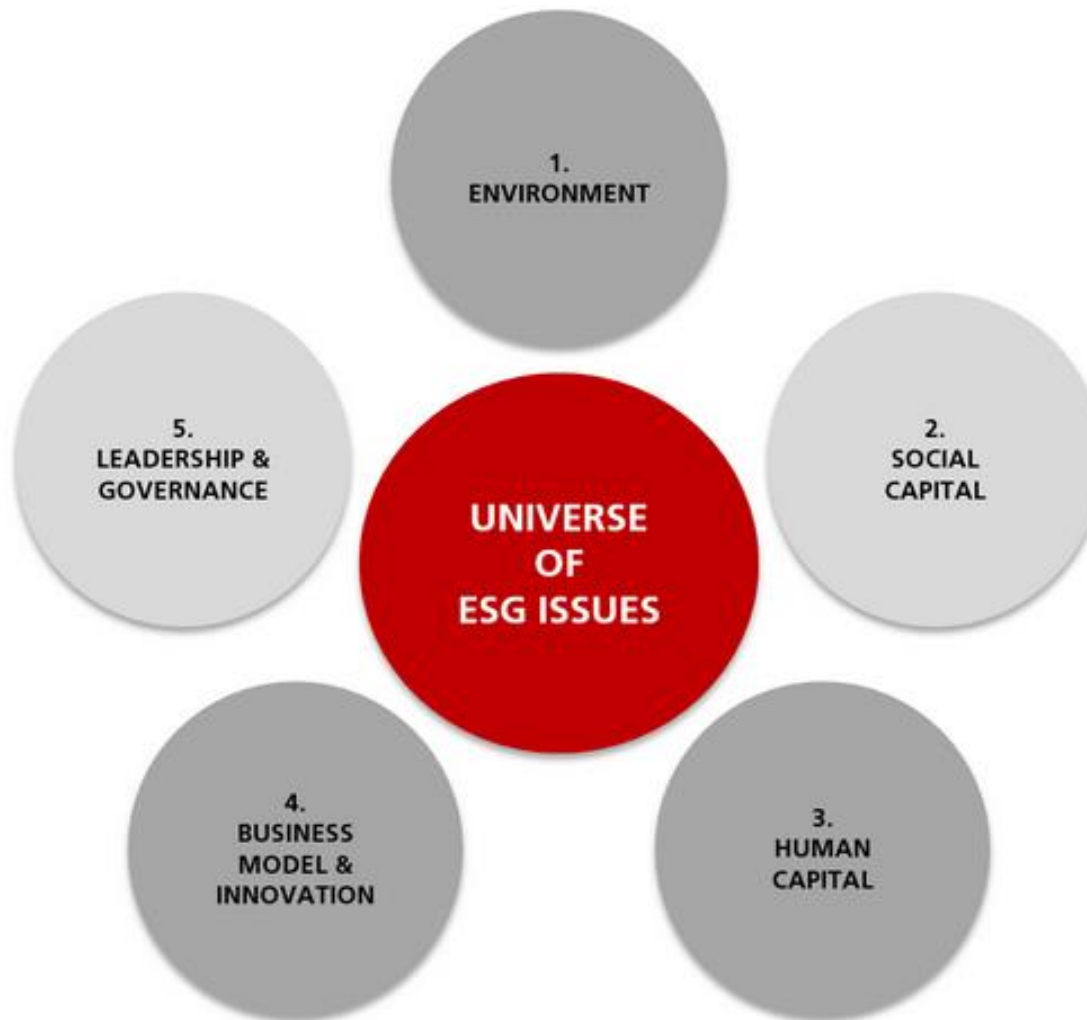
[Other guidelines and frameworks are] not designed for concise nor integrated disclosure in the Form 10-K or 20-F, which is an appropriate disclosure channel to provide investors with a complete view of material financial and sustainability information.

