



CH2M

www.ch2m.com

Sustainability Accounting Standards Board
75 Broadway, Suite 202
San Francisco, CA 94111

December 30, 2015

Subject: Infrastructure Sustainability Accounting Standards Consulting Submission

To Whom It May Concern,

Introduction

CH2M HILL (CH2M) appreciates the opportunity to provide comments on the Sustainability Accounting Standards Board (SASB) proposed Infrastructure sector materials – the Infrastructure Supplement to Standards Outcome Report and Standards Outcome Report. CH2M is an employee-owned global leader in full-service engineering, procurement, construction, and operations for public and private clients. CH2M delivers innovative, practical, sustainable solutions—helping clients develop and manage infrastructure and facilities that improve efficiency, safety, and quality of life. The firm's work is concentrated in the areas of energy, water, transportation, environment, waste management, and industrial facilities. The comments provided in this letter are intended to help enhance these documents with CH2M's experience and best-practices in the infrastructure and development sectors.

General Comments

First and foremost it would be beneficial for the SASB metrics standards to be aligned with the infrastructure guidelines for other reporting mechanisms, such as the Global Reporting Initiative (GRI), Carbon Disclosure Product (CDP), the Dow Jones Sustainability Index (DJSI), and International Organization for Standardization (ISO) frameworks. It would be ideal if the metrics and definitions from the various frameworks were coordinated.

Recommend better consistency among the materiality issues across the industry sectors.

After doing a side-by side comparison of all industries, it seems that the following general issues were considered: resources consumed; resources impacted; compliance; impacts to workers; and community. However, not all issues were evaluated consistently. Terminology and parameters need to be consistent across sectors to allow comparison and we suggest that some of the parameters, such as management of the legal and regulatory environment, should be core to all industries. Additionally, parameters and companies that fall within various sectors should be clearly defined. Particularly, the demarcations between the industry sectors should be separated (home builders, engineering, and real estate).

In reviewing the Supplement to Standards Outcome Report, the following issues were not considered consistently and should be added if missing: ethics, worker health and safety, public safety, and emergency management. These issues are relevant across sectors and at a minimum should be evaluated for materiality. We believe some parameters cover the same subject matter but use different terms. All data parameters need to be defined and where possible, the number/range of phrases used to label parameters rationalized.

Provide consistent data parameter and definitions.

Another general point which applies to all sectors is that, as worded, some of the data parameters may be challenging to audit, other than at a very high level. We suggest that metrics be defined and explained for each parameter, including a generic description of governance, controls, and procedures related to each data parameter. If it is not possible to provide definitive metrics for each data parameter, it is questionable as to whether the disclosure should be mandatory (for cases in which the data parameter in question is required).

Additionally, the guidance often refers to a material cost driver. We suggest providing a concise definition for this and guidance on the range of issues that should be considered when determining whether an area is a material cost driver. Some sustainability issues may not directly have an impact on costs. For example, reputational impacts associated with sustainability issues can have indirect, potentially material, impacts on financial performance of an organization.

Include an option for indicating a particular issue is not applicable to a company

We also suggest having the option that a particular area or data parameter is not relevant and/or material and, therefore, organizations would not be required to report on it. For example, spent fuel ash is very specific to certain types of power generation and as such Coal Ash & Spent Fuel Management may not be applicable in all cases. This would make the reporting process more efficient. Examples for other sectors are cited in the comments below.

Specific Comments

Electric Utilities

All of the issues currently presented are material in this industry. We agree with retaining reporting on distribution network resiliency, health and safety, and downstream emissions management. We suggest adding the following items to improve reporting in this industry:

- Regarding air quality materiality, it is important to properly define relevant substances. Guidance on definitions relevant to substances and standards should be provided for reporting.
- Land use may be material to certain markets and should be included. A number of water utilities own large quantities of land for operations. These land parcels represent an important part of ecological impacts and biodiversity. The size, type, and use of these land parcels should be included in reporting.
- Confidentiality concerns with reporting on grid resiliency need further review. Concerns regarding transparent reporting are legitimate since they may expose the industry to the threats they are intending to prevent, and benchmarking or metrics may be difficult for reporting.
- Water use and water security should be included, especially water used for cooling purposes and access to secure water supplies.
- We agree with the IWG on the retention of the downstream energy stewardship item, which would yield material information regarding grid usage and fluctuations. The group should also consider reporting on emergency/disaster recovery plans. Changes in weather patterns could have a large impact on energy resiliency and consistency. A business's development and implementation of an emergency/disaster recovery plan should be considered for reporting.
- Workforce health and safety and safety management were issues proposed by IWG, evaluated as "Decision pending further review." Worker health and safety as well as commitments to public safety speak to governance and are relevant issues to this industry, which we suggest be included.

- For both electric and gas there should be some consideration of carbon and greenhouse gas (GHG) not just as an emission but also reported in terms of financial exposure and impacts on markets, including reporting carbon as both as a financial liability and an asset.
- The parameter in construction labeled as exposure to shifting energy markets seems applicable also to electric and gas utilities and should be considered in these sectors as well.
- Energy security, fair pricing and fair access to energy should be considered for this industry sector. This should be considered an optional reporting item as it may only be applicable to certain markets.

Gas Utilities

All of the issues currently presented are material in this industry. We agree with retaining reporting on distribution network resiliency, health, safety and emergency management, and downstream emissions management. We suggest adding the following items to improve reporting in this industry:

- Downstream emissions are material to gas utilities and should be included. Additionally, once carbon accountancy is widespread, distribution losses will need to be considered as well as their effect on financial results. It is unclear if downstream emissions management includes emissions at the plant itself. If not, it could be included in GHG emissions, under the environment issues. We suggest adding GHG emissions disclosures for gas utilities as it is presented in the electric utilities section.
- For both electric and gas there should be some consideration of carbon and GHG not just as an emission but also reported in terms of financial exposure and impacts on markets, including reporting carbon as both as a financial liability and an asset.
- Fair pricing and fair access to energy should be considered for this industry sector. This should be considered an optional reporting item as it may only be applicable to certain markets.
- We agree that natural gas sourcing is not material to gas utilities, but sustainability of the supply chain should be included. We suggest enabling gas suppliers' use of these standards to report on their sustainability.
- The use of SI units for measurements for gas utilities is only used in a few countries. If the intended purpose is to provide globally applicable standards, we suggest including the imperial equivalent in parentheses after the SI value for the first couple of years of implementation.
- The parameter in construction labeled as exposure to shifting energy markets seems applicable also to electric and gas utilities and should be considered in these sectors as well.
- We also suggest including public/community safety for gas lines. Efforts to maintain public safety, including outreach efforts should be considered for reporting.
- The impact on the reliability and safety of gas due to natural disasters as well as a business's development and implementation of an emergency/disaster recovery plan should be considered for reporting.
- Reporting on the increasing trend in improving asset management plans for replacing aging infrastructure, as noted by the development of the ISO 55000.

Water Utilities

We agree that water efficiency has become increasingly important. Water management should be a priority in reporting including the disclosure of drinking water quality, effluent management quality, fair pricing and access, and energy management. Issues that have not yet been considered but should be including under water utilities are:

- Grid resiliency or network resiliency, which is considered for electric and gas utilities but not for water utilities. In the era of Big Data and cybersecurity risks, resiliency could also be considered for water utilities.
- A separate data parameter for community and customer relations, outreach, and communication, in particular performance scores, should be included in reporting. Although the issue has been managed, it should continue to be managed and reported on since it is a relevant sustainability issue with potential to impact economic performance.
- Health and safety for employees and the community at large should be considered material for reporting.
- A number of water utilities own large quantities of land. These land parcels represent an important part of ecological impacts and biodiversity; the size, type, and use of these land parcels should be included in reporting.
- Regarding downstream water efficiency we agree that efficient use by consumers should not be disclosed, but distribution losses by the utility should be disclosed. It should also be made clear that this issues refers to specifically distribution losses.
- We also suggest including reporting of maintaining upstream sources, specifically as upstream sources are at risk due to drought or natural disasters.

Waste Management

In addition to diversion rate from landfill, energy, and water usage metrics; the following items should also be considered for reporting:

- Landfill gas is covered in the reporting, but other air emissions are not, specifically air emissions arising from other waste operations such as waste incineration. Waste incineration operations emissions of other pollutants (and environmental performance in this area) will be material to operations, especially in terms of having a “license to operate” from all stakeholders, securing new build and accessing new markets.
- Additional issues that we suggest including in this industry’s reporting are long term environmental liability and impacts to water quality and efficiency.
- It was difficult to differentiate between workplace health and safety (human capital) and health, safety and emergency management (leadership and governance, as seen under electric and gas utilities). We suggest reviewing health and safety and determine where it is most appropriate: human capital or leadership and governance, and consider standardizing across all of the industries.
- We agree with the multiple comments that suggest that efforts to influence customer behavior should be disclosed. We suggest adding a KPI under this topic, or a new disclosure topic on efforts to influence customer behavior regarding diversion.
- We agree with the comment to drop the “landfill diversion” wording, since sending waste to incinerators still results in locking up resources. There are actually incineration systems that recover the raw materials. We suggest renaming landfill diversion or materials recovery.
- We agree that upstream waste disposal firms should report upstream practices to reduce waste arisings. However, waste management companies may have challenges reporting on upstream data.

Engineering and Construction Services

We agree that all of the issues listed in engineering and construction services are material, particularly environmental and climate change services, workforce health and safety, and business ethics. The following items should also be considered for reporting:

- The data parameter entitled the “lifecycle impact of buildings” for construction activities should be extended to include other infrastructure such as transport schemes and water infrastructure. The definition of the types of buildings and structures included in this issue should be clearly defined. This issue may also have overlapping parameters with the Envision project reporting.
- Project-based nature of these services overlaps with the sustainability of the projects themselves. Parameters for what is being evaluated should be made clear. Evaluating project sustainability would utilize a different system than SASB.
- Ecological impacts were considered but more specific impacts should be stated such as emissions and waste minimization that also take place during construction.
- We agree that construction services include decisions that can cause ecological impact (e.g., sourcing, traffic control, and safety) and should be considered material for both U.S. based and international projects.
- Supply chain engagement efforts are not currently discussed under engineering and construction services and should be considered material and included in reporting.
- We agree that workforce diversity and inclusion should be included as this sector is facing skill shortages in certain areas partly driven by the image this sector portrays to certain demographic groups. Many public clients require diversity programs and include diversity criteria in procurement. This is a material issue that should be clearly measurable and linked to financial performance.
- We agree that bidding and consulting integrity is a material aspect and should be included in reporting. We suggest providing some clarification on the definitions of bidding and consulting integrity (including procurement) and considering if it could be combined with business ethics.
- Business ethics and disclosure are important and the SASB standards should provide a common understanding of best practices and accounting. Additionally, this industry should also include documenting business compliance with applicable laws and regulations, noting any fines or disciplinary actions.
- Regarding the inclusion of “Exposure to Shifting Energy Market,” we agree with the recommendation to review the issue further. Exposure to shifting energy impacts E&C should be defined (for example – discussion of energy clients or use of energy while providing services). Further research and review is needed to determine the risks and exposures to shifting energy markets should be reported.

Home Builders

We agree with the issues presented for reporting in this industry. Additional issues that we suggest including are as follows:

- We agree that information about where the building materials come from and supply chains are materially important to investors, developers, and consumers. There is an increase in consumer focus on supply chain transparency. We suggest that supply chain engagement efforts should be considered material and included in reporting.
- We suggest integrating product responsibility, resource efficiency, ecological impacts, regulatory compliance, and workforce diversity and inclusion as issues for reporting.
- We suggest including waste management and recycling under Ecological Impacts of Construction.

Real Estate Services

Performance on sustainability services should be broken down into specific areas such waste management, recycling, and water management. For this sector we would also advise adding business

ethics and governance risks, financial practices, diversity, and procurement controls associated with managing real estate be included as a material for this industry.

Real Estate Owners, Developers and Investment Trusts

The difference between home builders and developers should be clarified. Investment trusts tend to be very different organizations to real estate owners and developers. As a result we suggest that investment trusts be separated from real estate owners and developers. Additionally, the environmental and socio-economic reporting factors should be separated. This industry currently contains issues relating to energy efficiency and should also include waste and water efficiencies as material to reporting. This particular industry also faces varying types of risk, which should be included in reporting:

- Business ethics and reputational risk are key for this sector and we advise that this area is added and, in particular, an area around environmental and social governance (ESG) and risk management associated with fund management and investments also be included. For certain listed funds having appropriate E&S controls is a mandatory requirement.
- Partly linked to ESG, we would also suggest including a separate data parameter on disclosures on environmental risks and liabilities and factoring into valuations and asset classes, which would not only cover traditional environmental risks issues such as contamination but also other risks associated climate change, water security, biodiversity, planning and community issues. As it stands, climate change whilst relevant and important is too narrow an issue for this sector and it should be reported along with other environmental risks/issues which may impact on this sector. Improvement in the valuation of asset classes, as well as covering risks and liabilities should be disclosed.
- Regarding the comment that climate change risk (CCR) can be addressed in any 10-K risk factors section or registration statement. This type of disclosure has a place for reporting on climate change risks, but it is not a mandatory reporting requirement on how an organization is responding to manage risks associated with climate change. We question whether sufficient detail would be provided in 10-K to justify why CCR is material or not including the Governance and controls in place to manage these risks. We agree that there should be a focus on natural hazards, including the potential risk of extreme weather events such as sea level rise that will have a large impact on coastal areas. However, we think that this could be included in the environmental risks section and does not necessarily need to be a separate natural hazards item.
- The other issue is that this area will only apply to those following the requirements of the Securities and Exchange Commission (SEC) listed on U.S. markets. There are additional and/or different sustainability reporting requirements for other markets around the world, as well as some markets which have no requirements in this area. This can create inconsistency in approaches and also disclosures and makes comparative analysis for potential investors difficult. Promoting one standard, such as SASB, should help to promote a consistent approach to disclosures and reporting across markets.

Additional Material Issues Under Consideration

We also suggest that the following issues, which have not been covered should be considered for reporting:

- Human Health - we agree that the issue of health and wellness is rapidly emerging as a significant business opportunity and that this should be reconsidered as a material item.
- Land Use & Ecological Impacts - we believe that a data parameter for this area should be included, both as a risk and as an opportunity.

- Environmental accidents and remediation – we agree that this should not be added but we believe that all sectors (not just real estate owners, developers and investment trusts) have a data parameter called health, safety, environment and emergency management.
- **Tenant Engagement on Resource Efficiency** – we believe this area should be reconsidered and included as material.
- **Lobbying and political contributions** – we believe this should be reconsidered as material in some sectors. Lobbying and political contributions may be useful to stakeholders, including investors, to determine why certain positions are taken by an organization on specific sustainability issues. This might also help to understand how an organization is tied to a specific political point of view and if there is a change in the political climate as to how resilient or otherwise an organization is to change as well as how an organization is positioned to potentially maximize opportunities compared with its competitors.
- **Emergency Management/Disaster Recovery** – natural disasters and emergency can have a large impact on all of the infrastructure sectors discussed. A business's emergency management/disaster recovery plan and how well it is implemented is an issue that should be considered for reporting.

CH2M would like to thank the Sustainability Accounting Standards Board for the opportunity to comment on the proposed Infrastructure sector materials. Please feel free to contact us with any questions or clarifications.

Best regards,

[REDACTED]

Brandy M. Wilson
Global Sustainability Director
LEED AP O+M
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center for
resource
solutions

January 4, 2016

Sustainability Accounting Standards Board (SASB)
75 Broadway, Suite 202
San Francisco, CA 94111

Re: Comments of Center for Resource Solutions (CRS) on Public Exposure Draft Standards-Infrastructure

To Whom It May Concern:

CRS appreciates this opportunity to comment on the October 2015 Exposure Draft Standards for Public Comment for Infrastructure sectors, including Electric Utilities, Gas Utilities, Water Utilities, Waste Management, Engineering Construction Services, Home Builders, Real Estate Owners, Developers & Investment Trusts, and Real Estate Services. Our comments below are organized by Industry Standard.

Background on CRS

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. Since 1997, CRS has been instrumental in the development of landmark state, regional and national renewable energy and climate policies. CRS also administers the Green-e® programs. Green-e Energy is North America's leading independent consumer protection program providing certification and verification for renewable electricity and renewable energy certificates (RECs) in the U.S. voluntary market. Green-e Climate is a global retail standard for carbon offsets sold in the voluntary carbon market. Green-e Marketplace recognizes and verifies the claims of companies that use certified renewable energy and carbon offsets to reduce their impact. Stakeholder-driven standards supported by rigorous verification audits are a cornerstone of Green-e and enable CRS to provide independent third-party certification of environmental commodity transactions in voluntary markets. The Green-e environmental and consumer standards are overseen by an independent governance board of industry experts, including representatives from environmental nonprofits, consumer advocates, and purchasers. Our standards have been developed and are periodically revised through an open stakeholder process. Green-e program documents, including the standards, contract templates, and the annual verification report, are available at www.green-e.org.

Comments

Electric Utilities

- Reporting Format, Activity Metrics and Normalization, Pg.7, IF0101-C
 - Comment: Regarding the activity metric for “Total electricity generated, percentage by major energy source, percentage in regulated markets” and Footnote 10, it is unclear whether this refers to generation by owned generation assets only or generation for total procured power used to supply customers, i.e. delivered electricity. If the latter, renewable energy certificates (RECs) must be owned for all renewable generation delivered.



- Downstream Energy Stewardship, Accounting Metrics, Pg.29-31 and Table 1 on pg.10, IF0101-11 and -12
 - Comment: A new accounting metric should be added for voluntary renewable energy programs and products. Many utilities offer (and in some states are required to provide) voluntary renewable energy programs, often called utility green pricing programs. Participating customers pay a premium on their electric bills to cover the incremental cost of the additional renewable energy. These supplier products can be differentiated on the basis of whether it is a regulated or deregulated market—this can be a green pricing/power option from a regulated utility, or a competitive green power option in deregulated markets. To date, nearly 850 utilities, including investor-owned, municipal utilities, and cooperatives, offer a green pricing option. Qualifying programs can earn Green-e Energy certification. This metric can include disclosure related to number of participants and percent of customers participating, total MWh of RE delivered through the program, proof of REC retirement, and certifications (e.g. Green-e Energy certification).

Gas Utilities

- Reporting Format, Activity Metrics and Normalization, Pg.6
 - Comment: A new activity metric should be added for percent of gas supply that comes from biogas/renewable sources. This could be useful sustainability information for investors.
- Downstream Emissions Management, Accounting Metrics, Pg.29-31 and Table 1 on pg.9, IF0102-01 through -04
 - Comment: A new accounting metric should be added for (1) voluntary gas offset programs and products and (2) voluntary renewable/green gas programs/products. Many utilities now offer voluntary gas offset programs, in which carbon offsets are matched with gas usage on behalf of customers, and/or green gas programs, in which customers pay a premium to receive a larger percentage of renewable/biogas. The latter green gas programs are less common and require a means by which to deliver (either physically or contractually) biogas to customers. Qualifying gas offset programs (1) can earn Green-e Climate certification. This metric can include disclosure related to number of participants and percent of customers participating, total amount of gas (e.g. therms) covered by the program, proof of contractual delivery (where appropriate), and certifications (e.g. Green-e Climate certification).

Water Utilities

- Energy Management, Accounting Metrics, pg.11-12, IF0103-01.05, Total energy consumed, percentage grid electricity, percentage renewable
 - Comment: .05 - We would like to express general support for the language in this section, particularly that which emphasizes the importance of REC retention and ownership in all cases for renewable energy usage claims in the United States, as well as references to Green-e certification. Please let us know if we can provide any further support for these requirements.
 - Comment: .05 - Renewable energy can also be purchased from a utility or supplier. Recommend changing language at .05 to: “purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), purchases through a Green-e Energy Certified utility or supplier program, or for which Green-e Energy Certified RECs are paired with grid electricity.”

- Comment: .05 - In the first bullet, respondents should also indicate whether on-site use was Green-e certified, since on-site use of renewable energy can also be Green-e certified.
- Comment: .05 - In the second bullet, change “retained” to “retained or replaced” since RECs from the project can be arbitrated in these agreements. Respondents should also indicate whether the purchase was Green-e certified, since direct purchases of renewable energy (e.g. PPAs) can also be Green-e certified.
- Comment: .05 - Footnote 15 should be moved to the first bullet.
- Comment: Respondents should disclose whether renewable energy was procured beyond what is delivered as a part of the default utility mix and/or required by law (e.g. through a state RPS), i.e. through voluntary renewable energy procurement. Respondents should also disclose features of the renewable energy, including type of product e.g. through a local utility program, and length of commitment, as well as whether the renewable energy product is Green-e certified.

