



SASB Standards Council

Standards Council Meeting Report

March 25, 2014

July 31, 2014

To the Director of Standards Development of SASB,

This Review Report summarizes the opinion of the members of the Standards Council, an independent advisory body formed by qualified professionals who participate in a voluntary manner and do not receive financial compensation from SASB.

On March 25, 2014, we conducted an independent review of the standards development activities of the SASB during the preceding quarter. This review primarily focused on activities used to develop industry Sustainability Accounting Standards for the Transportation sector, but also included an update on activities in sectors covered in previous meetings. For this meeting, we relied primarily on two reports: *SASB Working Groups Due Process Report – Transportation Sector* and *Standards Outcome Review – Transportation*, which were both prepared by SASB staff. No report was prepared for the update of prior sectors.

Based on our review, we believe the process and procedures followed by the SASB in identifying sustainability issues and corresponding metrics for industries in the Transportation sector was satisfactory with respect to SASB-defined protocols for developing industry standards. In addition, we support the SASB's continuing activities to improve the standards being developed in sectors the Council has reviewed in previous meetings.

Notwithstanding the above conclusion, several points were raised during the Standards Council's review, which we include below.

I. Process Review for Transportation Sector

- A) One particularly concerning item raised in the review of due process for the Transportation sector is how the rail industry responded to outreach efforts of the SASB. While Council members were impressed with the SASB's response, the concern was raised that rail industry's response may set a precedent for future sectors.
- The Council recommends that the SASB consider how to better engage prominent industry organizations that will be encountered in future sectors. One recommendation was to actively engage industry associations and to have a (known) policy of making public feedback, critical or otherwise.



- PROPOSED SASB ACTION: The SASB agrees and proposes to include a summary of which industry organizations have been invited to participate in working groups, how they responded, and who participated. MORE???
- B) Related to the rail industry, some Council members noted that the Association of American Rails raised several concerns with the wording used in the industry briefs. While some pushback is to be expected, the association noted a number of inflammatory statements, making attributions that have been neither been admitted by the industry, decided in court, nor claimed by independent research.
- The Council recommends that the industry briefs be written with a critical eye toward evidence of materiality. The SASB’s mission is to be an advocate for companies by helping to identify key metrics to disclose. However, it is hard to be an advocate if there’s a perception of blame. Changing wording in briefs could help.
 - PROPOSED SASB ACTION: The SASB responded that his could be something we provide proactively, to have FAQs, posted on our website. MORE???
- C) Survey distribution is critical to the success of the working groups.
- Some Council members questioned whether SASB is following best practices in this regard and suggested potentially engaging experts in the topic.
 - PROPOSED SASB ACTION:

II. Outcome Review for Transportation Sector

A) One point raised is whether competitive behavior reflects a bit of “scope creep” for SASB, especially since the FTC already looks at this issue. The team responded that welfare is the link to sustainability. Antitrust authority looks at protection of competitors and consumers. SASB’s focus is more on consumer side. For SASB, it’s not illegal to be a dominant market player, but is illegal to use that position to do things that normally wouldn’t be okay.

- The Council recommends shoring up the case for why this is a sustainability issue, why it is material investors, and whether it ranks high enough in the priority ranking to warrant inclusion.
 - PROPOSED SASB ACTION:

B) A Council member suggested that fuel efficiency is an opportunity to address resource innovation and asked if this issue was addressed in other sectors and asked about investors’ perspectives. They made the distinction between providing products and services enabling others to engage in environmental cleanup, which sounds prescriptive, and the design/use phase of the product.

- PROPOSED SASB ACTION: Issue might need to be broadened to terms of enabling ESG solutions. Another area is car sharing. Trying to gather more evidence.

C) Car rental and leasing has only two public companies, which contributed to having no investor participants in the industry working group.



- In these situations, one reasonable strategy would be to omit these industries, at least initially, where there's not a large public presence. Otherwise, it's hard to make case that you're providing information that will be relevant to them

D) For community impact and ecological impact in the rail industry, the SASB recommendation was to do more research, in response to low support from investors.

- Given the particularly low support from investors, some Council members questioned whether it made sense to do more research.
 - PROPOSED SASB RESPONSE: The reason is because we're going by the industries one by one, rail is last, so we're currently in the process on this one. At least half of market participants don't want to include it. Didn't want to make a stronger recommendation without looking at the evidence again

E) When reviewing updates on Transportation in future meetings, it would be helpful to have a report telling the Council what the SASB decided and why. For example, if any preliminary decisions about items for inclusion were to change, it would be helpful to highlight this to the Council. Furthermore, documenting change in the due process document will provide additional credibility and transparency to the process.

- The Council recommends including an update (perhaps something akin to a revised Table 1 from the current document), when providing sector updates in future meetings.
 - SASB ACTION: Provide update at next meeting

We acknowledge that, as an advisory body, our recommendations are not binding and that the responsibility to implement the suggested changes is at the discretion of SASB.

Prepared by Jeffrey Hales
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Signed _____ . July 31, 2014

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