Source: <http://www.sasb.org/materiality/important/>

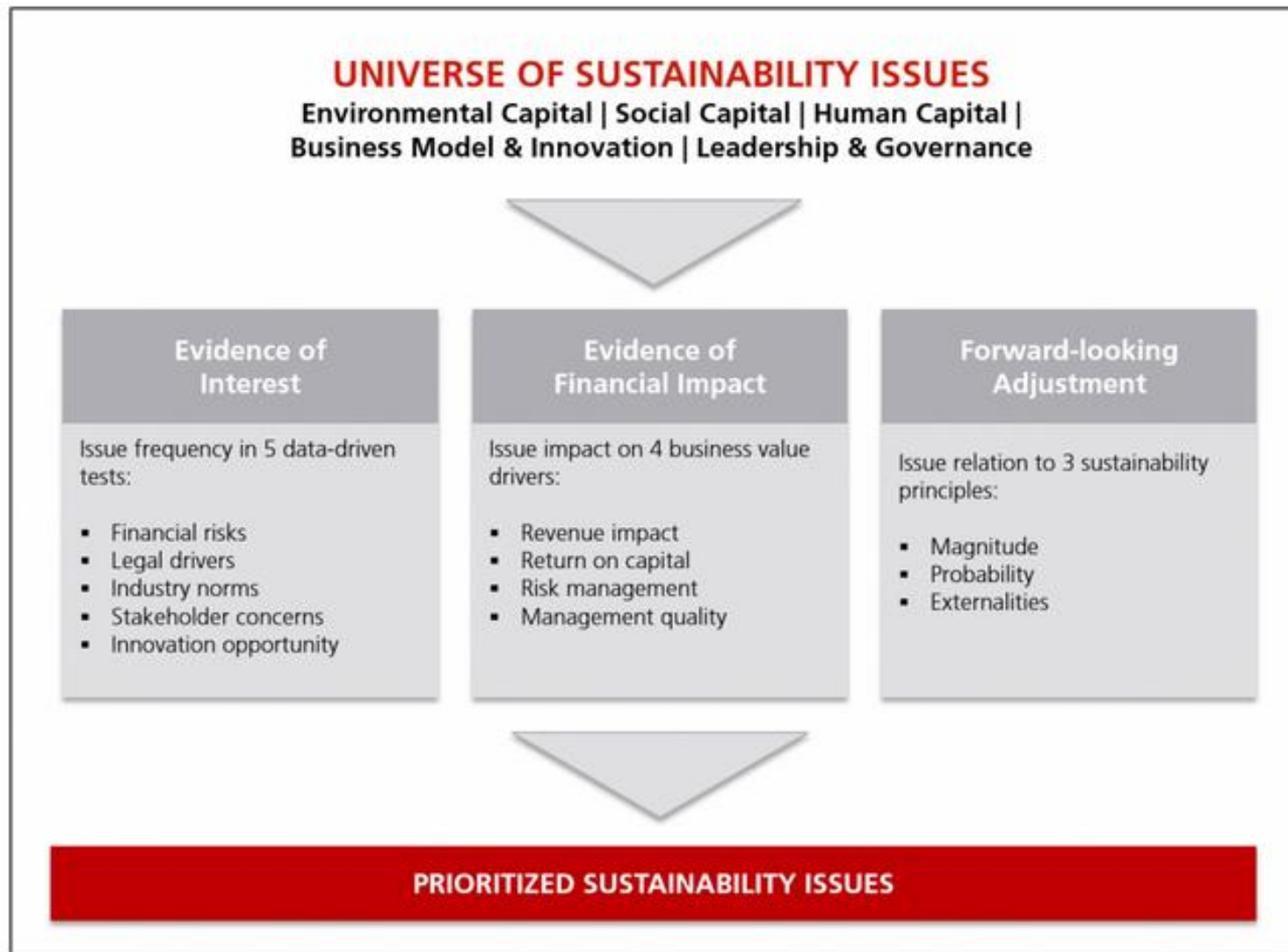
SASB™ issues standards that are:

- Applicable to all investors.
- Pertinent and relevant across an industry.
- Focused on driving value creation.
- Expected to bring benefits that exceed the perceived costs.
- Actionable by companies.
- Easily verified.
- Objective and support decision making.
- Highest quality possible at any given time.
- Reflective of the views of stakeholders.
- Determined to support the shift to integrated reporting.
- Determined to support the convergence to international accounting standards.