Real Estate Owners, Developers & Investment Trusts

- Energy Management, Accounting Metrics, pg.12-13, IF0402-02.11, Total energy consumed, percentage grid electricity, percentage renewable
 - Comment: .11 - We would like to express general support for the language in this section, particularly that which emphasizes the importance of REC retention and ownership in all cases for renewable energy usage claims in the United States, as well as references to Green-e certification. Please let us know if we can provide any further support for these requirements.
 - Comment: .11 - RE can also be purchased from a utility or supplier. Recommend changing language at .11 to: “purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), purchases through a Green-e Energy Certified utility or supplier program, or for which Green-e Energy Certified RECs are paired with grid electricity.”
 - Comment: .11 - In the first bullet, respondents should also indicate whether on-site use was Green-e certified, since on-site use of renewable energy can also be Green-e certified.
 - Comment: .11 - In the second bullet, change “retained” to “retained or replaced” since RECs from the project can be arbitrated in these agreements. Respondents should also indicate whether the purchase was Green-e certified, since direct purchases of renewable energy (e.g. PPAs) can also be Green-e certified.
 - Comment: .11 - Footnote 12 should be moved to the first bullet.
 - Comment: Respondents should disclose whether renewable energy was procured beyond what is delivered as a part of the default utility mix and/or required by law (e.g. through a state RPS), i.e. through voluntary renewable energy procurement. Respondents should also disclose features of the renewable energy, including type of product e.g. through a local utility program, and length of commitment, as well as whether the renewable energy product is Green-e certified.

Engineering Construction Services, Home Builders, and Real Estate Services

- Comment: There are no Energy Management (or equivalent) metrics included in the following Standards:
 - Engineering Construction Services
 - Home Builders
 - Real Estate Services

These industries also have some potential to utilize renewable forms of energy in production/operations. We recommend including disclosure metrics related to energy management, similar to those included in other standards.

- There are no Greenhouse Gas Management topic (or equivalent) metrics included in the following Standards:
 - Engineering Construction Services
 - Home Builders
 - Real Estate Services

These industries also have some potential to reduce and offset emissions in production/operations. We recommend including disclosure metrics related to emission reduction measures and carbon offset purchases.

Thank you for your consideration of our comments and please contact me with any questions, for more information, to discuss further, or if we can otherwise be of assistance.

Sincerely,



Todd Jones
Senior Manager, Policy and Climate Change Programs

From: **Peter De Mare**

Date: Tue, Jan 5, 2016 at 11:07 PM

Subject: Re: Peter, Your Comments on SASB Draft Standards for Electric Utilities

To: brynn.mcnally@sasb.org

Hello Brynn,

For some reason the link to provide feedback wasn't working for me. Nonetheless, for the most part The Draft Standards are good.

I'd like to recommend a single simple concept that would change the way we view Electric Utilities that really applies to all utilities as well. Simply put, utility line losses aren't properly factored. This impacts how we view the GHG emissions, ERP, safety, even the utility construction workers that are hired to build or maintain the distribution lines. In all of the industry boards and committees I've served on, no one properly addresses utility line losses.

Proposed metric. Ideally, this would be measured utility distribution line by utility distribution line and thus would yield an individual total "true" GHG Emission for each distribution asset and part of a "true" Energy Resource Plan. The reason I bring this up is that much of the grid needs to be updated and some of its pieces under-performing, perhaps even a safety risk - all of which are material facts to investors and the public. The reason this is important is because all kinds of Federal, State and Local resources are spent in the wrong priority because only blended utility emissions factors are used through larger data sets to make local or individual monetary infrastructure decisions.

I would be happy to discuss this concept in greater detail, though the calculation is simple. Useful Energy (distributed and billed) / Total Energy Generated for Distribution (per distribution line). That just becomes an inverse multiplier for the previous (current) emissions factor to get more towards a real sense of how the individual pieces are working. This would not only highlight the under-performing distribution assets and potential risk factors, though it also gets closer to a true emissions factor for each distribution line. From the utility's perspective, it helps them get necessary funding for infrastructure (distribution) improvements that can be hard to come by, since almost all their funding is slated for new renewable generation and some for optimizing utility customers (end users). This would address the distribution lines in between that we rely upon in order to have a "smart grid." For example, we wouldn't want expensive and sustainable renewable energy generation being watered down by poor (leaky) distribution lines and my take is that's what's happening all over the world at varying levels.

Given my credentials and technical expertise, I'm sure I could help SASB put more teeth and metrics to this and other related improvements.

My Best,

Peter

Peter De Mare - CEM, CDSM, CCRM, LEED AP and LEED Technical Committee

Founder / Consultant



From: Green, Michael [REDACTED]
Sent: Tuesday, January 5, 2016 9:37 AM
To: Brynn McNally <brynn.mcnamara@sasb.org>
Cc: Boraston, Geoff <Geoff.Boraston@gcinc.com>; Bryan Esterly <bryan.estery@sasb.org>
Subject: RE: Michael, Last Call for Comments on Infrastructure Standards

Hi Brynn,

Granite Construction Inc. appreciates the opportunity to supply comments to the October 2015 draft guidance. On behalf of Granite, Geoff Boraston and I are providing comments below.

The standard covers a very broad project scope, i.e. from “origins of project through project commissioning”. Most infrastructure projects are initiated by public or pseudo public agencies. Companies typically get involved after the public agency has already defined the project scope and established the project location. The public agency will often complete environmental and social impact assessments and take the project through permitting and design, at least partial design. In most cases the company assumes contractual responsibility either during the design process or after it is complete. For companies operating in the US, some of the disclosures will more often than not be outside the companies responsibilities and assumed by a public or pseudo public agency. This particularly applies to ecological and community impacts of the project.

Next, the standard should clarify how companies with numerous projects and broad project portfolio mixes should address the disclosures. Granite completes over a 1000 contracts every year with projects ranging from small road construction projects to large public private partnerships. Our scope of work and responsibilities on the projects vary greatly depending on the project.

The standard in places refers to “policies and practices” and “process to manage”. This could lead to a complex narratives particularly where companies have a large variety of project types, which publicly traded companies are likely to have. The standard should clarify what the disclosure expectations are. Also, conformance to a standard published by the International Organization for Standardization (ISO) should be recognized by the SASB Standard. ISO deals specifically with policies, practices and management processes on a broad range of management functions including environmental, quality and ethics.

Additionally, the proposed standards rely heavily on guidance provided by the International Finance Corporation. However, the concern with this reliance, is that such guidance ignores a substantial body of statutory and regulatory guidance provided to companies in this sector by the U.S. Department of Transportation, Small Business Administration and Department of Housing and Urban Development. Specifically, there are many preference programs such as the Disadvantaged Business Enterprise program, SBA 8(a) and others that contractors in this segment expend tremendous efforts and resources to comply with. These programs are often associated with goals and frequently these goals are met and surpassed by contractors. The purpose of these programs is to correct a deficiency in society identified by Congress, so it seems appropriate to include mention of this into the “Community” metric.

In the *Bidding and Consulting Integrity* section, the accounting metric is defined as the “Amount of legal and regulatory fines and settlements associated with professional integrity”. The term professional

integrity is confusing and should likely be defined. It is unclear whether a breach of professional integrity refers to an act of deceit or if it refers to false claims, where there is a tremendous of gray area in terms of whether the act was intentional or a result of a deficient billing system that did not catch repeated mistakes.

On p. 12 of the standard it is written "*The scope of project stages includes all project stages from the origin of a project through commissioning, which may include, but is not limited to, feasibility studies, proposals, design and planning, subcontractor procurement, and construction.*" One consideration that should be taken into account is the rapidly changing paradigm in construction due to the proliferation of Public-private partnerships, which is a government service/private business venture that is funded and operated through a partnership of government and one or more private sector companies. This contracting model is important because in many instances, the contractor has the burden of maintaining the project in many instances for up to 30 years after completion. The SASB may want to conduct an analysis of whether to list this as an explicit component of project stages, as the dollar amounts of projects using this delivery method are generally very high and involve sophisticated and large contractors.

On p. 21, the a definition for the term “non-energy” projects would be helpful.

Last, it would be helpful to make sure certain terms such as CFP and others are spelled out for readers, as the familiarity levels of readers with industry language may vary greatly.

Please let us know if you have any question, and again, thanks for the opportunity to comment.

Michael J. Green

Compliance Manager & Counsel
Granite Construction Incorporated

[REDACTED]

[REDACTED]

[REDACTED]



I have been contacted and asked to comment on the Infrastructure – Electric Utilities draft standards. I am pleased with the draft standards, especially as they pertain to my areas of concern – coal ash and water management. The metrics are good and encompass the areas of high risk such as CRR impoundments that are both active and closed. Congratulations on a job well done!

Elizabeth

Elizabeth Connors, Ph.D.
Assistant Professor
Department of Accounting and Information Systems
The Eli Broad College of Business





January 5, 2016

Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111

[Submitted Electronically through SASB's Portal for Public Comment]

RE: SASB October 15, 2015 Exposure Draft Sustainability Accounting Standard for the Electric Utilities Industry

To Whom It May Concern:

The Edison Electric Institute (EEI) appreciates the opportunity to submit comments on the Sustainability Accounting Standards Board (SASB) Exposure Draft Sustainability Accounting Standard for the Electric Utilities Industry (Draft Standard). EEI is the association that represents all U.S. investor-owned electric utilities, international affiliates and industry associates worldwide. Our members provide electricity for 220 million Americans, operate in all 50 states and the District of Columbia, and directly employ more than 500,000 workers.

These comments should not be construed as an endorsement of or agreement with the Draft Standard. The SASB should not characterize EEI's comments or the limited participation of a few utility employees in the development of the Draft Standard as providing electric utility industry support for the proposed disclosures. The SASB should not imply that sufficient industry input was considered in the development of the proposed disclosures, and should not state that the Draft Standard represents a consensus view on such disclosures.

If you have any questions concerning EEI's comments, please contact Rich Bozek [REDACTED], David Dougher [REDACTED], Randall Hartman [REDACTED], or Karen Obenshain [REDACTED].

Sincerely,

Richard McMahon

Vice President, Energy Supply and Finance

Quinlan J. Shea, III

Vice President, Environment

**COMMENTS OF THE EDISON ELECTRIC INSTITUTE ON THE SUSTAINABILITY
ACCOUNTING STANDARDS BOARD (SASB) EXPOSURE DRAFT OF THE
SUSTAINABILITY ACCOUNTING STANDARDS FOR THE ELECTRIC UTILITIES
INDUSTRY**

January 5, 2016

The Edison Electric Institute (EEI) appreciates the opportunity to submit comments on the Sustainability Accounting Standards Board (SASB) Exposure Draft Sustainability Accounting Standard for the Electric Utilities Industry (Draft Standard). EEI is the association that represents all U.S. investor-owned electric utilities, international affiliates and industry associates worldwide. Our members provide electricity for 220 million Americans, operate in all 50 states and the District of Columbia, and directly employ more than 500,000 workers.

With more than \$90 billion in annual capital expenditures, the electric power industry is responsible for millions of jobs outside our direct operations. Reliable, affordable, and sustainable electricity powers the economy and enhances the lives of all Americans. As generators of electricity and operators of the nation's electric transmission and distribution system, EEI's member companies have a strong interest in any initiative that potentially affects the industry, its financial well-being, and the information needs of investors.

EEI and its members are committed to providing safe, reliable, and increasingly clean electricity to our customers. Consistent with these objectives, many of our member companies voluntarily issue comprehensive corporate responsibility and sustainability reports, recognizing the interest of their stakeholders in such information. These reports allow companies to provide useful information that captures their unique circumstances and allows such information to be explained in a more understandable and representative format than the "one-size-fits-all" approach presented in the Draft Standard. Using standardized metrics, especially when those metrics are poorly defined, can be misleading in that they cannot accurately or adequately represent a utility's overall situation.

Lack of Transparent, Representative Process

Unfortunately, the process for development of the proposed Draft Standard was flawed from the outset in that it was developed without robust technical expertise and input from the utility industry. A thorough understanding of the diversity and technical parameters of the industry is critical to developing material and meaningful metrics and standards for any industry but was lacking in this instance and is reflected in the resultant proposal.

Only a limited number of individuals employed by the electric utility industry were involved in or contributed to any aspect of the development of the Draft Standard. Thus, the input received to help craft the Draft Standard was extremely limited and does not represent "industry-informed" input. The process for developing the proposed disclosures was not transparent and was largely unknown to the industry at large. In particular, we are not aware that any of our members' finance or accounting leadership—those responsible for the fair presentation of financial reports in accordance with Generally Accepted Accounting Principles and Securities

and Exchange Commission (SEC) rules—were included in the development of a proposal self-described as “required” for those purposes. After reviewing the “Supplement to Standards Outcome Report – Infrastructure,” which documents the detailed input received from the SASB Industry Working Groups for the infrastructure sector and the current Draft Standard, EEI does not feel that input received from individual utility members of the Working Group was adequately reflected in the Draft Standard.

Accordingly, although we are providing certain observations because the Draft Standard has come to our attention, these comments should not be construed as support for, endorsement of, or agreement with, the Draft Standard. Because of the overarching deficiencies in the process noted above, as well as the specific examples below illustrating the many problematic aspects of this document, neither EEI nor its members support the Draft Standard or any of its proposals.

Consequently, the SASB shall refrain from any characterization of these comments as providing any form of electric utility industry support or validation of the proposed disclosures, including any inference that industry input was satisfactorily considered in the development of the proposed disclosures or that the Draft Standard represents a “consensus” view on such disclosures.

In particular, the SASB should not include in any final Standard statements similar to those included when the SASB issued Provisional Standards for industries in the renewable resources and alternative energy sector¹. As part of that release, the SASB included the following statement:

SASB’s standards development process is rooted in evidence and shaped by consensus. The 258 individuals participating in the industry working groups for the Renewable Resources & Alternative Energy sector included professionals from publicly traded companies with \$694 billion market capitalization and investment firms with \$8.7 trillion in assets under management.

While employees from a few utilities participated in the standards working group, SASB states in its industry surveys that the participants give their personal views based on their professional experience and knowledge and that their responses do not represent the views of the company that employs them. Therefore, it is misleading to assert that these individuals represent the market capitalization of the companies for whom they work or the industry at large. Furthermore, it is inappropriate to promote standards with assertions that imply the assistance and/or support of a large share of the potential user market when, in fact, this is not the case. If the SASB finalizes the Draft Standard, such statements should not be included with respect to EEI or its member companies.

Overall, the process for development of the standard was irreparably flawed from the beginning because it did not begin with soliciting the interest and expertise from the companies that would consider using the standard.

¹ EEI member companies build, buy, finance and operate the majority of the renewable electric generating facilities that have been deployed in the U.S.

Duplicative, Unnecessary Proposals

EEI does not agree with the Draft Standard's proposal to include voluminous, prescriptive disclosures for nine sustainability topics in financial reports filed with the SEC, contending that such disclosures are required under the SEC reporting rules concerning material information.

Our member companies have a long history of transparently presenting all required information that is material to their financial reports filed with the SEC, including relevant environmental and sustainability information. The SEC disclosure rules cited by the Draft Standard have been in existence for many years and our members have complied in both form and substance with the all of the provisions of the SEC's rules.

Further, independent accounting firms have audited and/or reviewed all disclosures included in satisfaction of those requirements. Periodically, as required by law, the SEC staff has reviewed all of our members' filings, made comments where the staff questioned the appropriateness of such disclosures, and resolved those issues through their existing processes. At no time prior to the development of the Draft Standard has the SEC or any independent accounting firm asserted that the disclosures that the SASB seeks are universally required in order to align with the SEC's reporting rules concerning materiality. The SASB has no authority to declare unilaterally otherwise.

Below is a description of applicable SEC requirements that already address the SASB's proposed disclosure topics in a focused, relevant way tailored to financial reporting:

- Item 303 - MD&A disclosures require discussion of any known trends or uncertainties that have had, or that the registrant reasonably expects will have, a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. The focus is on material events and uncertainties known to management, and analysis of whether disclosure is required is based on probability and magnitude of impact on financial metrics that differs from the historical financial information.
- Item 101 - Description of the business and subsidiaries requires disclosures regarding certain costs of complying with environmental laws. Description of the business would consider any regulations that the company has to comply with including any that may have the potential of a material impact, even if that impact cannot be evaluated at the time.
- Item 103 - Legal proceedings requirements include briefly describing any material pending or contemplated legal proceedings with specific requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are for the purpose of protecting the environment.
- Item 503(c) - Risk Factors should include discussion of the most significant factors that make an investment speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

- Requirement to comply with Generally Accepted Accounting Principles, which includes numerous provisions such as those related to loss contingencies for environmental remediation, fines, penalties, etc., that are material.

Therefore, there is no need to promulgate, nor for our industry to adopt, a new set of disclosures purportedly required to assure compliance with SEC rules. By making the disclosures less effective, as discussed in more detail below, such actions would obscure, not clarify, relevant matters. This is particularly true with respect to the Draft Standard's requirement to include quantitative non-financial information such as pertinent environmental and social statistics. Such information is distinct from economic information contained in audited financial documents. EEI members voluntarily disclose many sustainability metrics in separate reports (other than SEC filings) specifically designed to discuss these matters for stakeholders who find them relevant.

Materiality Cannot be Divorced from Context

In addition to the deficiencies cited above, the Draft Standard utilizes an incorrect understanding of materiality. Specifically, it defines materiality based on a category of information or specific issues (such as emissions) rather than in the context, and for the purpose of, reporting and explaining historical financial results. Although it purports to adhere to the SEC definition of materiality, by characterizing the disclosures in the Draft Standard as "required," it effectively attempts to supersede management's judgment in making that determination.

The overall context of SEC filings, and the purpose for which they exist, is to provide materially correct financial information, material disclosures necessary to understand that information, explanations of the reasons for material changes from period to period, and explanations of material known trends or uncertainties that would cause the historical information not to be representative of the future. A transaction, event, contingency, or policy required to be reported is only relevant within this context: to support and explain the historical financial results and to indicate to what extent, if any, they would need to be adjusted by investors for known trends and uncertainties in order for investors to project future results.

Given this context, the content of such reports includes only those matters that are financially material. The definition of materiality does not focus on the nature or category of an issue, but rather on whether it could affect an investor's assessment of the reported financial information, leading to an impact on the investor's decisions. The requirements of the existing SEC financial reporting disclosure regime, therefore, necessitate company-specific judgment about individual circumstances, events, and transactions that consider the context of the entity's operations.

Management appropriately uses its judgment to report on matters that it determines are material to investors and other users of its financial statements. These judgments by management are considered by the company's independent auditors and the SEC staff. As a result, and to the extent necessary, environmental matters are discussed in SEC filings in a focused manner that considers whether each specific issue is material to that registrant's financial information. This approach fully satisfies the applicable requirements for those filings, which are designed to provide only material financial information.

Reduced Effectiveness

Additionally, the approach proposed by the Draft Standard is inconsistent with the focus and direction of current disclosure effectiveness initiatives by the SEC and the Financial Accounting Standards Board (FASB) to update disclosure reporting. Both of those regulators have heard from numerous stakeholders that voluminous disclosure is often unintelligible and obscures the reader’s ability to focus on specific matters that are material. Given this shortcoming, they each have issued proposals designed to improve the effectiveness of financial disclosures and to minimize duplication with other existing disclosure requirements.

These proposals target improving the effectiveness of disclosure reporting by having such reporting focus on the information most meaningful and material for investors to make informed decisions, and avoiding information overload. It is likely that many standardized disclosures will be reconsidered and possibly eliminated, though that is not an explicit objective of these initiatives.

FASB in particular has proposed to eliminate from its standards all minimum disclosure requirements (phrases such as “disclose, at a minimum, the following information”) and to adopt the SEC definition of materiality for determining whether a portion or all of the disclosures it recommends need to be included. By contrast, the SASB’s proposal would have the opposite effect by requiring broad-based, voluminous disclosures of various “accounting metrics” regardless of whether some or all of the recommended content is material, important, or relevant to understanding the financial results of an individual company’s business.

Chosen Disclosure Topics and Metrics

The selected disclosure topics and metrics in the Draft Standard do not accurately reflect the priorities outlined by the working group. For example, community relations and land use—that ranked seventh and eighth, respectively, out of the eight issues considered—were retained, whereas workplace safety and community safety issues that were ranked much higher were not added. This illustrates two important concerns with the Draft Standard. First, it may be based on input from working group members who did not have the proper background to judge whether concerns are material. Second, it suggests a flawed, or at least non-transparent, process that arrived at an unexplainable result that diverges from the available supporting evidence.

Context, Resolution & Definitions

Environmental metrics are notoriously difficult to define in a way that is meaningful and comparable. Oftentimes this is, in part, attributable to the very nature of the environmental concern. The measurement and definition of emissions (water, air, and solid waste) are often governed by both federal and state laws with differing rules on reporting specifics. Trying to shape these requirements with which companies must comply into universal one-size-fits-all precepts almost always falls short. This is the case with the Draft Standard.

Many of the chosen metrics lack context, which is needed for the data to be “decision useful” for stakeholders including and beyond the investor community. For example, the SASB developed absolute metrics (tons) for GHG emissions and other air quality emissions; however, absolutes

do not provide the reader important context about how a company is generating electricity or the size of the company compared to competitors.

Absolute or total measures of an environmental parameter do not necessarily provide material information and context. Comparability and context is crucial information to include in order for the information to be meaningful to investors. The electric power industry is quite diverse. The sector is made up of different size companies, operating in diverse geographies with differing customer bases. This diversity is magnified when considering the different fuel mix companies use. Some are primarily coal, some gas, some hydroelectric, etc. Some companies are primarily engaged in generation while others are solely transmission and distribution companies.