Source: <http://www.sasb.org/approach/principles/>



Source: <http://www.sasb.org/materiality/determining-materiality/>



Source: <http://www.sasb.org/materiality/determining-materiality/>

SASB™ Technology & Communications Sector

	Hardware	EMS & ODM	Semiconductors	Software & IT Services	Internet Media & Services	Telecom
Env. Capital		<ul style="list-style-type: none"> Water & waste management in manufacturing 	<ul style="list-style-type: none"> GHG emissions Energy management in manufacturing Water & waste management in manufacturing 	<ul style="list-style-type: none"> Environmental footprint of hardware infrastructure 	<ul style="list-style-type: none"> Environmental footprint of hardware infrastructure 	<ul style="list-style-type: none"> Environmental footprint of operations
Social Capital	<ul style="list-style-type: none"> Product security 			<ul style="list-style-type: none"> Data privacy & freedom of expression Data security 	<ul style="list-style-type: none"> Data privacy, advertising standards, and freedom of expression Data security 	<ul style="list-style-type: none"> Data privacy Data security
Human Capital	<ul style="list-style-type: none"> Employee inclusion 	<ul style="list-style-type: none"> Fair labor practices 	<ul style="list-style-type: none"> Recruiting & managing a global, skilled workforce Employee health & safety 	<ul style="list-style-type: none"> Recruiting & managing a global, diverse skilled workforce 	<ul style="list-style-type: none"> Employee recruitment, inclusion, and performance 	
Innovation	<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"> Product end-of-life management
Leadership & Governance	<ul style="list-style-type: none"> Supply chain management & materials sourcing 	<ul style="list-style-type: none"> Supply chain management & materials sourcing 	<ul style="list-style-type: none"> Supply chain management & materials sourcing Intellectual property protection & competitive behavior 	<ul style="list-style-type: none"> Managing systemic risks from technology disruptions Intellectual property protection & competitive behavior 	<ul style="list-style-type: none"> Intellectual property protection & competitive behavior 	<ul style="list-style-type: none"> Managing systemic risks from technology disruptions Competitive behavior
Emerging Issues			<ul style="list-style-type: none"> Delivering Sustainability Solutions 	<ul style="list-style-type: none"> Delivering Sustainability Solutions 		<ul style="list-style-type: none"> Delivering Sustainability Solutions Mobile phone radiation

Source: <http://www.sasb.org/wp-content/uploads/2014/03/Material-issues-Table-Technology-and-Communications.pdf/>

For each of these topics, SASB™ has provided corresponding accounting metrics that are either quantitative or qualitative in nature. For example, Data Security entails the following metrics:

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Data Security	Number of data security breaches and percentage involving customers' personally identifiable information ¹²	Quantitative	Number, percentage (%)	TC0301-06
	Discussion of management approach to identifying and addressing data security risks	Discussion and Analysis	n/a	TC0301-07

¹² Note to **TC0301-06** –Disclosure shall include a description of corrective actions implemented in response to data security incidents or threats.

SICS™
Look-up Tool

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

Who is GRI?

a non-profit,
multi-stakeholder
resource

a sustainability
management
process



Environmental

- Materials
- Energy
- Water
- Biodiversity
- Emissions
- Effluents and Waste
- Products and Services
- Compliance
- Transport
- Supplier Environmental Assessment
- Environmental Grievance Mechanisms

Human Rights

- Investment
- Non-discrimination
- Freedom of Association & Collective Bargaining
- Child Labor
- Forced or Compulsory Labor
- Security Practices
- Indigenous Rights
- Supplier Human Rights Assessment
- Human Rights Grievance Mechanisms

Labor Practices & Decent Work

- Training and Education
- Employment
- Labor/Management Relations
- Occupational Health & Safety
- Diversity & Equal Opportunity
- Equal Remuneration for Men and Women
- Supplier Assessment for Labor Practices
- Labor Practices Grievance Mechanisms

Society

- Local Communities
- Anti-Corruption
- Public Policy
- Anti-competitive Behavior
- Compliance
- Supplier Assessment for Impacts on Society
- Grievance Mechanisms for Impacts on Society

Product Responsibility

- Customer Health & Safety
- Product & Service Labeling
- Marketing Communications
- Customer Privacy
- Compliance

Economic

- Economic Performance
- Market Presence
- Indirect Economic Impacts
- Procurement Practices

General Standard Disclosures

- Strategy and Analysis
- Organizational Profile
- Identified Material Aspects and Boundaries
- **Stakeholder Engagement**
- Report Profile
- Governance
- Ethics and Integrity

Specific Standard Disclosures

- Disclosures on Management Approach
(material aspects only)
- Indicators
(material indicators only)