Complicating matters, some companies operate in regulated markets while others operate in more competitive open markets. The proposed metrics included in the Draft Standard do not attempt to normalize or account for in any way these significant differences that can and do fundamentally affect each company's environmental footprint. Without such context and normalization the Draft Standard, if applied, would only add confusion and complexity to the information it purports to provide.

During the industry working group process, we understand that the SASB was encouraged to adopt rate-based metrics for air, water, and waste topics, in addition to absolute metrics, to improve comparability of data between companies and to adequately provide investors with context for company size and efficiency. These comments were not addressed in any of the SASB forums or documents, which challenge the claim that this has been an open and transparent process.

The definitions of many of the components of the selected metrics are not articulated clearly and specifically. This further harms the decision-usefulness of the proposed disclosures. Some examples include the use of the term "regulatory program" in the GHG metric, which is ambiguous. The standard calls for the registrant to disclose the percentage of its emissions that are covered under a "regulatory program" and goes on to list initiatives, some of which are voluntary. The mandatory U.S. Environmental Protection Agency (EPA) reporting program is not referenced in the Draft Standard. Therefore, this leaves room for misinterpretation by the registrant, which will be magnified by the public. Decision useful information is not likely to be generated under this ambiguous metric. Another example is the inclusion of particulate matter (PM) reporting. PM can, and usually is, represented in a variety of formats based on size (*i.e.*, PM₁₀, PM_{2.5}, etc.) and disposition (directly emitted versus condensable). These distinctions do not seem to be included in the Draft Standard. Therefore, the potential for comparability would be lost. Another example can be found in the coal ash & spent fuel management disclosure topic. It is not clear whether the metric of total waste discussed refers only to coal ash or other wastes.

Terminology means a great deal for user clarity. For example, the use of the term "project delays" without a clear definition is too ambiguous to be meaningful. Project delays can be influenced by many factors, only some of which are under the company's control. Measuring impacts of "delays" is highly subjective. Likewise, the term "smart grid" is poorly defined. Specifically, one metric asks for the percentage of customers served through smart grid technology. The term smart grid can apply to all sorts of deployed technology on both sides of the meter. No definition is provided, thereby guaranteeing disparate results. Further, no

discussion or inclusion of energy efficiency incentives is included in the Draft Standard. These are just some illustrative examples and are not an exhaustive list. The lack of clarity in these and other terms used throughout the Draft Standard demonstrate that the proposal was developed with without a thorough understanding of the business it proposes to address and regulatory regime in which the business operates.

Duplicative Nature of Reporting

The Draft Standard also does not attempt to reconcile duplicative or conflicting reporting requirements with other reporting constructs such as the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP), among others. These competing approaches already create confusion and reporting inconsistencies. Adding another approach that layers on and does not integrate and simplify this information would increase this confusion rather than provide focused, effective disclosures and is not needed by users of sustainability reports.

Several of the proposed metrics for the electric utility sector are already reported to federal or state agencies, such as EPA and the Nuclear Regulatory Commission, and incorporating it into SEC reporting would be unnecessary and duplicative. This information includes:

- Gross global Scope 1 emissions;
- Air emissions;
- Total water withdrawn;
- Total water consumed, number of incidents of non-compliance with water quality permits, standards, and regulations;
- Coal ash combustion residuals;
- Total amount of spent radioactive fuel stored on site;
- Total storage capacity [for spent fuel];
- Customer electricity savings from efficiency measures, percentage required by regulations;
- System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), and Customer Average interruption Duration Index (CAIDI).

Another example of duplicative reporting is found in Accounting Metrics IF0101-09 & 10 addressing land use and community relations. These metrics would call for disclosure of every energy facility expansion or energy infrastructure project undertaken by an investor-owned utility (IOU). Such disclosure would imply that a pending project or one requiring a modification, whether environmental or societal in nature, signals an inherent uncertainty which translates to excessive or above average risk for the sponsoring utility; this is simply not the case. We fail to see how the disclosure of every project would accurately communicate or aid in understanding a company's risk profile. In fact, we believe the forced disclosure of energy projects under the SASB's proposed metrics would misstate the true measure of the risk involved. We believe the Accounting Metrics are redundant since many of the items covered in the metrics such as the process for public engagement and the various impacts addressed through this process—are already fully disclosed and publicly available in the project's application and accompanying National Environmental Protection Act (NEPA) reviews.

Conclusion

The SASB Draft Standard is flawed for the reasons discussed above and will lead to more burdensome reporting responsibilities that will not provide the reasonable investor with material, decision-useful information. Many of the disclosure topics included in the Draft Standard would be considered under existing SEC reporting requirements and voluntary disclosures sufficient to meet the objective of safeguarding capital markets and provide sustainability reporting to the stakeholder community. For all of these reasons, EEI and its members do not believe the SASB Draft Standard is needed, sufficiently refined, or consistent with existing and future trends in the financial and sustainability reporting subject areas. Therefore, EEI and its members cannot and do not endorse the finalization of the Draft Standard.

January 21, 2016

Submitted via email

Jean Rodgers, PhD, PE
Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Subject: Electric Utilities Sustainability Accounting Standard

Dear Dr. Rodgers and SASB Staff:

The Electric Power Research Institute (EPRI) respectfully submits its comments regarding the October 2015 Electric Utilities Sustainability Accounting Standard, Exposure Draft (the Exposure Draft), which is part of the Sustainability Accounting Standards Board's (SASB's) efforts to identify industry-specific sustainability issues that could be considered material. EPRI thanks SASB for this opportunity to submit its comments, and would welcome further discussions regarding any part of its submission at SASB's convenience.

EPRI is a nonprofit corporation organized under the laws of the District of Columbia Nonprofit Corporation Act and recognized as a tax exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended, and acts in furtherance of its public benefit mission. EPRI was established in 1972 and has principal offices and laboratories located in Palo Alto, California; Charlotte, North Carolina; Knoxville, Tennessee; Washington, D.C.; and Lenox, Massachusetts. EPRI conducts research and development relating to the generation, delivery, and use of electricity for the benefit of the public. As an independent, nonprofit organization, EPRI brings together its scientists and engineers as well as experts from academia and industry to help address challenges in electricity, including reliability, efficiency, health, safety, and the environment. EPRI also provides technology, policy and economic analyses to inform long-range research and development planning, as well as supports research in emerging technologies.

EPRI believes that to achieve the best result for society, any regulation or standard – whether mandatory or voluntary – should be based in technical information and scientific principles in a transparent manner to allow stakeholders to vet the work for the benefit of the public. Also, transparency would permit further improvements in the future as entities have more experience with reporting and academics as well as other stakeholders conduct additional research.

Please note that all comments contained in this letter reflect EPRI opinion and expertise and not necessarily those of its funders, members, advisors, collaborators, or the electric power industry. EPRI provides these technical comments at the exclusion of investment or legal expertise.

EPRI has been involved in sustainability-related research for over 10 years, including managing the Energy Sustainability Interest Group, a collaborative effort of 45 companies to advance corporate sustainability knowledge; managing the Utility Sustainability Benchmarking project, which is advancing the use of metrics to benchmark performance on key sustainability issues

most relevant to the electric power industry; and publishing research for the public benefit. More information can be found at www.epri.com/sustainability.

From EPRI's standpoint, the sustainability efforts of all sectors, including the utility sector, are vital. However, if standards, even voluntary, are not based in science and are not informed by a wide set of stakeholders, the results could be suboptimal. EPRI believes that the Exposure Draft would be substantially improved with further technical work and with broader stakeholder input.

Technical Evidence vs Opinion

EPRI suggests clarifying that SASB metrics are partially based on opinions rather than scientific evidence. The process utilized by SASB seems to rely on limited stakeholder opinions, term use frequency (weighted word search), and a small number of industry interviews. Further, it may be important for SASB to clarify they are not suggesting *causal* links between issues and financial relevance. In a literature review of existing research aimed at understanding the link between sustainability and financial performance, EPRI found that studies found a statistically significant *correlation* between financial performance and proxies that are used to measure sustainability (*The Electric Power Industry Business Case for Sustainability: Literature Review and Executive Rationale*. Report [3002005759](#)). EPRI is unaware of any existing research that has clarified a *causal* link between specific sustainability issues and financial profits/loss. The credibility of the voluntary standards offered in the Exposure Draft would, in EPRI's opinion, be enhanced if clarity was provided regarding use of stakeholder opinion, assumptions on correlations, and the extent to which peer-reviewed and technical research was used.

Use of Normalizing Denominators

The normalization factor, or denominator, used in metrics are important to developing a meaningful metric. For example, when normalizing Scope 1 emissions for an electric power company, the utilization of MWh would not be a representative normalization factor because MWh only accounts for electricity generation. Scope 1 emissions actually have a broader operational boundary, which would also include emissions from company fleet vehicles and fugitive emissions from electrical equipment, among others. For this reason, a denominator such as revenues may be more appropriate, providing perspective on company size and representing full company operations.

The normalization of the metrics proposed by SASB is not explicit in the Exposure Draft. Instead, a list of activity metrics is identified, providing stakeholders the opportunity to normalize a metric any way they see fit. This is not a technically rigorous approach, as this has the potential to result in inappropriate analysis. For example, normalizing Scope 1 emissions using the activity metric kilometers of transmission and distribution lines are unlikely to be informative as they are unrelated measures. Similarly, normalization of the "coal ash management" metrics the provided activity metrics may not be appropriate, as the Exposure Draft metrics either refer to waste from specific generation or overall operations beyond generation. For a metric to be technically meaningful, there should be a normalization factor that aligns with the initial measure of interest. A mis-matched of numerator and the normalizing denominator is a technical area that SASB might consider addressing. EPRI has spent several years on this specific challenge

of normalizing denominators, with results shared in *Metrics to Benchmark Sustainability Performance for the Electric Power Industry* (EPRI Report 3002007228).

Proposed Issues & Metrics

EPRI suggests it is important for SASB to consider how SASB identifies the issues themselves. For example, determining relevance of an issue based on its effectiveness of management is a selection criterion that is not consistently communicated. SASB has no metrics for Public Safety, which is a core responsibility of the electric power industry. It appears that issue is not considered material because it is handled well by the industry. It wasn't clear that the issue selection was based on performance, which might not align with SASB's goals of "Objectivity, Measurability, Completeness, and Relevance."

EPRI has detailed comments on the material issues and metrics from the perspective of increasing the technical rigor, precision in language, and moving from opinions to evidence, provide in Appendix A.

Stakeholder Engagement

Involvement with a large, diverse set of companies and stakeholders is vital, given that the electric power industry includes many different business structures, geographic spreads, natural resource considerations, and other diversities. EPRI notes the following regarding SASB's stakeholder engagement:

The SASB survey appears to be an important means for collecting input from the working group, as the in-person meeting was one Delta Series event and the webcasts did not seem to be highly interactive. For the survey, the Electric Power sector had 44 individuals respond across all stakeholder types and only 10 individuals affiliated to "Corporations." It doesn't seem there are sufficient responses to develop conclusions regarding the sustainability issues for a large diverse industry nor support the statement, "SASB feels confident that the responses provide sufficient feedback to guide the SASB standard-development process." (Due Process Report, Infrastructure Sector. August 2015).

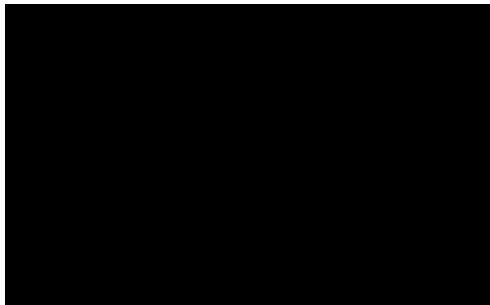
The terms "working group," "consensus," and "agreement" need clarity within the Exposure Draft. EPRI understands "working group" to mean a group of individuals in an interactive process between the participants, in which topics are discussed, meetings held, active facilitation provided, and outcomes captured; the process utilized to produce the Exposure Draft does not appear to be an active working group based on EPRI's understanding of these terms. EPRI offers that the Exposure Draft would be better supported with clarification of these terms, as they are central to conclusions regarding engagement, inclusion, and transparency.

EPRI also observes that there appears to be inconsistency in how SASB recruits individuals and later extrapolates the viewpoints of those individuals to stakeholder representation. Per SASB, "All industry working group members participate as individuals. Organizations are listed for affiliation only." SASB later uses the organizational affiliations to map to stakeholder types, and imply level of engagement with electric power companies (see SASB Industry Working Group Due Process Report, August 2015. Appendix 1.) SASB uses the Working Group "affiliations" to map which companies are represented by the working group and which companies completed the survey. SASB states, "the recruiting process yielded strong registration levels among the top companies in the Infrastructure sector" (pg 31, SASB Industry Working Group Due Process Report). If people are participating as "individuals" and not associated with their companies,

effectively as private citizens, it is unclear how these individuals can represent the stakeholder types of Corporations, Public Interest, and Market Participant, or specific companies. SASB might consider resolving this inconsistency by engaging people who have permission to represent their company's opinion or otherwise seeking participation of the entities themselves.

EPRI reviewed our comment letter provided to SASB on July 26, 2013 and continues to find those observation relevant for SASB consideration. EPRI appreciates the opportunity to provide these comments as SASB works towards its goals. As an independent, non-profit, research organization that works to ensure public benefit, we will continue to be available to assist and remain open to further discussions between our organizations.

Sincerely,



Jessica Fox
Sr. Program Manager, EPRI

Appendix A: Specific Comments

The Three Activity Metrics (Normalizing factor)

- Population Served (IF0101-A)
 - Guidance as to how this number is to be calculated needs to be clearer. Typically the industry discloses “customers” as the number of meters, including commercial and residential meters. Is “population served” intended to reflect customers or the entirety of the population understood to be living within a company’s service territory? SASB could consider “number of customers” as a normalizing factor, representing the number of electric meters, including both commercial and residential. For example, ordinarily EPRI would not expect the utility to necessarily have information regarding the number of individuals living within a residential unit, and in some circumstances a service territory may not line up well with established population numbers, such as the national census.
- Length of Transportation and Distribution Lines (IF0101-B)
 - EPRI suggests that “transportation” be changed to “transmission” lines.
 - The Exposure Draft would be improved if SASB could provide guidance as to how the lengths of each should be calculated. On a span of pole, there can be primary, secondary, grounding, and service wires. In order to keep reporting consistent, guidelines as to what wires is included would be helpful and necessary for developing more uniform reporting.
- Total Electricity Generated, percentage by major energy source, percentage in regulated markets (IF0101-C)
 - A boundary regarding generation control (e.g., operational vs. equity) for this metric is critical. EPRI suggests this be provided and SASB may consider the boundary of equity ownership, as this reflects a company’s ability to make investment decisions that could influence performance improvements.
 - It is unclear how the activity metric of “percentage in regulated markets” would be used as a normalizer for any of the activity metrics proposed and why this is material to company disclosures.

Greenhouse Gas Emissions & Energy Resource Planning

SASB may consider referencing a consistent International Panel on Climate Change (IPCC) Report. Currently, the fifth assessment report is referenced regarding global warming potentials (IF0101-01.01, pg 11) and the fourth assessment report is referenced related to emissions reduction initiatives (IF0101-02.13, pg 14).

CDP (formerly the Carbon Disclosure Project) does not give guidance as to how emissions are to be calculated. Instead, it provides a list of over 55 methodologies worldwide that a company may use as guidance, also providing an “other” option, suggesting additional flexibility. The number of protocols may result in numbers that are not comparable or subject to benchmarks. It is also possible that utilizing an organization that rates and ranks companies as guidance for

emissions calculations might introduce a bias. SASB could perform a technical evaluation of GHG reporting protocols and select a specific protocol in an effort to promote consistency among SASB “standard” users.

Air Quality

Emissions data related to lead and mercury is already publicly disclosed through the United States Environmental Protection Agency (EPA) Toxics Release Inventory (TRI) database. Reporting through financial filings as suggested in the SASB protocol would be duplicative, potentially resulting in an unnecessary use of resources for companies and therefore, not cost effective.

EPRI understands the reasoning behind an attempt to quantify emissions within a dense population; however, unintended consequences should be considered. For example, locating generation near dense populations reduces transmission and distribution losses. The closer to load, the less the loss, the less generation – and therefore emissions.

Coal Ash Management

The accounting metrics outlined in IF0101-04 do not relate to “coal ash management,” but instead to full company operations. Therefore, if the material issue is Coal Ash Management, many of these metrics are unnecessary.

Water Management

EPRI believes that the statement that “Electricity generation is one of the largest consumers of water in the U.S.” is incorrect. Electricity generation accounts for 4% of all water *consumption* in the United States (*Evaluating Thermoelectric, Agricultural, and Municipal Water Consumption in a National Water Resources Framework* (EPRI Report [3002001154](#))). Water *withdrawal* might be a more accurate reference; currently, EPRI estimates that the domestic electric industry is responsible for approximately 40% of freshwater withdrawals. (EPRI Report [3002001154](#)).

The issue of water stress is a local and time-bound issue, one that is challenging to capture in high-level models. Therefore, the ability for a company to delineate what activities are in water stressed regions as requested in IF0101-06.31, .32, and .33 is less straight-forward than presented in the proposed standard.

The World Resources Institute water risk atlas appears to still be in beta launch. SASB could provide the technical information on why this tool was selected. Further, SASB might define how stakeholders should use the tool. For example, how should the tool’s risk profile be set – using the electric power weighting or default?

EPRI notes that the most critical freshwater metric to consider may be consumption, not withdrawal, if the purpose is to show utility influence on watersheds.

Water quality is regulated at the federal, state, and local level. For this reason, non-compliance can be dependent – and different – based on location. SASB could define at what level of

compliance these violations should be reported as there is currently no guidance (i.e., is it only non-compliance of federal NPDES permits).

Land Use & Community Relations

EPRI suggests clarification as to whether SASB is using “projects” to mean “siting of new generation and T&D assets” or another explanation.

The electric power industry holds several different types and acreage of land beyond what is required for core generation assets. SASB might consider how companies can provide input on activities that support and promote biodiversity, in addition to the activities that result in natural resource impacts.

Stakeholder engagement is a normal part of siting projects and is not indicative of a challenge from the community. The metric described IF0101-09 as the “number of projects with open applications” is vague and needs to be clarified.

The industry typically conducts active stakeholder engagement (i.e. “Community Relations”) across many social, ecological, and economic issues, not only Land Use. It isn’t clear why Community Relations is mixed with Land Use specifically.

SASB might consider what this material issue is intended to capture and align the metrics accordingly.

Downstream Energy Stewardship

EPRI believes that energy efficiency savings should be encouraged and considered as part of sustainability metrics; it is unclear why it is required in IF0101-12.70 (pg 31) that if energy efficiency savings exceed regulatory requirements, this cannot be included in the percentage of savings reported.

It seems this issue could be renamed “energy efficiency” to align with current terms of use in the industry. Also, this is not only end-use efficiency, but companies have work to manage energy use within their own operations, as well as reduce line-losses, which are important for moving as much energy from production source to the plug as possible.

Management of the Legal & Regulatory Environment

Regarding IF0101-15 (pg 34) requesting, “1) Population served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target,” it is unclear how progress towards meeting a state-mandated renewable energy goal relates to the suggested material issue which is described as being focused on how companies, “manage their legal and regulatory environment and avoid potentially value-destroying outcomes” (pg 32). Also, as RPS is a state-level mandate, with some states that do not even have an RPS, there are issues of comparability that should be considered.

Grid Resiliency

EPRI suggests that the data requested in IF0101-20, number of data security breaches (pg 39), is vague, with many types of data security breaches in existence. Recently, EPRI published a report on cyber security metrics.¹ This report is part of a multi-year effort to create a scalable and effective security metrics methodology for electric utilities. The electric power sector in the United States is one of the few critical infrastructure industries with mandatory and enforceable cyber security standards, which are developed by the North American Electric Reliability Corporation (NERC) and approved by the Federal Energy Regulatory Commission (FERC). These standards are applicable to the bulk power system, only. Therefore, distribution is outside the scope of the NERC CIP standards. Violation of these baseline standards could result in penalties up to \$1 million per day, per violation. EPRI encourages SASB to review the NERC Critical Infrastructure Protection (CIP) Standards to ensure there is no conflict or duplication of security efforts in using this standard.

The focus on guidance for “instances of unauthorized acquisition, access, use, or disclosure of protected information” is not an appropriate measure for electric sector reliability or resilience. While these security requirements are important and must be addressed, they are not the focus of security for the power grid. In contrast, security for the nation’s power grid relies on specialized industrial control systems that are part of the operations technology. These specialized devices are different from traditional information technology devices. To ensure the reliability and resiliency of the power grid, utilities are more focused on protecting the assets and systems.

There is a basic difference between protecting operations technology (OT) and information technology (IT). OT systems require high availability and integrity of data, and are not focused on confidentiality of information. These differences require OT systems to be managed in a way that does not impede the reliability of the power system. In many cases, the OT systems are physically separated from IT systems. Because of these differences between IT and OT systems, a “data security breach” metric is an unreliable metric for grid resilience, as there is no direct correlation between those instances and reliability for the nation’s power grid. The proposed IT-focused metrics primarily address confidentiality of data. In general, these metrics are not applicable to OT devices and power systems (such as discussing acquired encryption keys). As such, grid resilience metrics should incorporate the unique characteristics of OT systems and devices necessary for the reliability and resiliency of the power grid.

EPRI believes that the reliability metrics outlined in IF0101-21 (pg 40) are not resiliency metrics. Many electric power companies are permitted by their regulatory bodies to exclude major events (including storms) in their reliability metrics; therefore, the events that SASB is actually looking to address regarding resiliency are not actually being accounted for in these metrics.

A partnership for climate resiliency effort is currently underway supported by the Department of Energy which includes 18 electric power companies looking to identify metrics to measure

¹ <http://www.epri.com/abstracts/Pages/ProductAbstract.aspx?ProductId=000000003002005947>

resiliency and a framework to do cost-benefit analysis. Additionally, there is research underway looking to develop metrics to measure resiliency at private institutions including Sandia National Laboratories. EPRI suggests the metrics to measure this issue are not mature enough to be meaningful at this time and instead, SASB should encourage research and consider resiliency metrics for future editions of this standard.

A few comments regarding precision of language used in the voluntary standards:

- Discrepancies in a quantitative metric that has instructions to “discuss” or “describe” actions (Notes to the quantitative metrics IF0101-20 and IF0101-21)
- Lack of clarity on “regulatory savings” (IF0101-12)
- Clarification on “percentage” (percent of what?) (IF0101-15)
- Lack of clarity on what “projects” mean, presumably siting projects (IF0101-09)
- Definition of “land use” is really siting of plants and T&D, rather than recognizing a company’s full suite of landholdings
- Use of “transportation” rather than “transmission”, “quality-based standard” should probably be Water Quality Based Effluent Limit (WQBEL), and confusion that effluent limit exceedances is the same as a waste load allocation (WLA are not the same as permit-based effluent exceedances).



January 28, 2016

Electronic Filing

Sustainability Accounting Standards Board
Attn: Bryan Easterly
1045 Sansome Street
Suite 450
San Francisco, CA 94111

Re: AGA's Comments on the SASB's Exposure Draft Sustainability Accounting Standard for Gas Utilities

Dear Mr. Easterly:

The American Gas Association (AGA) appreciates the opportunity to comment on the Sustainability Accounting Standards Board's (SASB) "Exposure Draft Sustainability Accounting Standard for Gas Utilities" (Gas Utilities Draft Standard or Draft Standard).

The American Gas Association, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 72 million residential, commercial and industrial natural gas customers in the U.S., of which 95 percent – just under 69 million customers – receive their gas from AGA members. AGA is an advocate for natural gas utility companies and their customers and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international natural gas companies and industry associates. Today, natural gas meets more than one-fourth of the United States' energy needs.

AGA and its members are continuously enhancing their operations through best practices, innovative programs and upgrading and modernizing the distribution system. Member companies have participated for over 20 years in the U.S. Environmental Protection Agency's (EPA) voluntary Natural Gas STAR program to share technologies and innovations for improving the environmental performance of natural gas systems.¹ AGA's Board of Directors has adopted a Commitment to Enhancing Safety,² and has approved voluntary AGA guidelines³ for reducing natural gas emissions. As a result of our members' commitment to safety and efforts to modernize their distribution infrastructure, emissions from distribution have dropped 16 percent since 1990, even as the industry added over 300,000 miles of distribution mains to serve 17 million more customers, an increase of 30 percent in both cases. AGA and its members support sustainable business practices and disclosure and, therefore, have serious concerns about shortcomings in the SASB's Gas Utilities Draft Standard and the non-transparent process used in its development.

¹ Environmental Protection Agency, Natural Gas STAR Program, <http://www3.epa.gov/gasstar/basic-information/index.html#overview1>.

² Natural Gas Utilities Renew Commitment to Enhancing Safety, October 2015, <https://www.againfo.org/news/news-releases/natural-gas-utilities-renew-commitment-enhancing-safety>.

³ AGA Guidelines for Reducing Natural Gas Emissions From Distribution Systems, May 17, 2014, https://www.againfo.org/sites/default/files/aga_guidelines_for_natural_gas_emission_reduction_bd_approved_may_17_2014.pdf.

The SASB describes the industry intended for its Gas Utilities Draft Standard as comprising gas distribution and marketing companies. As the leading voice representing the natural gas distribution sector, AGA feels compelled to provide comments on the Draft Standard. However, AGA's comments should not be considered equivalent to participation in the development of the Gas Utilities Draft Standard. Neither AGA nor natural gas distribution companies were consulted or involved in developing the Gas Utilities Draft Standard on which the SASB is now seeking comment.

In addition, AGA has had the opportunity to review comments of the Edison Electric Institute (EEI) on the Exposure Draft Sustainability Accounting Standard for the Electric Utilities Industry (Electric Utilities Draft Standard). EEI's comments identify significant problems with the process through which the SASB developed the Electric Utilities Draft Standard as well as the content of the Electric Utilities Draft Standard. As described in more detail below, AGA supports EEI's comments and identifies similar concerns related to the Gas Utilities Draft Standard.

We note that unlike the Financial Standards Board (FASB), the newly formed SASB has no official role in financial reporting. FASB is the designated organization in the private sector for establishing standards of accounting that govern the preparation of financial reports by nongovernmental entities. Those standards are officially recognized as authoritative by the Securities and Exchange Commission (SEC)⁴ and the American Institute of Certified Public Accountants.⁵ The SASB is not officially recognized as an authoritative standard-setting entity. AGA member companies follow FASB standards and SEC guidance in order to disclose material information that investors would need to evaluate a prospective investment. This includes material information about the benefits and contribution of natural gas in reducing greenhouse gas emissions by displacing higher emitting sources for power generation as well as natural gas combined heat and power for industrial and commercial energy needs, and for direct use of natural gas in homes and businesses for heating space and water.

AGA recognizes the importance of informing investors, the public, and policymakers on the role of natural gas as a foundation for a clean energy economy. However, we question whether this unofficial body is the appropriate organization for developing new financial disclosure standards, and we are concerned with the woefully inadequate and largely secretive and hasty process used to develop the Gas Utilities Standard. AGA was first contacted during the holidays at the end of 2015, at a time when AGA and our member experts were pressed to review and comment on several federal agency rulemakings and initiatives with comment deadlines in December and January. We were not invited to participate in the Industry Working Group to assist in the development of the standards which began in May 2015 – despite being a named industry association to which the SASB's Stakeholder Engagement Team conducted outreach. Instead, the SASB presented AGA with a nearly final product, and requested us to review and provide comments immediately after the holidays. This time constraint, and the fact that many of our member experts on gas operations, environmental policy, utility commission policy, financial standards and cybersecurity were out of the office during this time of year, made it exceedingly difficult to obtain member input. The proposal touches on many aspects of gas utility operations and calls for input from several different AGA committees. While we appreciate SASB's willingness to provide a short extension to the original requested deadline, the amount of time provided does not allow for the degree of industry involvement and technical review required for a true industry consensus standard.

⁴ Financial Reporting Release No. 1, Section 101, and reaffirmed in its April 2003 Policy Statement.

⁵ Rule 203, Rules of Professional Conduct, as amended May 1973 and May 1979.

A. The Gas Utilities Draft Standard Is Not the Product of Collaborative Stakeholder Involvement through an Open and Transparent Process

AGA has significant concerns with the process through which the SASB developed the Gas Utilities Draft Standard, and, specifically, the lack of input provided by the gas utility industry in developing the standards. AGA's concerns are consistent with the concerns identified by EEI for the Electric Utilities Draft Standard.

Pursuant to the National Technology Transfer and Advancement Act of 1995, the Office of Management and Budget (OMB) has issued Circular A-119, to encourage agency participation in consensus standards bodies such as those developing ASTM and ANSI standards, to benefit from industry expertise and to use voluntary consensus standards in regulation where appropriate.⁶ As defined in that OMB Circular, a “voluntary consensus standard” is one that is adopted by a body that has the following attributes: openness, balance of interest, due process, an appeals process, and consensus.⁷ The SASB does not appear to have incorporated or abided by these attributes. Nor does the SASB include a private industry advisory council on the order of FASB’s to obtain knowledgeable industry advice in developing standards.

An informative and meaningful industry voluntary consensus standard can only be developed through an open process that solicits input from that industry as the standards are drafted, not just after the fact. Unfortunately, the Gas Utilities Draft Standard was not developed through open, industry-informed input. A limited number of individuals employed by the natural gas distribution industry, some without the necessary expertise, provided input in developing the Gas Utilities Draft Standard. However, the natural gas *industry* was not part of the standards making body or the voting process. Notably, AGA was absent from this process, despite being the voice of the natural gas distribution industry and despite being explicitly named as an industry association that the SASB would seek out to provide input for *developing* the draft standards for the Infrastructure sector.⁸ Moreover, as noted by EEI, those individuals that did participate to some degree in the “Industry Working Groups” to develop the standards participated as individuals, not on behalf of their organization. AGA has learned that those individuals that the SASB invited to participate were not allowed to discuss the content of the Draft Standard with other members of their company. On more than one occasion, the company has determined that the employee inaccurately identified their company role or did not have the requisite knowledge of greenhouse gas emissions measurement, sustainability, local distribution company rate-making, or operations to appropriately or competently provide responses for the industry. Furthermore, even if the individual did have some knowledge to comment on a facet of the standard, as mentioned earlier, the Draft Standard covers and impacts numerous aspects of gas utility operations. By manipulating comment from such a narrow set of individuals and refusing to allow for a collaborative response, the input that the SASB received necessarily could not have been comprehensive.

As a result of the way that the SASB solicited involvement and responses through its Industry Working Group, it is misleading and wrong to suggest that the Gas Utilities Draft Standard is the product of industry collaboration. Because participants did not represent the views of their employers, distinguishing participants by “corporations” is a truly misrepresentative characterization of the type of collaboration involved in developing the Draft Standard. The process also is inconsistent with the

⁶ 81 Fed. Reg. 4673 (Jan. 27, 2016) (Revision of OMB Circular A-119, “Federal Participation in the Development and Use of Voluntary Consensus Standards and in Conformity Assessment Activities”).

⁷ OMB Circular A-119 §4(a), 63 Fed. Reg. 8546, 8554.

⁸ See SASB Industry Working Groups Due Process Report, August 27, 2015 at 6.

SASB's own standards development process, which describes the Industry Working Group as being comprised of a "balanced representation from corporations, market participants (investors and analysts), and intermediaries."⁹ There was no representation of "corporations" in the working group. ANSI accreditation is contingent on the standard setting body following its own written procedures. By not following its own procedures, the SASB failed to comply with ANSI's accreditation requirements, and risks, among other potential consequences, withdrawal of accreditation.¹⁰ AGA fully supports and agrees with EEI's concerns with attributing responses from employees of utilities as representing the views of the company that employs them.

In addition, AGA agrees with EEI: the SASB must refrain from any characterization of AGA's comments as providing any form of support or validation of the proposed disclosures, including any inference that industry input was satisfactorily considered in the development of the proposed disclosures or that the Gas Utilities Draft Standard represents a "consensus" view on such disclosures.

AGA also is troubled by the limited number of individuals that were involved in developing the Gas Utilities Draft Standard through the Industry Working Group. The SASB asserts there were 483 total "commitments" for the Industry Working Group.¹¹ Based on feedback from AGA member companies, individuals identified as "committed" in no way considered themselves committed to providing feedback and were surprised to find their name listed in the report. Of the 483 "committed" participants, the SASB only received 175 completed surveys.¹² And of these 175 completed surveys, only twelve individuals provided feedback to SASB for developing the standard: five from "corporations"; two from "investors"; and five from "public interest."¹³ Feedback from such a limited number of individuals in no way provides the types of robust technical input necessary for developing the type of standard that the SASB is purporting to develop.

It also is clear to AGA that the SASB did not fully consider the limited input it was provided by the working group. For example, downstream emissions management was ranked last by the Industry Working Group, yet the SASB retained it in the Gas Utilities Draft Standard. Furthermore, when reviewing the comments provided on this topic, it appears that at least two survey participants did not understand the scope of this topic. One participant supported the topic with a comment related to the source of the natural gas, and, in particular, whether hydraulic fracturing was involved; a second participant that supported the disclosure topic stated "emission regulations, taxes."¹⁴ These comments are inapposite to the scope of the disclosure topic.

AGA has not reviewed the other draft sustainability standards for infrastructure. However, the fact that such a flawed process was used to develop both the Gas Utilities and the Electric Utilities

⁹ SASB Conceptual Framework, October 2013, at 21.

¹⁰ ANSI Essential Requirements: Due process requirements for American National Standards, Section 4.1.4, January 2016.

¹¹ *Id.* at Exhibit E.

¹² *Id.* at Exhibit D.

¹³ *Id.* at Exhibit G.

¹⁴ SASB, Supplement to Standards Outcome Report, Infrastructure at 88-89.

standards suggests that the entire series of infrastructure standards were developed without input from the relevant industries.

B. The Draft Standard's Proposed Disclosures Are Unnecessary to Ensure the Disclosure of Material Facts and Inconsistent With Current Disclosure Initiatives

AGA agrees with EEI's comments that the proposed disclosures are not required under SEC reporting rules. As EEI points out, the SEC disclosure rules cited by the SASB have been in existence for many years. AGA members endeavor to comply with these rules in both form and substance. AGA is not aware of the SEC nor independent accounting firms, both of which have reviewed our members' filings, ever having asserted that the types of disclosures that the SASB seeks are universally required to align with the SEC's reporting rules concerning materiality. Instead, as EEI lists, there are numerous applicable SEC requirements that already address the SASB's proposed disclosure topics in a focused, relevant way tailored to financial reporting.

AGA also supports EEI's comments that the SASB relies on an incorrect understanding of materiality. As EEI explains, the SASB standards improperly define materiality divorced from the context of and purpose of reporting and explaining historical financial results.

As EEI points out, the SASB's approach of standardized disclosures is inconsistent with the focus and direction of current disclosure effectiveness initiatives by the SEC and the FASB. Both of these organizations have offered proposals designed to improve the effectiveness of disclosure reporting by having disclosures focus on the information that is most meaningful and material for investors to make informed decisions. The SASB's intent to impose broad and voluminous disclosures, regardless of whether the content is material, important or even relevant to understanding the financial results of an individual company's business, cannot be reconciled with the focus of the SEC and the FASB.

As discussed in more detail below, AGA members already report many of the proposed metrics to federal or state agencies. In addition to failing to recognize the duplicative nature of this reporting, the SASB has not attempted to reconcile duplicative or conflicting reporting requirements with other reporting constructs such as the Global Reporting Initiative and the Carbon Disclosure Project, among others. As EEI points out, adding another approach that layers on requirements and does not integrate and simplify this information would increase confusion rather than provide focused, effective disclosures.

The duplicative and redundant nature of SASB's "voluntary" uniform standard reporting creates new costs that are not necessary in the provision of service to the utility's customers, thus unnecessarily raising cost to the utility customer. As the Draft Standard points out, state commissions already have the authority to require utilities to accumulate and report these costs (California, Minnesota, New York) on an individual state basis. There is no indication that any state commission weighed in on the Draft Standard, highlighting the lack of transparency in the process.

C. The Proposed Disclosure Topics Do Not Define Metrics Appropriate For or Applicable To Natural Gas Utilities

A comprehensive understanding of all aspects of an industry is critical to developing meaningful metrics and standards for the industry. It is apparent from the Gas Utilities Draft Standard's proposed disclosure metrics that this comprehensive understanding was lacking, the result of the flawed process identified above. AGA's substantive comments on the proposed disclosure topics and metrics are not meant to be comprehensive, but instead illustrative of the fundamental flaws found throughout the Draft Standard.

There are several flaws applicable across all three disclosure topics and underlying metrics. Notably, there is no description or discussion on why these particular metrics constitute “material sustainability topics” or elaboration as to why these topics, let alone these specific metrics, are “reasonably likely to have a material effect on the financial condition or operating performance of companies.” Furthermore, the document requires reporting of various metrics that are already reported to other federal agencies. AGA members already report several of the proposed metrics to federal or state agencies, such as EPA, the Department of Transportation (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA), the Department of Energy (DOE) Energy Information Administration (EIA), and the applicable state public utility commissions. The Draft Standard does not acknowledge existing reporting requirements and therefore the duplicative nature of this exercise. For example, emissions data are already reported under the EPA’s GHG Reporting Program; pipeline mileage and incidents to DOT.

AGA believes that EEI’s concerns regarding the context, resolution, and definitions of the metrics contained in the Electric Utilities Draft Standard are equally applicable to the metrics included in the Gas Utilities Draft Standard. As EEI notes, environmental metrics often are difficult to define in a way that is meaningful or comparable. Similar to the Electric Utilities Draft Standard, the Gas Utilities Draft Standard also includes metrics that lack context and that are defined as absolute or total measurements. By proposing standards that fail to normalize or account for the diversity of the industry, the metrics fall short of their intended goal of providing standardized metrics to communicate performance on sustainability topics.

1. Downstream Emissions Management

The Downstream Emissions Management disclosure topic is based on a fundamental misunderstanding of natural gas distribution economics. Natural gas utilities are highly regulated by state utility commissions, which set rates to allow a “just and reasonable” rate of return. But that rate of return is earned on the capital invested in infrastructure – pipe in the ground needed to provide transportation services – not on the natural gas commodity itself. Gas utilities pass through their own cost of natural gas without any additional profit. The leak reporting sections apparently assume that investors would earn a profit on recovered gas – if low level, non-hazardous leaks were reduced and small amounts of gas were recovered. This is not the case and demonstrates a complete lack of understanding of the business aspect of natural gas utilities.

There are several provisions that overlap, duplicate or could conflict with existing emission and pipe replacement reporting. Notably, natural gas utilities report emissions data to EPA’s Greenhouse Gas Reporting Program. EPA is now in the process of updating its methods for estimating emissions from natural gas distribution for the U.S. Greenhouse Gas Emissions and Sinks¹⁵ to reflect recent more robust data that shows emissions from the distribution sector are much lower than previously thought. In fact, based on data from a multi-city distribution study conducted by Dr. Brian Lamb of Washington State University, emissions from the natural gas distribution sector are estimated to be only 0.01 percent of annual production. EPA also plans to update its reporting rules to reflect this new data and adopt more accurate emission factors for reporting distribution company emissions. EPA posts gas utility emission reports on the EPA reporting program web site. It would seem that

¹⁵ Inventory of U.S. Greenhouse Gas Emissions and Sinks: Revisions under Consideration for Natural Gas Distribution Emissions, December 2015, <http://www3.epa.gov/climatechange/ghgemissions/usinventoryreport/Proposed%20Revisions%20to%20NG%20Distribution%20Segment%20Emissions.pdf>.

this is the more appropriate venue for providing standardized, comparable data to the public. Whether such data is “material” to investor decisions should be governed by normal securities law.

The metrics for downstream emissions management also fail to acknowledge PHMSA’s risk-based regulatory framework and integrity management program requirements that are applicable to natural gas utilities. These regulatory requirements were developed to encourage the safe and reliable operation of the natural gas distribution infrastructure and have the added effect of decreasing emissions.

Aside from being duplicative and arguably unnecessary, the metrics and guidance provided for Downstream Emissions Management are confusing and, in some cases, internally inconsistent and contradictory. For example, the Draft Standard conflates lost and unaccounted for gas as “leakage,” but then excludes reporting of “lost and unaccounted for gas” through what it calls “non-leakage” events, which itself is undefined. The Draft Standard also provides no guidance on how the exclusion of pressure and temperature measurement errors should be accomplished, nor does it provide guidance for other system activities or factors such as gas theft that could contribute to lost and unaccounted for gas figures.

For “relevant guidance” for leakage, the document cites only a California Senate Bill and one volume of one report, the 1996 GRI/EPA study. The volume cited relates specifically to equipment leaks, and covers many source categories that are not readily applicable to natural gas distribution systems. There is no acknowledgement of the wider body of work from the GRI/EPA study, nor subsequent studies that have been completed in intervening years. In addition, the Draft Standard cites various “techniques or technologies” without any consideration of the appropriate or applicable situations, conditions, or merits for use of these techniques or technologies. There is no consideration for cost of these techniques or technologies as well. Finally, there is no acknowledgement that pipeline leaks are already estimated using emissions factors per EPA requirements in its GHG Reporting Program. These leak estimates are calculated by multiplying the relevant emission factor by a utility’s activity data, which in the case of pipelines is the mileage of pipeline by material and type as reported to DOT. In this case, reporting both pipeline leaks and the types of pipeline mileage is not only redundant to other efforts, but also internally redundant to this project.

There are similar concerns and problems with metrics associated with efficiency measures and regulatory savings. For example, the Draft Standard would require reporting of efficiency savings with no further guidance. The Draft Standard fails to account for the fact that state and company efficiency programs vary tremendously. There is no guidance on which programs, e.g. rate-payer funded efficiency programs, consumer education campaigns, utility energy service contracts, should be included. Should indirect activities, such as online tools, on-site energy audits, behavioral conservation programs, home savings evaluations, and school-based education programs, be included? This broad brushed approach only serves to obscure rather than illuminate the activities underway by gas utilities to enhance energy savings for consumers.