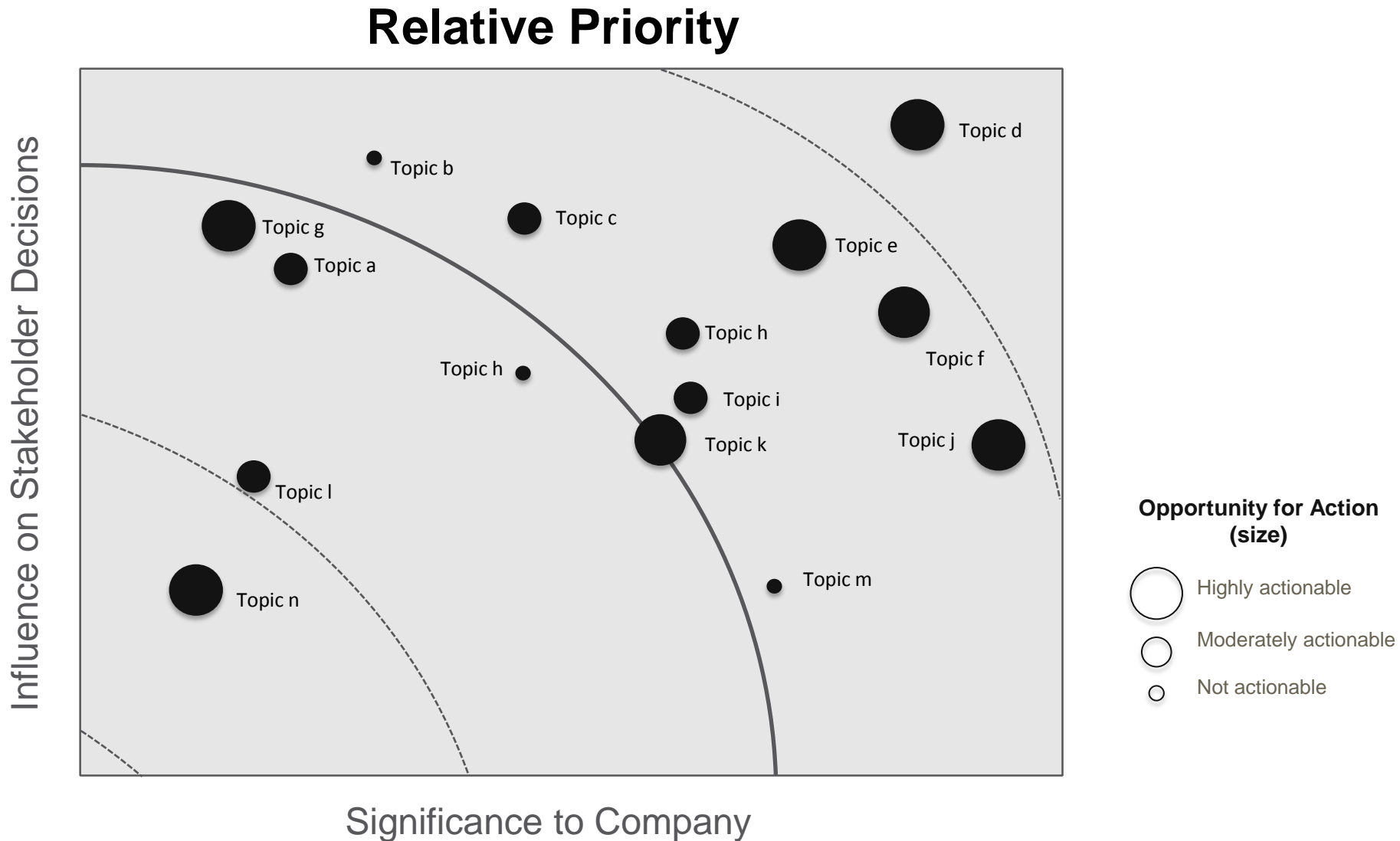


General Standard Disclosures

- Strategy and Analysis
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Specific Standard Disclosures

- Disclosures on Management Approach
(material aspects only)
- Indicators
(material indicators only)



- Does this constitute a future challenge for your sector? Is it already discussed by **peers**?
- Does this contribute to the likelihood of a **significant risk** to your organization?
- Is this connected to relevant laws, regulations, international **agreements** with strategic significance to your organization?
- Is this already mentioned as important by **stakeholders**?
- Is this recognized by **scientists/experts** as a risk to sustainability?
- Does this constitute an **opportunity** for your organization?
- Does your organization have **specialized knowledge** or **core competencies** to contribute to sustainable development in this area?
- Does this contribute to successful implementation of your strategy or does this **reinforce the values**, policies, strategies, operational management systems, goals, and targets of your organization?