In addition, the Draft Standard would require the reporting of “gas savings,” defined as the difference between consumption and that which would have been consumed had efficiency measures not been implemented. There is no explicit distinction in the Draft Standard between gross efficiency savings and net efficiency savings. Net efficiency savings could exclude free riders, spillover, and savings due to government mandated codes and standards, reduced usage owed to business or business cycle fluctuations, and reduced usage because of natural operations of the market place.

2. Operational Safety & Emergency Management

There are many problems with the metrics proposed in this section of the SASB proposal, likely due to the lack of input from industry operations experts during the development of the proposal. As just one example, IFO 102-107, “Percentage of pipeline operators currently qualified to perform covered tasks,” calls for reporting the “percentage of pipeline operators” apparently referring to gas utility employees, but perhaps also contractors – that are “currently qualified to perform covered tasks.” If SASB had consulted with natural gas operations experts in the development process for this proposal, this provision might be consistent with industry practices. However, as proposed, this provision in the proposal makes no sense given that personnel numbers change constantly with attrition and new hires, and as operating companies retain and release contractors. Additionally, each natural gas operating company can have different operator qualified (OQ) tasks under PHMSA’s OQ regulations; whereas the proposal assumes all companies are universally the same and comparable using the proposed standard. Every natural gas company is structured differently. Some operators rely on contracted employees to perform a majority of OQ tasks, other operators strictly utilize company employees, while most use a mixture of company employees and contracted workers. A metric such as the percentage of employees that are OQ’d would be a poor indication of the strength of a company’s operator qualification program. Following PHMSA’s OQ rule is the more relevant question, and if there were any material non-compliance, disclosure would be governed under existing SEC requirements and guidance.

The proposed accounting metrics associated with IF0102-08, “Discussion of Management Systems Used to integrate a culture of safety and emergency preparedness throughout project lifecycles” also highlight the disconnect between the Draft Standard and the industry. The metrics discuss management systems to integrate a culture of safety and emergency preparedness throughout *project lifecycles*. However, management systems are holistic approaches to manage a complex process. To be successful, a safety management system must be applied throughout an organization over time, not to individual pipelines or pipeline segments. This also is true for a safety culture. It must be applied and practiced throughout an entire organization. The Draft Standard has selected some of the elements and terms included in safety management systems and applied them to projects involving individual pipelines or pipeline segments. Elements of safety management systems are meant to be applied in a systematic way to an entire organization.

3. Distribution Network Resiliency

The metrics that the Draft Standard proposes for Distribution Network Resiliency also are flawed as a result of the SASB’s failure to consult with industry. For example, reporting the number of service interruptions does not recognize that most natural gas service interruptions are the result of planned work. Replacing and upgrading service pipeline material requires the current service to be interrupted when the pipe is replaced. These relatively short duration interruptions do not rise to the level of materiality.

However, for this disclosure, the metrics are not just duplicative and/or unworkable. Much of the information that the Draft Standard would have companies include in their public filings would have the effect of increasing the probability of a cybersecurity attack and the success of such attackers.

In particular, the Draft Standard would have companies publicly disclose efforts to identify and mitigate risks of technological service disruptions. Among other disclosures, a company would describe how it identifies and prioritizes threats and vulnerabilities to the network, observed trends in attacks, and how it identifies and prioritizes the potential for physical infrastructure to cause service disruptions. Disclosing this type of information in a public document at the detail that the Draft Standard requests would provide a detailed roadmap for would-be attackers, thus increasing the

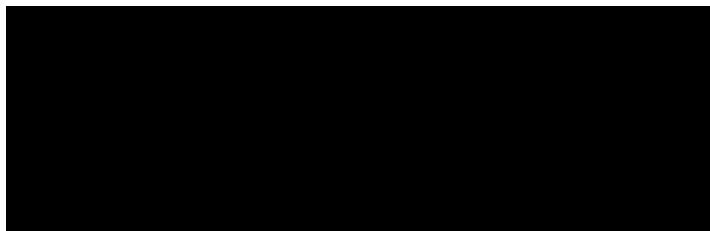
probability of a successful attack. The SASB's inclusion of such information in its disclosure metrics is nothing short of reckless.

In addition to the critical failures in the types of information that the Draft Standard would have companies publicly disclose, the disclosure metrics for Distribution Network Resiliency also demonstrate the SASB's failure to comprehend the cybersecurity risks that natural gas utilities are combatting. The Draft Standard describes costs associated with preventing and responding to network attacks as additional costs that could detract from shareholder value. Furthermore, the metrics appear to blame companies for network failures that are the result of criminal activity. Natural gas utilities are heavily engaged in cybersecurity and the physical resiliency of their systems. Investments in safeguarding and defending the distribution network do not detract from shareholder value, but instead increase shareholder value.

* * *

If you have any questions, please contact me.

Sincerely yours,



Pamela Lacey
Chief Regulatory Counsel
American Gas Association





January 4, 2016

Bryan Esterly
Sector Analyst, Infrastructure
Sustainability Accounting Standards Board (SASB)
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Re: Water Utilities Sustainability Accounting Standard - October 2015 Exposure Draft Standard for Public Comment, AMWA initial comments and request for extension to comment period.

Dear Mr. Esterly,

The Association of Metropolitan Agencies (AMWA) is an organization representing the largest publicly owned drinking water utilities in the U.S., and together the membership serves drinking water to over 130 million people from Alaska to Puerto Rico. Member representatives to AMWA are the top managers and CEOs of these large water systems.

AMWA and its member utilities are at the forefront of the development and implementation of a wide variety of sustainability metrics and are very supportive of the need to incorporate those metrics in all aspects of their operations. Although AMWA members are not publicly listed utilities, AMWA member utilities do sometimes secure funds in private capital markets, and therefore the degree to which ratings or lending decisions may be influenced by the SASB's proposed Water Utilities Sustainability Accounting Standard (hereafter referred to as the "SASB standard") represents a significant concern. In particular, our initial reading of the proposed SASB standard leads us to believe that many of the proposed metrics are duplicative, misapplied, or not entirely in line with the robust standards and metrics already in use throughout the water sector.

The document does not adequately portray and incorporate the nuances and complexities of the water sector and types of utilities that comprise the sector. In addition, many of the references are misused or incorrectly applied. The document demonstrates a fundamental lack of understanding of how the sector works that is imperative to inform the development of any kind of standard. Understanding the water sector requires a vigorous engagement with the appropriate water sector representatives during the development of the standard. AMWA and its member utilities are regular participants in a wide variety of public stakeholder processes in both the government and private sector, and as such, can appreciate the difficulty in reaching every vested stakeholder. However, we believe the lack of early, direct outreach to AMWA and other

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John Entsminger
Las Vegas Valley Water District

Ray Hoffman
Seattle Public Utilities

Julia J. Hunt
Trinity River Authority of Texas

EXECUTIVE DIRECTOR
Diane VanDe Hei

Mr. Bryan Esterly

January 5, 2016

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prominent water sector organizations was a significant oversight and has led to a draft SASB standard that is flawed and in need of significant additional work before it should be considered.

AMWA became aware of the public comment period for the SASB standard extremely late in the process – on December 30, 2015, which made it difficult to provide a detailed review by the posted January 5, 2016 deadline. Given the short time AMWA staff had to review the SASB standard and the inability to circulate it widely among our membership for additional comment, we can only offer brief feedback at this time. AMWA therefore requests an extension of the comment period until January 28, 2016 so that we can engage our members in the development of additional comments and recommendations.

In the interim, there are two major issues on which we ask you to focus your immediate attention.

1. Adequately consider the uniqueness of the water sector in any future standard.

The water sector comprises publicly owned and privately owned utilities, water, wastewater and stormwater utilities, joint utilities, wholesale and retail utilities. SASB should consider reorganizing the standard to more accurately reflect the uniqueness of the different utilities that comprise the sector, and the subsequent relevance of the various sustainability disclosure topics to the types of water utilities.

AMWA encourages SASB to engage with water sector associations to better understand this uniqueness and therefore more accurately represent water utilities in a future draft of the standard.

2. Adequately consider the myriad significant resources already developed and implemented for assessing water utility sustainability.

AMWA suggests that SASB take a closer look and robustly account for the significant resources and efforts that cover many of the same topics covered under the draft SASB standards. Many of the existing metrics are in wide use across the industry, and having them align with the SASB standard will be critical if wide acceptance of a future standard is desired. Existing programs and products that should be incorporated include:

- Effective Utility Management (EUM) Initiative

AMWA and five other associations representing the U.S. water and wastewater sector (including AWWA and NAWC), in collaboration with the U.S. Environmental Protection Agency (EPA), released Findings and Recommendations for a Water Utility Sector Management Strategy in 2007. In 2014, U.S. EPA published a sustainability roadmap document entitled [Moving Toward Sustainability: Effective and Sustainable Practices for Creating Your Water Utility Roadmap](#). Additional information is online at <http://www.amwa.net/effective-utility-management-initiative>.

Mr. Bryan Esterly

January 5, 2016

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- ISO 14001 Environmental Systems Management and

- ISO 26000 Social Responsibility.

Please consider this comment letter as a preliminary response and we look forward to engaging with you on this initiative. If there are any questions about the above comments, please contact Erica Brown [REDACTED], AMWA's Director of Sustainability and Climate Programs, or me ([REDACTED]) at [REDACTED].

Sincerely,

A large black rectangular redaction box covering the signature area.

Diane VanDe Hei
Executive Director



ASSOCIATION OF
METROPOLITAN
WATER AGENCIES

LEADERS IN WATER

[REDACTED]

amwa.net

[REDACTED]

January 19, 2016

Bryan Esterly
Sector Analyst, Infrastructure
Sustainability Accounting Standards Board (SASB)
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Re: Water Utilities Sustainability Accounting Standard - October 2015 Exposure Draft Standard for Public Comment, AMWA follow up comments

Dear Mr. Esterly,

This letter is a follow up on our initial comments sent on January 4, 2015. Upon further review SASB's proposed Water Utilities Sustainability Accounting Standard, AMWA has concluded that the draft standard misrepresents water sector utilities due to many gross inaccuracies, including differences between publicly owned and privately owned utilities and water, wastewater and stormwater utilities (Attachment A provides a partial list of examples of these inaccuracies.) Accurately describing and representing the diverse components and nuances of the sector is paramount to a credible standard. AMWA strongly believes that as currently written the draft standard is in many ways, plain wrong about the water sector and therefore should not go forward as written.

AMWA is committed to sustainability principles in water utility management and accounting and therefore strongly urges SASB to consult directly with AMWA and its members as well to develop a credible, accurate accounting standard that considers sustainability metrics.

We await your response to this letter and look forward to further discussion on the appropriate characterization of water utility sector sustainability practices.

Sincerely,

Diane VanDe Hei
Executive Director

Attachment

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Nashville Metro Water Services

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New York City DEP

John Entsminger
Las Vegas Valley Water District

Ray Hoffman
Seattle Public Utilities

Julia J. Hunt
Trinity River Authority of Texas

EXECUTIVE DIRECTOR
Diane VanDe Hei

Attachment A

1. Overall:
 - a. In reading the draft, it is uncertain how disclosing information for this standard without context will contribute to accurate disclosure – what's the benchmark or “best practice” being standardized here?
 - b. The introduction suggests this document is for investor-only utilities, but the language throughout the document does not make a distinction between publicly and privately owned utilities.
 - c. Jargon used isn't the vocabulary of the water sector, e.g. “extraction of raw water”;
 - d. The standard inaccurately describes how public water systems (drinking water utilities) access source water or finished water.
 - e. In the U.S., utilities are municipally owned or privately owned, and as this standard is for privately owned utilities, they may purchase both raw or finished water from other utilities (public or private)
 - f. Criteria from the existing bond ratings agencies consider environmental compliance, capital planning and management of utilities. Recommend SASB consider criteria published from Moody's, S&P etc. that consider these items that are relevant to topics addressed in SASB's draft standard such as drinking water quality, effluent quality, fair pricing and network resiliency.
2. Characterization of the water sector
 - a. Parts of the standard will apply to drinking water, wastewater, stormwater, joint utilities differently or not at all – the standard does not accurately distinguish between these utility types and what topics apply to which utility types. For example, IF0103-05 volume of recycled water delivered – the write-up suggests this is an item that only applies to wastewater utilities, this should be clarified. (In the case of potable reuse, the water must also be at a minimum, treated to drinking water standards).
3. Energy management (IF0103-01 (a typo on p. 11 references CN0103-01)): Agencies have partnerships with their power providers which contributes to energy management by reducing total energy consumed, especially at peak times; this should be referenced.
4. Effluent quality management (IF 0103-02 and -03): This appears to be focused on Clean Water Act (CWA) violations only and by extension wastewater utilities/processes. Some drinking water utilities also have effluent management responsibilities.
5. Water scarcity
 - a. Description of how water supply systems obtain water is incomplete. (p.15) E.g., “water rights” in industry parlance is law that defines access and use of water in the western U.S.; water rights is not the avenue through which water is purchased from a third party government entity (though rights may affect the amount of water available to purchase in certain scenarios).

- b. Water stress definition is taken from a tool developed for private companies (the WRI aqueduct project) not water utilities, which are public water systems (PWS). The WRI aqueduct site says about the tool that, “It is structured, in particular, to help companies and investors understand indicators of water-related risk to their business, but is intended for all users, including government and civil society to better understand geographic water issues.”
[\(<http://aqueduct.wri.org/about/methodology>\)](http://aqueduct.wri.org/about/methodology), accessed 1/13/2016).

A PWS is defined in the Code of Federal Regulations (42 CFR § 300f(4)(A) accessible at <https://www.law.cornell.edu/uscode/text/42/300f>) as a system that provides water for human consumption through pipes or other constructed conveyances if such system has at least fifteen service connections or regularly serves an average of at least 25 individuals at least 60 days out of the year. A PWS may be a municipally owned utility or a privately owned utility, but PWS are a public service; drinking water utilities exist to provide fire protection services to a community, protect public health and provide for the economy and well-being of a community. Thus, caution must be exercised when applying the WRI aqueduct tool to water systems with a public service mandate (in contrast to the application of the tool to private company working in strictly market-driven conditions).

- c. While the realities of drought and water stress in a community could affect a company’s bottom line (i.e., resulting in reduced revenue) as suggested on page 15, measuring this stress as outlined in IF0103-04 does not account for the underlying nuances, agreements and regulations that govern water supply and water access in the U.S., particularly in the western states, such as the Colorado River compact.
- d. IF0103-05 recycled water
 - i. Description under .21 suggests this is for wastewater utilities, but if the recycled water is used for potable reuse, then it must also, at a minimum, meet drinking water regulations.

6. Drinking Water Quality p. 19

- a. Most of section 03-07 must be revised for clarity and to minimize burden. Compliance with international standards should only apply in reference to those facilities/operations physically located in the jurisdiction subject to the regulation/guideline.
- b. European Directive or WHO water quality guidelines, should only be applicable to facilities/operations in the jurisdictions were those laws and guidelines are in effect.
- c. Greater clarity is also needed to emphasize that non-health criteria should NOT be required as a primary accounting metric.
- d. Emphasis should be on reporting violations and other data in the same manner as already required to be reported to the relevant oversight/enforcement agency. Most of the information is already publicly available. In the U.S., PWSs,

- inclusion and reference to the annual Consumer Confidence Report(s) should satisfy most of the reporting requirements in this section.
- e. The standard inaccurately references the USEPA's Unregulated Contaminant Monitoring Program. This is a regulatory program and not a voluntary program.
 - 7. Fair Pricing and Access: Pricing for municipal utilities and privately owned utilities has a different regulatory component in the U.S. Also the reality of setting rates is often driven by complex political concerns and household affordability rather than utility or community needs. These complexities are not well considered in the context of U.S. based companies. In general, access to drinking water and sanitation is an issue in developing countries and not in the U.S. – i.e., reference to the UN Millennium development goals.
 - 8. Downstream water efficiency
 - a. Discussion of the pipe replacement rate needs to have clarifying text specifying that there is not a “standard replacement rate.” Rather, the rate of replacement is subject to pipe materials, soil medium and a variety of other local conditions. Information/statements supplied should focus on the whether the existing rate is adequate for sustainable operations.
 - b. While many utilities may promote EPA’s water sense program, it must be noted that this is a program that labels water efficient products for homeowners via third party certification. It is not intended to help utilities manage non-revenue water.
 - 9. Network Resiliency and Impacts of Climate Change
 - a. 0103-19 manage climate change risks: A discussion of the need/desire for “privatization of municipal water infrastructure” is not appropriate. It is not clear that privatization would reduce any risk and experience in the U.S. shows otherwise. In some cases, public ownership may be the path to greater long-term accountability, capacity and, thus, sustainability.

These examples only highlight many (but not all) of the drinking water utility inaccuracies. There are also errors in descriptions of wastewater and stormwater processes.



January 5, 2016

The Honorable Michael R. Bloomberg
Chairman of the Board
Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Re: Infrastructure Sector draft standard for Water Utilities (IF0103)

Dear Mr. Bloomberg:

The American Water Works Association (AWWA) and the National Association of Water Companies (NAWC) have reviewed the proposed SASB standard IF0103 “Water Utilities Sustainability Accounting Standard” (October 2015). AWWA and NAWC fully support sustainability in the water sector and agree that methods to disclose sustainability related information should be readily available. However, upon our review of the draft standard, we do not believe that the current draft, nor a revision that would result from minor or moderate modifications to it, will accomplish these intended goals. Based upon a review of the overarching themes and the metrics, we believe that many of the measures listed in Sustainability Accounting Standard for Water Utilities are significantly flawed. They provide an inaccurate representation of the water sector’s strengths, weaknesses, challenges, initiatives, and other key characteristics and demonstrate a lack of understanding of the water sector. Therefore, the current draft should be withdrawn. Should SASB decide to reissue the draft standard, it should be redeveloped from the conceptual phase to accurately reflect the unique issues of the water sector, and to fix a number of technical errors and omissions currently contained within the proposal. AWWA and NAWC were not informed about the draft standard or the development process in general until December 21, 2015 just over two weeks from the comment period deadline. In addition to these comments, AWWA and NAWC will send any additional thoughts or concerns by January 19 because of SASB’s offer for a two week extension, given the complexity of the draft standard. To date AWWA and NAWC have not have had sufficient time to review every detail but felt it necessary to send these comments in as soon as possible.

Furthermore, finalizing this standard as-is, or with minor to moderate changes, will set an inappropriate precedent for sustainability metrics in the water sector that will be used elsewhere. Recognizing that SASB’s standards are aimed only at being a voluntary supplement to disclosures for publicly traded companies, there is ample precedent of voluntary standards (whether ANSI-accredited or not) being adopted by reference or portions copied into proceedings by regulatory agencies, being referenced in other guides, manuals, and related

standards, and becoming the guidepost by which products and services are obtained. For example, it is well known that many AWWA standards for pipes, valves, and other materials are referenced in bid requirements for projects and in some cases are referenced in state regulations. Therefore, it is critical that SASB assures that any requirements of the Water Utilities standard be:

1. Clearly linked to sustainability
2. Technically sound and relevant to the sector
3. Appropriate measures of the sustainability factors identified
4. Not create an excessive data collection or reporting burden on utilities
5. If a required part of the standard, be widely-enough adopted to demonstrate its relevance and effectiveness as sustainability measures

In many instances throughout this proposed standard, we believe that many or all of these basic tenants are not met, hence the recommendation of starting over at the conceptual phase. Many important themes should emerge during this process, and may require a re-thinking of how this standard is structured.