FIGURE 3

An example where the topic of anti-corruption is only relevant to certain entities within the organization

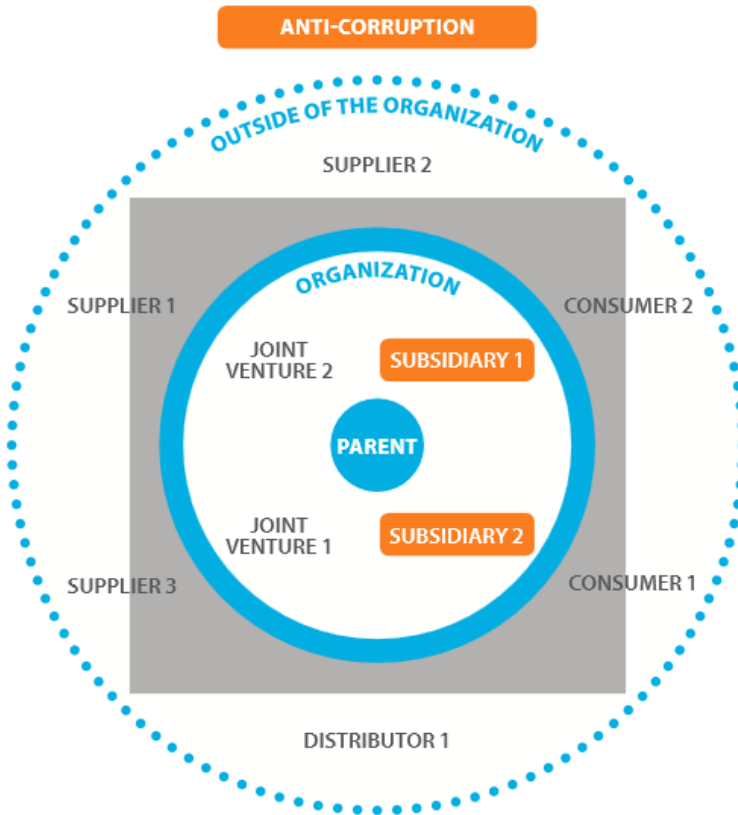
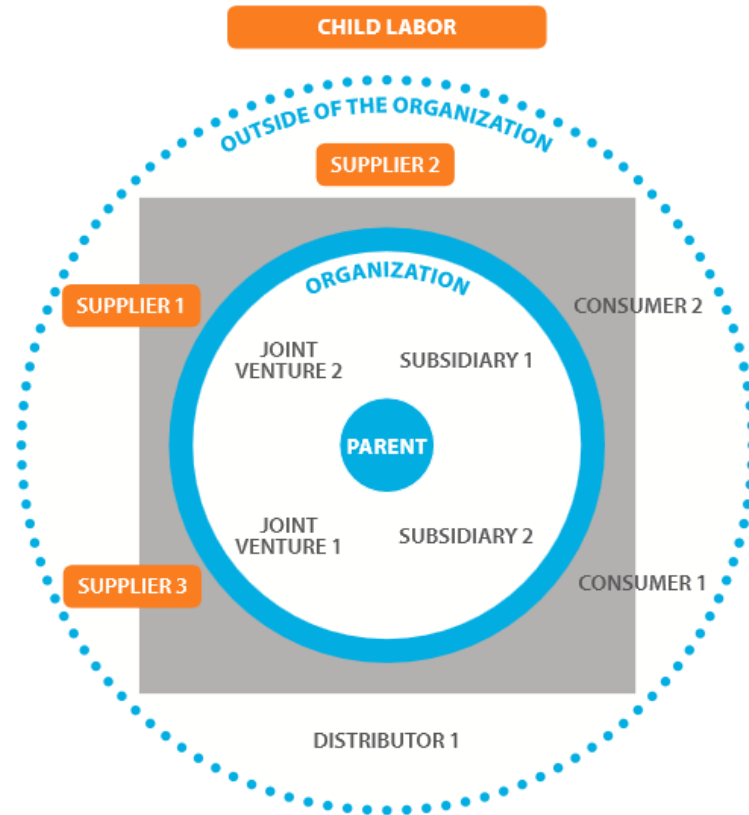