General Issues:

1. **Differences among water services.** The current proposed standard is inconsistent in how it handles the various services that the water sector provides. These services include drinking water acquisition, treatment and distribution, wastewater collection and treatment, water reuse (potable and non-potable), stormwater management, and other specialty services. It is not immediately clear whether it would be better to have separate subcomponents within one standard for different water sector services (as is the case now but not clearly noted as such) or if entirely different standards should be written for each. At present, the standard asks for disclosure of characteristics that some utilities may not be involved in, which would be confusing and misleading.
2. **Differences between Water Sector and other Infrastructure industries.** SASB correctly places infrastructure issues as a one major part of water utility operations, but grouping water utilities into the “infrastructure sector” fails to account for other unique aspects of the sector. For example, the first and foremost drivers of the drinking water portion of the water utility sector are the protection of public health and the provision of fire protection for communities. We can find no reference in the draft standard of water utility’s unique roles in providing fire protection in served communities. Wastewater treatment, on the other hand, is driven largely by environmental protection of rivers, streams, and other water bodies, also with a vital component of public health. Many of the activities involved in meeting those goals (and doing so sustainably) are unique to the sector and differ dramatically from others in what SASB currently defines as the infrastructure sector. AWWA and NAWC disagree with SASB’s inclusion water utility sustainability accounting issues as part of the “infrastructure” sector, but should instead should be restarted under a new, separate category to more appropriately address the sector’s unique nature.
3. **Failure to build on existing sustainability efforts.** Much of the background work necessary to build water sector sustainability metrics has already been done, but it

appears in many instances that SASB's proposed standard has not utilized these resources in crafting its proposed standard. Although this list is not exhaustive, here are two examples that do not appear to have been accounted for in SASB's proposed standard:

- a. A broad coalition of the water sector, which includes AWWA, NAWC, and several other organizations worked with the Environmental Protection Agency to develop the "Ten Attributes of Effectively Managed Water Sector Utilities" and the "Five Keys to Management Success" (collectively "Effective Utility Management" or EUM) in 2008. The sector's continued commitment to the EUM process can be seen in the update currently underway. EUM is described in detail at <http://www.watereum.org/about/>. Despite the key relevance of EUM's characteristics, there is no mention of EUM in the proposed standard, and many of the attributes and keys to management success within EUM are either not mentioned at all or are a minimal part of the standard. Given the broad support for these attributes, keys to success, and the EUM program, we recommend examining EUM. An updated version is currently being prepared and is expected this January or February, 2016, which SASB may benefit from reviewing before taking additional action on this standard, as well as may benefit from working with the coalition of organizations behind it to develop more appropriate measures of utility sustainability.
 - b. AWWA has partnered with the Institute for Sustainable Infrastructure (ISI) on the Envision Sustainability Rating system for infrastructure projects, which has been active for several years. Envision is designed to be a systematic and transparent system to demonstrate an infrastructure project's sustainability characteristics (going above and beyond regulatory requirements). This includes infrastructure projects in the water sector and in other sectors. There is no mention of the Envision system anywhere in the proposed standard, nor does it appear that ISI was consulted in this process. ISI and Envision are discussed in detail at <https://www.sustainableinfrastructure.org/>.
4. **Failure to adequately define a water utility.** The draft standard does not contain an adequate definition of what a water utility is and therefore to whom the standard applies and how disclosure items should be categorized. In most instances, a corporate entity is not a single water utility in most instances, but rather the management for a collection of individual Public Water Systems (PWSs) that are often not physically connected and which often fall under different regulatory authorities and have very different characteristics. The U.S. Safe Drinking Water Act (SDWA) provides definitions for Community Water Systems (CWS), Non-Transient Non-Community Water Systems (NTNCWS), and Transient Non-Community Water Systems (TNCWS). These definitions apply only to the drinking water component of the water sector, and other relevant definitions would have to be applied for other water services within the water sector. We recommend that should SASB continue with this standard or issue a new standard that it defer to the SDWA and other relevant definitions, and making it clear that each reporting characteristic is for each individual utility rather than the entire corporate entity to maintain local relevance and appropriate context.

Specific concerns:

Although AWWA and NAWC did not have sufficient time to fully examine every detail of the draft standard, the following are presented as some examples of issues with the draft that we believe supports our recommendation of restarting the standard development process from the beginning.

1. **Improper use of EPA's Contaminant Candidate List.** IF0103-09.45 references a “discussion of the contaminants of emerging concern that are currently being monitored, whether such contaminants are included in the Environmental Protection Agency’s (EPA Contaminant Candidate List 3 (CCL3)...” We disagree with the use of EPA’s Contaminant Candidate List in this fashion. The CCL is developed by EPA to set the stage for future regulatory development through prioritization of research to collect health effects data, the development of analytical methods to reliably detect contaminants, and the collection of occurrence data through the Unregulated Contaminant Monitoring Rule. These are all largely independent processes, but which often turn to the CCL list for possible future contaminants to study. However, in the nearly 20 years since the CCL process was authorized in the 1996 SDWA amendments, no contaminants have been regulated because of their inclusion on the CCL. Only one contaminant (perchlorate in 2011) has received a final positive regulatory determination, which means that EPA intends to develop a regulation, but no proposed or final regulation has yet been released. In fact, many more contaminants have received a negative regulatory determination, meaning that EPA has sufficient information to determine that a regulation is not necessary, with a total of 24 contaminants receiving a negative determination of the three rounds. Therefore, we do not agree that reporting of CCL3 substances on the disclosure form is appropriate, as future contaminants of concern may or may not come from this list. Finally, EPA issued a draft CCL4 in 2015 and a final is expected in early 2016 and the CCL3 list will then be essentially obsolete.
2. **Incorrect reference to EPA’s Unregulated Contaminant Monitoring rule (UCMR).** IF0103-09.45 states that utilities should discuss “engagement in partnerships or initiatives to address contaminants of emerging concern, such as engagement in the EPA’s Unregulated Contaminant Monitoring Program”. Although the general principle of the statement (reporting on what the utility is doing about contaminants of emerging concern) is valid, the Unregulated Contaminant Monitoring Rule is in fact a regulatory process, not a voluntary process as is implied by the wording. The 3rd round of monitoring (UCMR3) is nearly complete, and EPA has recently proposed the compounds and process for UCMR4. Utilities do not have the option of participating, but rather all utilities serving greater than 10,000 customers must undergo UCMR monitoring, and the results of that monitoring must be reported to the public on the utility’s consumer confidence report (also known as a water quality report). The exact nature of participation depends on system size, type of source water, and other characteristics. For utilities serving fewer than 10,000 customers, EPA selects a random subsample and coordinates and pays for the monitoring at those utilities.
3. **Pipe replacement rates.** IF0103-13.62 states that utilities should report their pipe replacement rate. However, there is no consensus on the appropriate rate of pipe replacement

for distribution networks. Depending upon the age of components within the distribution system, the types of materials, soil conditions, known problem areas, and numerous other factors, a higher or lower than average replacement rate could be warranted. Additionally, the same pipe replacement rate could be more or less effective depending on how well targeted the replacements are and what other measures are taken to reduce the need for replacement as a part of an overall asset management program. In this instance, rather than focusing on a replacement rate, an appropriate metric could be whether there is a plan in place to systematically rehabilitate and replace pipes consistent with service standards acceptable to the served community, and whether that plan is enacted and revisited periodically to ensure that actual replacement is achieving utility goals.

4. **Water conservation/efficiency measure accounting.** In “IF0103-14 (1) Customer water savings from efficiency measures and (2) percentage of regulatory savings requirement achieved”, the current method of calculating water efficiency measures suggested goes on the incorrect presumption that the only driver for incentivizing end-use reductions is a requirement by financial regulators. For example, .67 states “... shall disclosure the total volume of water savings (in cubic meters) from water efficiency measures installed or otherwise supported by the registrant *during the fiscal year*” (emphasis added). Although there are some water efficiency measures that only impact the current year, most water utility conservation programs are cost effective only because the installation of measures in one year continues to yield savings for many years in the future. Partial or complete rebates for water conservation managers are a powerful tool only if the savings can continue to be accounted for during the lifetime of each piece of equipment that reduces water use through conservation and efficiency.
5. **Incorrect categorization of water loss information.** “IF0103-15 Volume of non-revenue real water losses”. This subsection is incorrectly categorized. Real water loss is a calculation of water lost within the water system's distribution system, and not a measure of downstream efficiency, nor a measure of losses that occur on the end-user / customer side of the meter. Water loss control assists in both reducing water stress and demonstrating effective utility management, but is not a downstream impact.
6. **Incorrect water loss terminology in referencing AWWA's M36.** “IF0103-15.77” states “The registrant shall disclose the amount, in cubic meters, of water unaccounted for due to real losses from the distribution system...” AWWA's "Water Audits and Loss Control Programs" (M36) manual and Free Water Audit software explicitly recommend avoiding the use of the term "unaccounted-for water" in any form because "all water should be quantified, via measurement or estimate, as either authorized consumption or losses. Hence, no water is unaccounted-for" (M36 3rd edition, p8). An updated 4th edition of M36 will be available in print soon, and AWWA's free water audit software is available on AWWA's website in the [Water Loss Control Resource Community](#). We recommend that SASB review the 4th edition of M36 prior to taking any additional action on this draft standard.
7. **Incorrect usage of the EPA WaterSense Program.** “IF0103-15.80” states that “the registrant may choose to disclose voluntary initiatives, such as EPA's WaterSense program, that is has engaged in to manage non-revenue water from real losses”. However, EPA

WaterSense is not a water loss control program. Rather, it is a program that develops voluntary standards for end-use efficiency (certain types of toilets and showerheads for example) as well as a specification for new home labeling and certification programs for irrigation professionals. WaterSense plays an important role in conservation and is a program that AWWA and NAWC support. However, WaterSense is not used in its correct context in the draft standard.

8. **Lack of a reasonable threshold for service interruption reporting.** IF0103-18 states that “the registrant shall disclose the number of interruptions to its drinking water supply services, the total population affected by such interruptions, and the average duration of the interruption”. Since there are no thresholds associated with this requirement, it may be interpreted as requiring the tracking and reporting of a service disruption of any size, including, for example, the replacement of a service line to one single customer. A reporting system that requires reporting every individual outage to even a single customer is likely to be overly burdensome. Additionally, the standard as proposed does not provide a robust way to clarify when interruptions are for maintenance to prevent larger disruptions or are the result of activities outside of the utility’s control (such as construction workers not affiliated with the utility digging into a utility line). Further, if reporting thresholds are established, the number of interruptions, the population affected, and the duration of interruption are metric for which no clear benchmarks have yet been established in North America. Rather, they are metrics for which no clear, uniform goals to benchmark against have been created, and may need to be site-specific.

As an additional overarching theme, we are concerned that the nuances of health and regulatory reporting (acute versus non-acute, size of exposure, primary standard versus secondary standard) may be lost in the reporting methodology requested by SASB, as well as complexities with water supply in high stress areas where specific mitigation measures (such as aquifer recharge) are planned or already in effect that may be lost in the reporting methodology.

These are only a sampling of the concerns that we have with the document. Unfortunately, given the short time period between when AWWA and NAWC were informed of the draft’s availability and the end of the comment period, we were not able to address some sections of the standard in detail.

Process concerns:

In addition to the technical and policy concerns listed above, we have additional process related concerns about this draft standard. In SASB’s Due Process Report (dated August 27, 2015), SASB indicates it conducted outreach to several membership associations and research organizations for other industries within the infrastructure sector (such as those related to electricity and natural gas). However, no water sector organizations are on that list, and only three individuals who work for water utilities appear on the entire list to which the survey was sent to and participation was gained. Considering that this draft standard concerns water utilities, they and the organizations that support them (AWWA and NAWC among others) should have played a major role in this standard from the beginning of the concept through finalization of the standard. However, without the benefit of this broader utility participation, it appears that many of the metrics were developed without a utility context in mind, and that many of them do not

adequately or appropriately measure water utility sustainability, contain technical errors, or are otherwise not appropriate.

Additionally, AWWA and NAWC were informed about the standard in late December, when insufficient time remained to review the entire standard in detail before the end of the comment period. Given the standard's complexity and the depth of issues we found within it upon first review, we believe it would be a better use of time for SASB to restart the standard than to try to correct the current draft. If the consultative process had occurred early on like it did with other sectors, AWWA and NAWC could have put SASB in touch with utility experts and provided additional direct feedback to ensure the draft standard accurately reflects utility concerns and operations. We do greatly appreciate the late notice over no notice at all in order to be able to provide these limited comments. Given the late notice, limited utility participation, and numerous issues, we request that the standard be withdrawn so it can be rewritten with appropriate and significant utility input.

Next Steps:

AWWA and NAWC believe the draft standard should be withdrawn from consideration because of the severity of the issues within and surrounding it. However, we do agree in principle with the goals of the standard, and if SASB wishes to restart the development of one or more water sector standards, we will be glad to participate and help to facilitate access to water sector experts to help assure that these goals are met, provided the opportunity participation begins at the conceptual phases of development to assure early and broad sector participation.

Thank you for the opportunity to comment on this draft standard. Please contact Adam Carpenter at AWWA by [REDACTED] or [REDACTED] with any questions and to coordinate any future follow-up actions.

Sincerely yours,

[REDACTED]
G. Tracy Mehan, III
Executive Director for Government Affairs
American Water Works Association

[REDACTED]
Michael Deane
Executive Director
National Association of Water Companies

cc: Jean Rogers, Chief Executive Officer, SASB
Jeffrey Hales, Georgia Institute of Technology, SASB Standards Council Chairman
Bryan Esterly, Infrastructure Analyst, SASB

About AWWA: The American Water Works Association (AWWA) is an international, nonprofit, scientific and educational society dedicated to providing total water solutions assuring the effective management of water. Founded in 1881, the Association is the largest organization of water supply professionals in the world. Our membership includes over 3,900 utilities that supply roughly 80 percent of the nation's drinking water and treat almost half of the nation's

wastewater. Our over 50,000 total memberships represent the full spectrum of the water community: public water and wastewater systems, environmental advocates, scientists, academicians, and others who hold a genuine interest in water, our most important resource. AWWA unites the diverse water community to advance public health, safety, the economy, and the environment.

About NAWC: The National Association of Water Companies (NAWC) is the voice of the private water industry. Founded in 1895 by a handful of small water companies, today the NAWC has members located throughout the nation, ranging in size from large companies owning, operating or partnering with hundreds of utilities in multiple states to individual utilities serving a few hundred customers. The range of our members' business includes ownership of regulated drinking water and wastewater utilities and many forms of public-private partnerships and management contract arrangements. Every day nearly 73 million Americans – almost one in four – receive water service from a privately owned water utility or a municipal utility operating under a public-private partnership. The mission of the NAWC is to promote the value of the private sector as a provider of quality, sustainable water services and innovative solutions.

Comments of Waste Management on Infrastructure/Waste Management Draft

Waste Management appreciates the opportunity to comment on the Exposure Draft for Infrastructure/Waste Management (hereafter “waste management draft”). Information on company sustainability performance is important for investors, customers and the general public, and we appreciate SASB’s interactions with us to help craft useful disclosure standards.

We would like to offer the following comments and questions about the new waste management draft:

Material sustainability topics (p. 2): The SASB standards are fashioned after FASB standards, but the materiality provision does not translate well. For large, diverse companies with substantial free cash flow, the standard for “materiality” for any topic included in this document is quite high. Most of the disclosure topics in the waste management draft would not meet that level of materiality. For example, Waste Management has been equipping its landfills with landfill-gas-to-energy projects for decades, and we have been working collaboratively with regulators and NGOs on landfill gas estimation and control systems that are accurate and pragmatic. Our risks from landfill gas and air quality management are low in the “materiality” construct. If SASB’s intent is that companies only report on the topics that meet a FASB materiality threshold, the SASB reporting project may not yield much information. This is particularly the case because so much of the sector is operated by municipalities, small or privately held companies who are unlikely to participate in any event. An alternative would be to simply acknowledge that sustainability reporting may involve smaller risks and smaller economic impacts than those covered under FASB, and that SASB “materiality” is based on total sector-wide potential impacts, not an expectation of company-specific impacts. That would allow companies to participate without sending what they know to be a misleading signal that the aspect reported has “material” impact to their bottom line.

Number of facilities (p. 6 note 10): The limitation on the number of operational facilities (and therefore the population served) reported is oddly limited. The waste management sector covers landfills, transfer stations, recycling “centers,” recycling processing facilities, composting facilities, hazardous and solid waste incinerators, waste transformation facilities (e.g., anaerobic digesters), other land-based waste disposal units (waste piles, surface impoundments), and consulting operations handled at customer facilities. Did SASB intend to limit the scope of disclosure of customers, facilities and materials managed to the narrower field described in note 10? That limit would certainly constrict the information provided on sustainability performance.

Landfill gas management (pp. 10-14): Companies will be reluctant to report under SASB standards if they require information inconsistent with US EPA standards. The public will be confused rather than enlightened if the same subject matter is reported under different terms and conditions. EPA has established an extensive reporting system for waste management, and it’s in SASB’s interest to work with that system rather than attempt to replace it. Given that premise:

- The appropriate global warming potentials (GWP) for use in reporting should be based on the IPCC Fourth Assessment Report (AR4), not the Fifth Assessment Report. The IPCC AR4 is the current regulatory standard adopted by EPA for use in the Mandatory Greenhouse Gas Reporting Program (GHGRP) (See 40 CFR Part 98 subpart A, Table A-1). Using the same GWPs as

those required for the GHGRP will ensure consistency and comparability of reporting data, will allow governmental programs to make better use of voluntarily reported data, and will ease administrative burdens for reporters.

- Inclusion of CDP scope 1 emissions is appropriate; waste companies increasingly participate in CDP. SASB's next step in reporting what it terms the percentage of emissions covered under a "regulatory program" is misleading, however. EPA's "regulatory program" for landfill gas includes its mandatory GHG reporting rule and its landfill gas emission control provisions under the Clean Air Act – the New Source Performance Standards and Emission Guidelines for MSW Landfills – all of which SASB excludes from its own self-styled "regulatory program." The percentage actually requested is that covered by state cap-and-trade and fee/tax systems. It ought to be labeled that. Excluding the vast majority of emissions that are regulated from the definition of "regulated" will create a false impression that large volumes of emissions are unknown and uncontrolled.
- We strongly recommend that SASB adopt the landfill GHG reporting methodology mandated by EPA in 40 CFR Part 98.340-348, subpart HH for use in reporting modeled landfill gas generation, calculated collection of landfill gas, and the measured percentage of collected landfill gas that is flared or used for energy. It is important to note that it is not possible to measure landfill gas generation, as acknowledged by EPA in several of its rulemakings. (See Proposed Standards of Performance for MSW Landfills at 40 CFR Part 60 Subpart XXX, 79 Fed. Reg. 41802, Proposed Emission Guidelines at 40 CFR Part 60 Subpart Cf, 80 Fed. Reg. 52110). Landfill gas generation is modeled under the GHGRP using a first order decay model. As EPA itself has noted, the results from the model are highly uncertain when comparing estimated to empirical results (See USEPA Emission Factor Documentation for AP-42 Section 2.4, MSW Landfills, August 1997, Table 4-3). Because of this high degree of uncertainty, EPA requires reporters to calculate the amount of landfill gas collected in gas collection and control systems and report the amount flared or directed to beneficial energy use.

Air quality (pp. 14-16): The proposal to disclose company-wide reporting on NOx, SO2, NMOCs and HAPs is not only highly burdensome in terms of data collection, but because of data variability it cannot provide a meaningful total number. There are no federal reporting standards for these constituents, and state programs vary widely. Most facilities with reporting obligations do so in terms specific to individual permits to account for state preference in setting definitions and thresholds, typography, climatic conditions, proximity to populations and other factors. Because waste facilities are area sources rather than point sources (like the stack at a manufacturing facility), the assumptions to model emissions will vary according to state and even local government terms. Large waste management companies will have hundreds of reporting sources, all submitted to state and local rather than national regulators. Trying to consolidate these data would be meaningless because it will be "apples and oranges."

SASB's proposal to inject "community impact" into air reporting by using RSEI's 49 kilometer modeling assumption for TRI emissions similarly combines apples and oranges. NOx, SO2, etc. are not TRI "hazardous substances," so RSEI (which is based upon TRI reporting) is inappropriate. See <http://www.epa.gov/toxics-release-inventory-tri-program/tri-listed-chemicals>. A 49 kilometer radius is too large to capture any conceivable community impact even under the false assumption that exposure equals impact. Moreover, the protocol for attempting this reporting is unique to SASB and undefined –

do you measure from the center of town or its periphery? What operations are covered – landfills and waste-to-energy, composting, transfer stations, MRFs, trucks carrying waste – at what volume? As noted in previous comments to SASB, Waste Management agrees that reporting on environmental justice issues is appropriate and achievable using current, easily accessed databases. The urban community concept in this proposed metric does not achieve that purpose.

Fleet fuel management (pp. 17-18): We understand the proposal to be using the RFS2 description for renewable fuel. It would be helpful to confirm that fuels with RINS certification are meant to be included in this section. The EPA certification program provides a clear and helpful “line” for inclusion in this metric.

Land use and ecological impacts (pp. 18-19): The text for reporting on land use, relying upon US EPA’s TRI, program, needs clarification.

- Municipal solid waste landfills do not report under TRI. Listed TRI facilities include hazardous waste treatment, storage and disposal facilities (TSDFs), but not municipal waste facilities. A municipal waste landfill will only be included on TRI if it is owned by and adjacent to a TSDF. See http://www.epa.gov/sites/production/files/documents/rcra_c_tsd_solvent_recovery_facilities.pdf, p. 2-4.
- TRI reporting is not limited to a “release.” Chemicals included on the TRI list are reported if the facility “releases,” manufactures or “otherwise uses” them (i.e., manages in a disposal unit that does not in fact leak into the environment). See http://www.epa.gov/sites/production/files/documents/rcra_c_tsd_solvent_recovery_facilities.pdf, p. 2-14. Section .37 in the draft should be an explanation of the third bullet in section .39 rather than what now appears to be a threshold description of what is to be reported. The mere possession of the listed chemicals alone triggers TRI reporting – not just “release” in the common sense of the word.
- It is unclear why this section focuses on potential releases of leachate to ground and surface water to the exclusion of other media. First of all, TRI reporting is limited to discharges into bodies of water, not groundwater. TRI will not be useful in this context. See <http://www.epa.gov/toxics-release-inventory-tri-program/descriptions-tri-data-terms-text-version>. Moreover, leachate is not permitted to be released into soil or surface water with pollutant levels in excess of Clean Water Act permit limits. This regulatory trigger will attach before any release can enter a water body, and mandates analysis and treatment on-site or off-site at a Publicly Owned Treatment Works. Surface water discharges are reported from hazardous waste facilities under the TRI program, but that data are entirely different from the category described in the introductory materials.
- The metric for volume and treatment of leachate is uninformative. As Waste Management noted in earlier comments:

“Volume and percentage of leachate treated will not tell the public very much. The volume of leachate depends upon climatic conditions (a wet environment will result in wetter waste disposed and some rainfall during the day when waste is placed in the landfill), the type of on-site cover (clay vs. sand), the slope of the landfill surface, landfill design, and types of wastes accepted. All leachate disposal is subject to water quality standards – both in terms of permission to send leachate to a Publicly Owned Treatment

Works, ability to discharge into a water body because the leachate meets all applicable water quality standards for such discharge, or ability to operate a treatment facility on-site. Leachate volume is independent of leachate quality, and the only issue of relevance to the environment is whether all leachate is disposed according to applicable water discharge standards. The issue of whether a facility has violated its water discharge permits is meaningful, but leachate volume and manner of handling is not.”