FIGURE 4

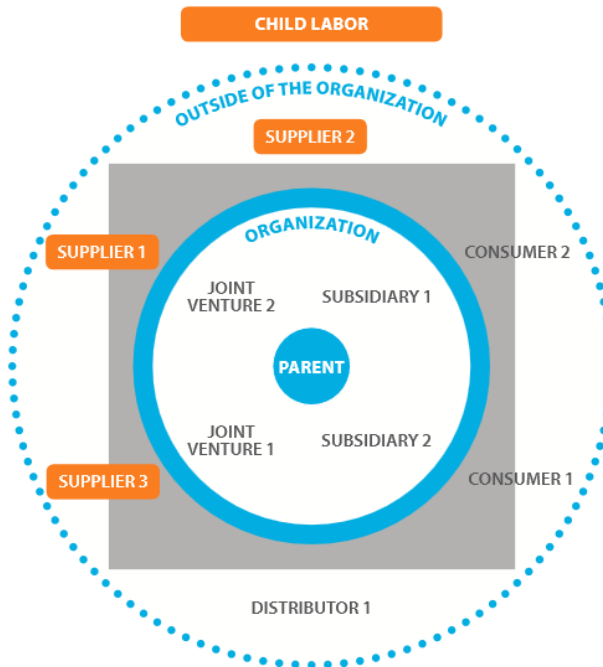
An example where the topic of child labor is only relevant to certain entities outside of the organization



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Supply Chain Management

FIGURE 4 *An example where the topic of child labor is only relevant to certain entities outside of the organization*



TOPIC	ACCOUNTING METRIC	CODE
Supply Chain Management & Materials Sourcing	Percentage of products by revenue that contain critical materials	TC0103-07
	Percentage of tungsten, tin, tantalum, and gold smelters within the supply chain that are verified conflict-free	TC0103-08
	Discussion of the management of risks associated with the use of critical materials and conflict minerals	TC0103-09
	Percentage of suppliers audited in the EICC Validated Audit Process (VAP) or to an equivalent social and environmental responsibility code of conduct	TC0103-10
	Suppliers' social and environmental responsibility audit compliance: (1) priority non-conformance rate and associated corrective action rate, and (2) other non-conformances rate and associated corrective action rate	TC0103-11

Sources: G4 Guidelines and <http://www.sasb.org/standards/download/techcomm/>

Management of Sustainability Topics

Drug Safety and Side Effects

SASB™ Metric	GRI G4 Aspect	GRI G4 Disclosure
HC0102-03: List of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products (Drugs and Therapeutic Biological Products) database	Product Responsibility: Customer Health and Safety	G4-PR2: Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.

Sources: G4 Guidelines and <http://www.sasb.org/standards/download/health-care/>

Meaningful Metrics

For CR practitioners, SASB™ metrics can be a resource for determining relevant and comparable metrics for material topics identified during the GRI materiality assessment.



Executive Engagement

SASB™ seeks to engage historically inactive stakeholder groups, particularly in the capital markets.

- Provides the Sustainability and CSR teams the opportunity to engage their internal audit, investor relations and finance groups in meaningful conversations regarding material ESG issues and opportunities.
- Provides additional resources and tools for ESG issues and opportunities within the organization.
- Brings ESG issues to the forefront in the boardroom (if they are not already).

Executive Engagement

HIGHEST GOVERNANCE BODY'S ROLE IN SUSTAINABILITY REPORTING:

G4-48 Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.

HIGHEST GOVERNANCE BODY'S ROLE IN EVALUATING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE

G4-49 Report the process for communicating critical concerns to the highest governance body.

G4-50 Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.

Source: The BrownFlynn Reference Sheet - G4, www.brownflynn.com



SASB™ Harmonization

“The products of SASB, the IIRC and GRI can be used in complementary ways—the SASB standards to guide the disclosure of material sustainability issues in a 10-K form for investors, the GRI framework to guide the development of a voluntary sustainability report for all stakeholders, and the IIRC guidelines to inform the development of an integrated annual report, if desired.”

GRI Vision

A sustainable global economy where organizations manage their economic, environmental, social and governance performance and impacts responsibly, and report transparently.

Source: <http://www.sasb.org/approach/key-relationships/>, <https://www.globalreporting.org/information/about-gri/Pages/default.aspx>

Sustainability and Corporate Responsibility Advisors

CONSULTING

We **advise** you on your journey

- Sustainability Strategy
- Goal Setting
- Materiality
- Value Chain Mapping
- Research and Analysis
- Facilitation
- Benchmarking

COMMUNICATIONS

We help you **communicate** your successes

- Reporting -- GRI
- Stakeholder Communications
- Design & Branding
- Community Outreach
- CDP, DJSI and WDP Responses

TRAINING

We **train** you/your team along the journey

- Executive Sessions
- Customized Employee Sessions
- Open Enrollment Classes
- Webinars

BrownFlynn is a corporate responsibility and sustainability consulting firm advising companies on:

- Integrating responsible practices into their business strategies
- Communicating these practices internally and externally for bottom-line impact
- Training to build skills and engage associates

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For more information on BrownFlynn's consulting services, please visit www.brownflynn.com