Workforce Health & Safety (pp. 20-21):

- TRIR (or I&IIR) is a standard metric used in the waste industry to evaluate and continually improve safety performance. The definitions and means to calculate the metric are clearly defined by OSHA. The opposite is true for near miss frequency rates. There is no OSHA standard for near misses – just the very broad and vague suggestions of the National Safety Council. This lack of definition is not cured by asking the registrant to create its own terms for “classifying, identifying, and reporting near miss incidents.” Imagine what is required here. Each company will decide whether a nearly infinite range of possible scenarios constitutes a “near miss,” defined as something that “easily could” have occurred but for a slight shift. For example, if I hadn’t been looking far ahead, I might not have noticed the brake lights and slowed to avoid a sudden stop. If I had been looking at my log sheet I might have missed the car that made a sudden stop in front of me. There is no current template or practical paper trail that would capture near misses in the waste industry. If this is something that is needed to enhance safety, an organization like OSHA should be looked to for the terms and conditions.
- In the alternative, SASB could ask whether and for what percentage of vehicles a company provides on-board recording equipment. Waste Management uses on-board computing in over 95% of our collection vehicles, and we use that technology to coach effective driver safety practices. This technology achieves the purposes of near-miss avoidance, but it is far easier to quantify.

Labor relations (p. 22): These metrics are reasonable and useful.

Recycling & resource recovery (pp. 23-26):

General comment: SASB correctly assumes that reporting on the amount of waste recycled vs. incinerated vs. recovered is important information. Reporting on volumes managed in terms of these outcomes is useful information. Customer counts will be much harder. We track by tons, not number of customers. As much as 30% of our recyclables at our processing facilities come from 3rd parties (cities, other waste companies) who do not disclose the customer count they service – only the tonnage received. Moreover, estimating customer count would be wildly inaccurate, dependent upon such factors as whether service is by subscription or mandatory collection. Customer count cannot be extrapolated from tonnage because of the variability in programs (e.g., programs with glass and high newspaper subscriptions rates will have higher per person tonnage production than programs that exclude glass or in areas with limited newspaper circulation).

.70: Federal and state definitions of “recyclables” sometimes include material “permanently placed on the land,” e.g., glass used in roadbed, coal ash encapsulated into cement. A better option would be to include “recyclables” as defined pursuant to US EPA or the applicable state regulation.

.71: Most residential customers receive single stream recycling services. Very large commercial/industrial customers might receive service for a single type of material (e.g., material is delivered to a paper packing plant versus a single stream plant), but the vast majority of service is multi-stream. As noted above, it would be possible to distinguish volume of recycling to single vs. multi-stream service, but estimating customer numbers will be difficult.

.72: Because definitions of “composting” vary by state and local regulation and compost material is often carried by the same trucks, it will be very difficult to count customers served (as opposed to tonnage processed) for composting.

.73: SASB’s definition of composting as merely providing “soil amendment” is inconsistent with state and local standards. In many states, organics are used in lieu of other soil materials as Alternative Daily Cover, thus replacing a virgin resource. This state regulatory judgement should not be superseded.

IFO201 – 16: This section excludes organics to anaerobic digestion (AD) or to wastewater treatment facilities for purposes of providing renewable energy. How are the tons to AD and the residual tons of digestate to be handled? It will be a mistake for SASB to create metrics that exclude beneficial uses of what otherwise would be waste by ignoring state characterization what is appropriately diverted from landfill.



Setting the **Standards** for
Home Energy Efficiency

To: SASB's Portal for Public Comment

[REDACTED]

From: Steve Baden
Executive Director
RESNET

Re: Comments on Draft Sustainability Accounting Infrastructure Sector "Home Builders Sustainability Accounting Standard"

Date: December 22, 2015

This is to express the Residential Energy Services Network's (RESNET) support of including HERS Index Scores as a metric for accounting Design for Resource Efficiency (IFO401-06. (1).

RESNET is the independent, national non-profit organization that homeowners trust to improve home energy efficiency and realize substantial savings on their utility bills. It is the organization responsible for creating the national training and certification standards for Home Energy Rating System (HERS) Raters. RESNET's industry-leading standards are recognized by the U.S. Department of Energy, U.S. Environmental Protection Agency, and the U.S. mortgage industry. The HERS Index is a performance based option to the energy codes in over 180 state and local code jurisdictions and is a performance option in the 2015 International Energy Conservation Code.

To develop a HERS Index Score certified building performance professionals inspects and tests a home's energy performance and enters the data into an accredited modeling software program that complies with the RESNET & International Code Council ANSI standard. For more information go to www.hersindex.com

Like a miles-per-gallon (MPG) label for houses, the HERS Index Score is the one number that compares how energy efficient a home is compared to other homes. To date over 1.5 million homes in the U.S. has been energy performance tested, inspected and issued a HERS Index Score. In 2014 alone, over 165,000 homes received a HERS Index Score.

Having the Home Builders Sustainability Accounting Standard include HERS Index Scores as a metric for accounting Design for Resource Efficiency ties sound technical basis with the housing market.



CORPORATE OFFICE
PROPERTIES TRUST



Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111

January 6, 2016

Corporate Office Properties Trust (NYSE: OFC) is pleased to have the opportunity to comment on the proposed Sustainability Accounting Standard for Real Estate Owners, Developers & Investment Trusts (REODIT). We view SASB's mission to establish disclosure and measurement standards as critical for those users of relevant disclosed sustainability-related information and we agree that, to the extent provided, this information should be comparably prepared. We understand that such disclosure is neither required nor endorsed by the SEC or other entities governing financial reporting, and would not support efforts by the SASB to make it so.

Our general comment is that the standard is unclear with respect to the objectives of each suggested Accounting Metric. We also believe that the board should use a defined term for data covered floor area and use it in the description of its metrics. As written, the standard requires careful re-reads to understand how each metric is to be calculated; only to conclude that most of them are based on data covered floor area.

With respect to the proposed standard, we have the following comments:

1. We propose that the Industry Description be changed to "Real Estate Owners & Developers." We believe the inclusion of the words "Investment Trusts" is unnecessary and could lead non-REIT entities to believe that the standard does not apply to them.
2. Accounting Metrics-Energy Management
 - a. **IF0402-.01.01** We believe the denominator for energy data coverage should be leasable or gross area (not "total leasable floor area"), as nearly all publicly reporting REODIT (excluding hotel, apartment and student and senior housing owners) report and/or track these metrics, with leasable square footage being the most common and consistent. We believe the inclusion of other possible building area denominators will lead to diversity in practice in conflict with the goals of consistency and comparability. In addition, we believe the requirement that registrants track an additional metric may drive REODIT that would otherwise report to determine that it is simply not worth the additional effort. We also believe that area of parking garages associated with owned properties be excluded and that their energy costs be allocated to the supported properties. Whichever metric ultimately is decided upon, we also believe its definition be made clear and that the label conform with existing terminology, namely: leasable or rentable, useable, or gross square feet.
 - b. **IF0402-01.05** We believe Data Centers should be a separate property type.

- c. **IF0402-03** The like-for-like language is confusing to companies that will be new to sustainability reporting. Indicate upfront that this is a “same-store” concept.
 - d. **IF0402-04** Unclear what the term “eligible portfolio” includes. Please clarify to use previously defined terms.
 - e. Our comments with respect to water metrics are identical to those discussed above for Energy Management.
3. Management of Tenant Sustainability Impacts
- a. **IF0402-12.84** The board should define lease types for purposes of this standard to ensure consistency.

We appreciate the opportunity to provide feedback on the proposed SASB standard and are available to discuss further. Please feel free to call me with questions at [REDACTED].

Sincerely,

[REDACTED]
[REDACTED]
Gregory J. Thor

Senior Vice President and Chief Accounting Officer



Jean Rogers, PhD, PE
CEO and Founder
Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Re: SASB Comments
Industry Standard – Infrastructure Sector: Real Estate Owners, Developers & Investment Trusts

Dear Jean,

Pursuant to the SASB Working Group and Public Comment process, am hear by submitting my comments as follows:

1. Corporate Sustainability Strategies (and specifically Brenna Walraven, formerly Head of Property Operations at USAA Real Estate Company) supported and provided detailed input to the SASB Standards via letter from Real Estate Roundtable.
2. Disclosure Topics – the management of legal, regulatory, policy and tax implications relative to sustainability issues may be material to a reasonable investor. Both EY and PwC have published investor sentiment reports that suggest this to be true and anecdotally in my own experience have found this to be true.
 - a. Accounting Metrics: fees, legal restrictions on use, access or transfer, restrictions on development, tax treatment, clean up requirements or implications, policy such as the Clean Power Plan or California's energy benchmarking and disclosure (recently changed but required disclosure on sale, lease or financing for buildings larger than 50,000 but where in many instances the tenants had energy meters and would not release the data or even when approved releasing the utility would not disclose – ergo had a scenario where owners could be impacted by liquidity reductions, etc.). While these will be unique relative to the real estate circumstance, the means for reporting should be fairly consistent in approach.

I have also reviewed the SASB Implementation Guide and believe it's been extremely well done. Please don't hesitate to let me know if you have questions or need anything further.

Most sincerely,



Brenna S. Walraven, MBA, BOMA Fellow, RPA, CPM
CEO and Founder
Corporate Sustainability Strategies, Inc.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

January 4, 2016

Bryan Esterly, CFA
Research Associate
Sustainability Accounting Standards Board
San Francisco, CA

RE: Draft sustainability accounting standards for the real estate industry

Dear Bryan:

Thank you for the opportunity to comment on the draft SASB standards for real estate owners, developers, and investment trusts. Our comments are provided below.

- Definition of total portfolio floor area (in various sections)
 - Total portfolio floor area is defined as the total leasable floor area of all properties, which excludes common areas, and other parts of a building. It is unclear why gross floor area is not used instead as the metric for total portfolio floor area. While SASB does not tend to use normalized metrics, and therefore does not ask for energy use intensity (EUI), it is likely that those using the disclosed information would want to compute EUI. If they have only the leasable floor area and combine it with the whole building energy use, the result will be an inflated EUI. We note that GRESB allows choice of floor area definitions.
 - EPA ENERGY STAR Portfolio Manager uses gross floor area for all whole building metrics, and gross floor area is the basis for ENERGY STAR certification.
 - All existing local and state mandatory benchmarking and disclosure laws in the U.S. require the reporting of gross floor area rather than leasable floor area.
- IF0402-02. Total energy consumed by (1)(a) base building and (b) tenant space or (2) whole building, percentage grid electricity, percentage renewable, by property type
 - .10/.11 calls for disclosure of renewable energy consumption as a percentage of total energy consumption. While the scope including renewable energy produced as well as purchased, the standard does not call for these to be reported separately. We suggest that the standard call for separate metrics for renewable energy generated on site (with the current requirement that RECs be retained) and for green power purchased.

- GRESB asks for reporting on both onsite and purchased renewable energy, and EPA ENERGY STAR Portfolio Manager treats onsite and offsite green power differently.
- IF0402-04. Percentage of eligible portfolio that (1) has obtained an energy rating and (2) is certified to ENERGY STAR, by property type
 - .25 and .27: The standard calls for disclosure of overall percentage of portfolio with any qualified energy rating (including ENERGY STAR for the U.S. and Canada) and then separately, the percentage that is ENERGY STAR certified in the US only. This seems reasonable, though we note that Canada may offer certification for certain property types in the future, so you may want to amend this section at that time.
 - .29: We suggest removing "(e.g., outside of the United States)", as disclosure under .25 includes ratings in Canada, the E.U., Australia, etc.
- IF402-06. Water consumption data coverage as a percentage of total floor area, percentage in regions with high or Extremely High Baseline Water Stress, by property type
 - We recommend that you specify that total water use includes water used in and outside buildings, where these uses are separately metered.

I hope these comments are helpful. My colleagues and I would be more than happy to discuss these comments with you or to answer any questions you may have about ENERGY STAR.

Best,

Cindy Jacobs
Acting Chief,
ENERGY STAR Commercial and Industrial Buildings Branch
Office of Atmospheric Programs



Dear Mr. Bryan Esterly –

Below are comments from Greenprint and some of our members. These comments are based on our and our members' interpretations of the guidance. If you would like to discuss with me or a Greenprint member, feel free to reach out.

Comments from Greenprint regarding the SASB Guidelines:

- Use of GRESB as a standard could be difficult as GRESB changes over time. It might be important to think about how this would be managed. Evidently, 20% of the GRESB questions are changing from 2015 to 2016. Do the metrics need to have consistency within the GRESB framework forever or do you want to track metrics that are important to SASB? I would think linking with GRESB forever makes sense from an organizational point of view, you would just have to update guidance to make sure the questions referenced were in alignment or the terminology in the glossary did not impact the results.
- Like for like definitions around financial and energy consumption might not be the same. Is there a better way to handle it than to reference GRESB? I would think that LfL should be based on financial accounting standards and not GRESB's approach to allow for comparability across financial and environmental metrics. However, I understand that could lead to confusion. So, GRESB might be most appropriate for the environmental LfL metrics. Could each company have flexibility to define their own LfL approach?
- P.7 – unit of measure is noted to be in SI but throughout the standard asks for ft²? Do you want to always use imperial units or always use SI?
- P.4 – how to capture relative performance with respect to peers. Hard to compare companies against each other as there are different tiers of data coverage and completeness. For instance, some owners capture all whole building data while others primarily track common areas. I think ensuring the each company reports the % of area covered is valuable.
- IF0402 - P. 6 – activity metrics, pretty loose term.
 - o Could be difficult to track consistently. Not all owners track lettable/ rentable/ gross so need to be very clear that lettable area is the denominator
 - o Indirectly/Directly managed still not entirely clear how these two terms are distinct. Triple net is probably the most consistent with industry terminology.
- IF0402-01. Energy consumption data coverage as a percentage of total floor area, by property type
 - o Aggregation by energy consumption data coverage can cause problems. Some buildings might have 100% control of all of the energy for all of the spaces while other buildings the owner might have electricity consumption for common spaces and fuel for whole building. Because of this, inconsistencies will exist. This correlates with the p. 4 comment above. The request should be for landlord controlled energy data. The owner should not be held accountable for tenant data.
 - o Is site area energy coverage included such as for parking lot lighting?
- IF0402-02. Total Energy consumed by....
 - o This is confusing since it is based on the energy consumption data coverage, do you include electricity data from common areas and fuel consumption for whole building?
 - o What happens if there is parking lighting energy is that included?



- For energy consumption – the units are in Gigajoules, most owners do not work with Gigajoules often so mistakes will come up. Would probably be better to use kWh or MWh.
- IF0402-04. Percentage of eligible portfolio that...
 - What about LEED and other certifications around the globe? I think the terminology should be rating/certification.
 - Define “eligible.” Does it mean that the property can't possibly achieve either Energy Star or LEED certification i.e. the property is not eligible for certification no matter what? Also, is there a way to account for building types that may be eligible but can't possibly achieve a certification due to lease terms which are inflexible or tenants with long-term leases.
- IF0402-05. **Description of how building energy management....**
 - Discussion elements could be quite extensive. Seems very qualitative and hard to draw comparisons across companies. Might not be particularly useful.
- IF402-06 – (.39)
 - Baseline water stress is not noted on the first tab of the WRI tool? Should there be more details on how to use the WRI tool? The first tab will have overall risk which is measured on the same scale, so people may get confused (and the baseline can differ from the overall). There is also a possible result of “medium to high risk,” which may confuse some people.
- IF0402-10. Percentage of leases that contain a cost recovery clause
 - Difficult to quantify this metric as it is written.
 - A more easily managed request would be percent of leases completed in year with cost recovery clauses. That way you are working forward with current information instead of attempting to track data which might be old and irrelevant due to timing,
- IF0402-11. **Percentage of tenants that pay...**
 - Is tenant data submetered might be a more appropriate question to ask. The way the current question is worded is a bit difficult to dissect and even if a tenant does not directly pay, they sort of do through their pro-rata shares.
 - An idea that gets into tenant engagement might be, are tenant fit out guides or minimum fit out standards shared with tenants. This could help to define how the landlord works with its tenants.
- Waste: Waste is a valuable but difficult metric to collect. I don't think it is necessary to start with tracking waste generated by tenants. But, I do think construction/ retrofit waste should be tracked. This metric is pretty readily available from contractors and would align with the LEED materials credits. It could be that you ask for the percent of waste was sent to landfills, recycled or reused from new developments or major retrofits.
- Climate change adaptation: I think this is difficult because it is varied by risk factor. I think that this could be something to discuss with the insurance industry. Ask them how they integrate climate change adaptation or risk into their pricing. It is more of a governance type question as each asset will have to have its own strategic decisions around adaptation. So, you could ask it in that manner, which is “Do you have policies in place to account for climate change adaptation at properties located within your portfolio?” Could also ask for the specific policy.



- Tenant engagement: the most highly regarded resources for this are NRDC's high performance tenant demonstration projects. I know they also linked with Energy Star to integrate some of the Tenant Star processes such as TEAM in the process. But, I think there can be a few topics that can be tracked for tenant engagement.
 - o Green leases
 - o Tenant support for more efficient build outs (minimum standards or fit out guides)
 - o Submetering tenant space

Regards,

Micah Brill

[REDACTED]



Public Exposure Comment :: Real Estate Owners, Developers, and Investment Trusts

01.04.16

Ms. Jean Rogers, CEO

Sustainable Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Dear Jean,

GRESB appreciates the opportunity to comment on the October 2015 draft sustainability accounting standard offered by the Sustainable Accounting Standards Board (SASB) for Real Estate Owners, Developers, and Investment Trusts. GRESB supports industry efforts that lead to increased transparency, reduced information asymmetry, and greater capital market efficiency.

Real estate is a complex industry with many direct and indirect risk impacts across a wide range of environmental and operational factors. The real estate sector maintains its own unique nomenclature, encompasses multiple property use types, and comprises a myriad of contractual lease structures, all cascading to result in a varying span of control on environmental and operational factors at both the asset level and company level. The management approach employed by both the company and the tenants it serves will lead to a series of outcomes that can positively or negatively impact investor-based risk perceptions and assessments.

The method offered by SASB focuses on a real estate company's 1) strategic approach, 2) degree of control, and 3) relative performance on energy and water management along with identifying the prevalence of risk-and-reward sharing lease clauses. This can provide investors with additional transparency and metrics that lead to further insights into investment risk, thus increasing capital market efficiency.

Given the real estate industry's multi-decade track record of engaging on sustainability-related issues, we emphasize the importance of SASB's alignment with existing portfolio-based frameworks like GRESB along with robust asset-based protocols such as LEED and ENERGY STAR when advancing any sustainability-based accounting standard. Through long-standing participation in the GRESB assessment and benchmark, publicly traded real estate companies and their private equity counterparts continue to advance industry best practices with energy and water management, tenant impacts and climate change adaptation.

With the SASB October 2015 draft standard for the real estate sector, GRESB recognizes the efforts of SASB to align with pre-existing frameworks including the harmonization of definitions and technical approaches for property type identification, data collection, and span of operational control among other aspects. GRESB notes real estate companies maintain opportunities to hedge and/or apportion certain risks via 1) legal clauses typical to defining the tenant-landlord relationship, and 2) widespread use of sophisticated insurance products offered by the insurance and reinsurance industries.

Robust information disclosure is vital to the lifeblood of market-based economies. Capital market efficiency relies on transparency into management's ability to navigate evolving business landscapes and effectively engage both short-term and long-term risks. Investors will be well-served by the information recommended for disclosure by SASB as described within this sustainability accounting standard for real estate owners, developers and investment trusts. GRESB looks forward to seeing this standard incorporated into the existing reporting and disclosure frameworks within the United States securities markets.

Please contact me directly at any time as needed.

Sincerely,

[REDACTED]
Dan Winters, CRE
GRESB Head of North America

cc. dr. Nils Kok, CEO, GRESB



January 5, 2016

Sustainability Accounting Standards Board
75 Broadway
Suite 202
San Francisco, CA 94111

Re: Comments on SASB's October 2015 Exposure Draft Standards for Real Estate Owners, Developers & Investment Trusts

On behalf of Host Hotels and Resorts, I am pleased to submit comments on the SASB's October 2015 Exposure Draft Standards for Real Estate Owners, Developers & Investment Trusts. We value the opportunity to participate in the development of SASB Sustainability Accounting Standards, and appreciate the inclusion of water management as an industry-level disclosure topic into the Draft Standard as per our previous feedback.

Please find our comments below:

- Industry Standard: Real Estate Owners, Developers & Investment Trusts
- Disclosure Topic: Energy Management
- Accounting metric code: IF402-04
- Line of disclosure, where relevant: Pages 16-17
- Comment:

SASB should consider the inclusion of additional building energy certifications comparable to ENERGY STAR®. It is widely known in the hospitality industry that ENERGY STAR® developed their hospitality rating methodology using a dataset that consisted of a small subset of select service hotels. This bias in their rating calculation creates significant challenges to accurately benchmark energy consumption at full service and luxury hotels, especially at hotels with large meeting space and conference facilities. Also, including additional certifications would significantly increase the geographic coverage of the metric beyond just buildings in North America that are eligible to receive an ENERGY STAR® rating.
- Industry Standard: Real Estate Owners, Developers & Investment Trusts
- Disclosure Topic: Energy Management
- Accounting metric code: IF402-04
- Line of disclosure, where relevant: Pages 16-17
- Comment:

SASB should differentiate between new construction and existing buildings for energy building certification. This would allow SASB participants to more accurately communicate the energy performance of buildings in their portfolio and enable more meaningful like-for-like comparisons across portfolio energy performance.



Thank you for considering these additional comments regarding SASB's efforts to develop ESG reporting standards for the Real Estate Owners, Developers & Investment Trust Sectors.

Please feel free to contact me at [REDACTED] or [REDACTED] if you have any questions or require further information.

Best regards,

Michael Chang
Director, Energy and Sustainability
Development, Design and Construction

Liberty Property Trust Comments on SASB draft standard

REAL ESTATE OWNERS, DEVELOPERS
& INVESTMENT TRUSTS

Sustainable Industry Classification System™ (SICS™) #IF0402



December 22, 2015

Thank you for the opportunity to review and comment on SASB's draft standard for Real Estate Owners, Developers, and Investment Trusts.

After reviewing the draft standards, we have some recommendations we believe would improve disclosure for our industry:

1. Addressing direct and indirect management in all disclosure sections (not just as an activity-based metric):

It is good to see that SASB recognizes and accounts for the importance of "activity metrics". Given the importance of these activity metrics, it would improve disclosure if all sustainability data was reported primarily against these activity metrics for each identified material environmental category in SASB, rather than as an aggregate score across the real estate portfolio. This would give investors and other stakeholders a better comparison of comparable real estate portfolios, and better enable them to judge which real estate firms had made the most progress in energy and water tracking and management in both directly and indirectly-managed buildings. Total energy consumption or even energy or GHG intensity per square foot is not a useful metric when comparing REITs that have completely different building types and tenant profiles in their portfolio, and may even be misleading to investors who are less familiar with the composition of different REITs building portfolios.

2. Recognizing that different REITs have considerably different building and tenant profiles, and very different material environmental impacts:

While direct and indirect management is one of the most important considerations regarding a REIT's true ability to manage and reduce energy and water consumption, there are a number of other key considerations driven by the type of building and investment strategy of different types of real estate companies.

- Beyond energy, what are universally material environmental impacts across building types?
Some REITs build primarily industrial buildings, while others focus on commercial office, shopping malls, or health care facilities. Depending on the building type, energy will almost always be a material impact, but in many cases (even in water-stressed regions), water may not be a material impact (for example in warehouses, where the average water consumption may only be about three times the average American home). In the case of industrial buildings, waste generation and site selection are far more material than water consumption.

- Is it valuable to evaluate REITS of all building types as one group using the same metrics? As with many environmental impacts, it is difficult to analyze very different industries under the same set of criteria. A REIT that has heavy industry or hospitals as part of its portfolio will have an energy intensity that is a thousand times greater per sqft than a REIT whose portfolio is composed primarily of warehouses. Similarly a heavy industrial portfolio or one composed of primarily class A office space will have significantly more policies and programs to monitor and manage energy consumption than one with less operational control, or where energy or water costs are less than .1% of total operational costs. If at all possible, SASB (like GRESB) should look to develop different cohorts of real estate companies based not just on operational control, but also based on building type (and building mix, for diversified REITs like Liberty Property Trust). SASB has created subcategories in other industries like electronics, breaking out semiconductor manufacturing, electronics hardware, and other electronics into sub-categories with different material impacts. It may be worth exploring the creation of real estate subcategories based on the type of building each industry owns and manages.
 - For industrial REITS, it may make more sense to assign responsibility for material environmental impacts to our tenants: In most industrial leases, tenants control the build out of their space use (often including mechanical systems and lighting, as well as production-related equipment) and the building owner has no access to the tenants' utility information (let alone the ability to drive energy efficiency in the facility. For reporting purposes, estate owners could remove all "indirectly managed" assets from their disclosure (beyond just reporting the total number of buildings and square footage), and encourage SASB to ensure that these properties are accounted for in the disclosure of the tenants of these properties (who have operational control for the duration of their lease). Alternatively because owners have some control over the physical asset in all leases, SASB standards could have tenants report on the operational impacts of these buildings for the duration of their lease, and building owners could report on the construction impact of the building (using LEED as a standard for new construction, for example).
3. **Recognizing the positive impact REITs have had on disposed properties, and providing time to begin having an impact on acquired properties:**

Different real estate companies also have different investment strategies when it comes to their real estate portfolios. Some real estate companies operate with a strategy to acquire and hold real estate assets long-term, while others focus on either a "build and flip" or "fix and flip" strategy to develop or acquire real estate assets and then sell them for a profit as quickly as possible to other investors. For companies that develop or renovate real estate to make it more energy and water-efficient, it would be good to have some metric to measure the positive impact of their business on these dispositions, and be able to take "credit" for the positive environmental impacts of these properties against an industry baseline for more than one year after these dispositions are sold. It is our understanding that GRESB provides some credit in their rating system for up to three years for an ENERGY STAR or LEED-certified building that a REIT sells. The DOE Better Building Challenge gives you credit for GHG reductions for up to 5 years after you have sold a building.

It should also be noted that it often takes more than a year to turn a “bad” building into a “good” one – a rating system that penalizes companies for investing in less environmentally sustainable buildings and making them more efficient and sustainable creates a disincentive to pursue a strategy to improve existing buildings in favor of a strategy focused on new sustainable construction.

4. **Requirements for reporting on water impacts could be simplified to increase disclosure and reduce reporting burden:** While it is more important that real estate located in water-stressed regions reduce water consumption, it may be a logistical challenge to map all of a company’s real estate holdings against *WRI’s Aqueduct* on an ongoing basis, and to base water reporting on these (potentially fluid) water-stressed regions. An easier baseline for most companies to achieve will be to simply report on water consumption and efficiency by building, and leave the overlay analysis of buildings in water-stressed regions to local appraisers and others looking to evaluate the environmental impact, value, and risk of a particular property.
5. **For REITs who develop their own properties, consider development-related sustainability disclosure recommendations:** While REITs have little operational control over indirectly-managed assets, we do have the ability to build these assets as energy-efficiently and environmentally responsible as possible – Liberty Property Trust builds virtually all of our industrial buildings to LEED certification standards, and have done so for several years. REITs also often have control over external features that may have environmental impacts, including parking lots, landscaping, and outdoor and community lighting. It would be good for REITs to identify the elements of these properties that we can control (construction, landscaping, lighting) and report at least qualitatively on the steps we have taken within our control to reduce energy consumption and environmental impacts at these properties (and enable our tenants to do so as well). One consideration in developing construction-related sustainability standards would be to recognize that all REITs have some “build-to-suit” customer-driven construction projects – in these projects the REIT has much less operational control over development standards than when the REIT is independently managing construction.
6. **Opportunities for other future material environmental impacts:** Depending on the type of real estate, there may be other material impacts for specific subsets of the real estate industry. Identifying sub-sector material environmental impacts for real estate based on building type, average hold cycle of property, and predominant type of management (direct vs. indirect control) would be a beneficial evolution of SASB’s analysis. Some potential material issues could include smart growth and greenfield vs. brownfield development, waste generation and recycling, and portfolio resilience/readiness for the long-term effects of climate change. For these metrics to be relevant, they should be based on a clearly defined set of science-based standards, and they need to focus on the environmental and social impacts that are under the operational control of the REIT and are material to the REITs business strategy, building type, and hold cycle.

About Liberty Property Trust

Liberty Property Trust (NYSE: LPT) is a \$8 billion real estate investment trust which owns 106 million square feet of industrial and office space throughout the United States and the United Kingdom (as of September 30, 2015). Founded in 1972 and headquartered outside of Philadelphia, Liberty develops, acquires, leases and manages properties with the mission to enhance people's lives through extraordinary work environments.

As an extension of this promise, Liberty is one of the nation's leading developers of high-performance green buildings. Liberty's more than 728 industrial and office properties offer exceptional locations, flexible design, thoughtful amenities, cost efficient operations and state-of-the-art technology to the company's 1,700 tenants. Liberty continuously increases the value of its portfolio through expert management, marketing and development.



January 5, 2016

Sustainability Accounting Standards Board
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RE: Request for Public Comment on the Sustainability Accounting Standards Board (SASB) Draft Standards for Real Estate Owners, Developers & Investment Trusts

Dear SASB,

This letter is submitted by the National Association of Real Estate Investment Trusts® (“NAREIT”) to provide comments, within the established Public Comment period, on SASB’s draft standards for Real Estate Owners, Developers & Investment Trusts.

NAREIT is the representative voice for real estate investment trusts (REITs) and publicly traded real estate companies with an interest in U.S. real estate and capital markets. NAREIT’s members are REITs and other real estate businesses throughout the world that own, operate and finance commercial and residential real estate. NAREIT’s members play an important role in providing diversification, dividends, liquidity and transparency to investors through their businesses that operate in all facets of the real estate economy.

REITs are generally deemed to operate as either Equity REITs or Mortgage REITs. Our members that operate as Equity REITs acquire, develop, lease and operate income-producing real estate. Our members that operate as Mortgage REITs finance housing and commercial real estate, by originating mortgages or by purchasing whole loans or mortgage-backed securities in the secondary market.

A useful way to look at the REIT industry is to consider an index of stock exchange listed companies like the FTSE NAREIT All REITs Index that covers both Equity REITs and Mortgage REITs. This Index was comprised of 223 companies representing an equity market capitalization of \$939 billion at December 31, 2015. Of these companies, 182 were Equity REITs, representing roughly 94% of total U.S. stock exchange-listed REIT equity market capitalization (amounting to \$886 billion). The remaining 41 companies were stock exchange-listed Mortgage REITs with a combined equity market capitalization of \$52 billion.

In order to organize the comments on the SASB draft standards, we have divided our comments into two sections:

♦ ♦ ♦

General Comments from NAREIT

- **Section One – General Comments from NAREIT:** This section is a general discussion of the standards.
- **Section Two – Comments on Sustainability Disclosure Topics & Accounting Metrics:** This section contains standard specific comments and suggestions for correction/modification to the standards.

Overview

NAREIT is supportive generally of the Sustainability Accounting Standards Board's (SASB) efforts to help improve sustainability-related reporting of material issues to investors. However, we do recognize and want to underline that the potential burden associated with this initiative may be substantial for some NAREIT corporate members and that NAREIT is therefore supportive of these proposed standards only in connection with disclosure of material issues as determined by the senior management of the disclosing companies.

Research Conducted

In order to develop our response, NAREIT conducted a survey of its 290 corporate member companies. The survey contained basic questions on awareness and understanding of the proposed SASB standards, as well as the expected impacts to the member's current operations. Additional outreach was conducted in the form of phone calls to a selected group of members to gather input on more detailed questions that could not easily be addressed in a survey. The feedback from the survey as well as the specific interview questions on the metrics of the standards were incorporated into the comments in this response.

Materiality

The issue of materiality is strictly a legal determination. Identification of disclosure topics that may be material to a reasonable investor is dependent on individual company issues that are identified by a company's senior management and its board. Our current understanding of materiality is based on a the 1976 case, *TSC Industries v. Northway*, where it was stated "There must be 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 made available (*TSC Industries v. Northway*, 426 U.S. 438, 439). That guidance is still applicable today. As such, we do not anticipate that the publishing of the SASB guidance will change the materiality requirement of disclosures, but instead will provide a potentially useful standardized format for the disclosures in the event that they are necessary. Therefore, we support consideration of the SASB standards as a potential approach in the event that the senior management in a REIT deems disclosure necessary.

Tracking Relative Performance with Respect to Peers

The stated goal of SASB is to provide a standardized format for publicly listed corporations in the U.S. to disclose material sustainability information to investors and the public. We believe the guidance and standards contained in SASB's draft standards for Real Estate Owners, Developers & Investment Trusts will likely provide a format that makes comparability between similar investments possible. However, wide adoption of SASB's standards and reporting based on its standards will be necessary to make these standards useful as intended due to the limitation in terms of availability of sector specific utility data for



General Comments from NAREIT

water and energy in the real estate industry. This lack of data includes both owners and individual tenants. The US Environmental Protection Agency (EPA) Energy Star® PortfolioManager® provides some insight but information that would make peer-to-peer comparisons available is limited and we believe not able to supply the type of data conducive to rigorous investor analysis. Further, even if the SASB standards are widely adopted by the industry, the measures contained in the standards will only allow some insight into the underlying operations in a portfolio, not data that is necessarily comparable on a company-to-company or asset-to-asset basis.

Proposed Quantitative Accounting Metrics

We note especially the recent revisions to the SASB standards that incorporate the Global Real Estate Sustainability Benchmark (GRESB) reporting metrics. SASB's use of the GRESB methodology may substantially reduce the effort for some companies that are currently reporting using the GRESB framework. This alignment by SASB to one of the widely adopted benchmarks in the industry takes a significant step in the right direction for communicating material issues with investors that interact with our industry.

Although we as an industry are relatively early in the development of this overall method of collecting and reporting property specific metrics in standard formats, GRESB's current reporting already includes 707 participants with over 61,000 assets valued at \$2.3 trillion in property value (2015 GRESB Annual Report). While GRESB represents a widely adopted and logical choice for reporting of sustainability information to investors, we strongly suggest that SASB consider other benchmarks and standards as well.

In terms of quantifying and reporting sustainability data, we must also keep in mind, though, that currently only **28%** of stock exchange listed companies in the FTSE NAREIT All REITs Index produce a formal Corporate Sustainability (CSR) report. This leaves **72%** of the Index with the need to develop internal methods and procedures to collect the energy and sustainability data required in the standard.

Costs

While NAREIT is generally supportive of the efforts to improve transparency and financial reporting standards, the costs to collect and report the information could be significant for some NAREIT corporate member companies. In a recent survey conducted to develop our response, 78% of the respondents believed that they would need to implement new procedures or systems to report under SASB. For the companies with the least developed infrastructures for managing and reporting these metrics, the additional costs may include adding staff to manage and monitor performance as well as technology to capture and track the data. The additional costs could also include revising significant internal processes that may represent hurdles to near term adoption and use of the standards. In addition to the challenges relative to people and processes as well as management of the data, significant additional expenses related to upgrading physical plant(s) and the technology for the data collection may be necessary.

Based upon their past projects, RealFoundations estimated that the costs for an average portfolio (containing 200 commercial assets) to implement a Utility Management System alone, which is capable of reliably managing and reporting this data, is likely to cost in excess of \$1 million to purchase and install. Depending on the organization's existing capabilities, annual operational expenses for data collection, normalization, monitoring and reporting related to operating the system should be expected to



General Comments from NAREIT

add an additional 20-40% of system purchase and installation costs on an annual basis.

In addition, the capture of additional reportable tenant information could add substantially to these costs estimates. FASB BC3.47, contained in the *Statement of Financial Accounting Concepts No.8* states, “Cost is a pervasive constraint that standard setters, as well as providers and users of financial information should keep in mind when considering the benefits of a possible new financial reporting requirement” (FASB, 2010, p. 31). The significant costs associated with the collection, third party validation and management of the data required to disclose the “investment grade” information to the investor community is likely to be a significant financial burden on some of our corporate member companies. We are not aware of a cost effective method of gathering and preparing this type of information for inclusion in financial disclosures.

While costs may represent a barrier to adoption, there are significant challenges to gathering and preparing information for dissemination, including additional personnel that are likely needed to manage the information and disclosures related to the SASB standards. Even if costs were of limited concern, it is important to note that qualified personnel may not be readily available for all of the companies who may choose to add these disclosures to their filings. In the absence of readily available personnel, it is important to consider the training period that will be required for the personnel in our industry who will be involved in the regular management, reporting and audit of these areas, i.e., it could take years to develop a competent workforce.

Additional costs and time related to the development of auditing processes and procedures to insure that the data is validated and reportable could represent an additional and significant challenge. These additional costs tied to validation of the reported data will likely be substantial and could pose a significant constraint.

Benefits of Tracking and Reporting to the SASB Standard

The primary benefit of SASB is the development of a standardized method to report material sustainability issues to the investor community. Currently, there are a number of reporting formats to publish material data related to energy, water, tenant sustainability and climate change impacts, but none of the current formats were developed specifically for use in SEC required financial disclosures.

Other benefits of using SASB’s standards to report material information may include access to new capital from “Green Funds” or from investors that use a structured approach to Environmental, Social and Governance (ESG) data analysis to allocate investment funds.

We also recognize that active management of energy has shown an overall reduction of 3-5% of consumption annually by monitoring and validating consumption drivers at a property level (Siemens.com/Sitecontrols, 5). In addition, accurate cost and consumption data also improves budgetary guidance and overall operating costs through better procurement of energy.

Conclusion

NAREIT generally supports development of standards for reporting issues that are material to investors in our industry. While wide adoption of the SASB standards are hoped to encourage peer-to-peer comparisons by investors, given that compliance with SASB standards is voluntary and not mandated by any governmental entity, we are unsure of how many of our corporate member companies will begin to



General Comments from NAREIT

use the standards in the near term.

We are also supportive of the emergence of standardized metrics. As discussed in our comments above, we believe that the increased costs to report the metrics in a standardized format will be substantial for the majority of our member companies. With that said, though, the overall benefits of having a standardized method to report material issues to investors could be substantial and could serve as a roadmap for companies to disclose this information in their required company financial reports.

Since SASB's standards are new, our overall recommendation to SASB is that it vigorously engage with the industry through NAREIT and others such as The Real Estate Roundtable during the provisional period for these standards. This type of engagement during this period should allow our members an opportunity to provide additional feedback resulting in further refinement of the standards. While we believe that the provisional standards may be slowly adopted for widespread use, the engagement with the industry at large will begin to give significant direction to the use of standardized reporting of material issues to investors.

NAREIT would welcome the opportunity to discuss the views on the proposed standards expressed in this comment letter with the relevant members of SASB. If there are questions regarding this comment letter, please contact either one of us.

Respectfully,

Steven A. Wechsler

President and CEO

Sheldon M. Groner

Executive Vice President, Finance & Operations



NAREIT Standard Specific Recommendations

Comments on Introduction

Industry Description

SASB's current industry description for real estate contains language that states "...a wide range of segments within the real estate industry..." (Page 1, Paragraph 6), however it does not include specific directions on how to select a specific property type.

We suggest the use of **Property Sub Sector** from the FTSE NAREIT Classification Structure to select a property type for reporting under this standard. The intent of selecting and identifying a single set of classifications is to avoid the proliferation of descriptions of property types that could emerge. The intent of using the FTSE NAREIT Classification Structure is to provide the registrant with a succinct list of possible property types that are currently well established within our industry. In addition, this classification structure is currently widely recognized and used by investors. These attributes should make information reported pursuant to the SASB standards more easily understandable by the public investment community and should make the SASB standards more useful to an individual investor for the purposes of comparison.

Timing

The general guidance states that "Unless otherwise specified, disclosures shall be for the registrant's fiscal year." (Page 7, Paragraph 4). Without additional guidance, the use of the fiscal year could be problematic for some companies that file 10K, 20F or other required documents. Accelerated and non-accelerated filers are required to issue their filings within 90 days of the end of their fiscal year (www.sec.gov/answers/form10k.htm). Some utilities can invoice as much as 90 days after the physical meter read date. In addition, it is common for utilities to use estimated meter data when actual data is not available. Adjusting the "Timing" guidance to align with the GRESB guidance in 24.1 (9) Estimates would be helpful to add clarification and simplification to the reporting guidance and would continue the theme of using GRESB's standards as additional guidance in SASB's document.



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

IF0402-01. Energy consumption data coverage as a percentage of total floor area, by property type

.03 The registrant may choose to disclose the variation in energy consumption data coverage between:

- *Base building and tenant space;*
- *Energy purchased by the landlord and energy purchased by tenants; and/or*
- *Managed assets and indirectly managed assets.*

Response

Tenant space information may not be available if it is separately metered and under a separate account that is not readily accessible to the building owner.

Proposed Change

.03 The registrant may choose to disclose the variation in energy consumption data coverage between:

- *Base building and tenant space;*
- ***Base building; and/or***
- *Energy purchased by the landlord and energy purchased by tenants; and/or*
- *Managed assets and indirectly managed assets.*

Reasoning

Overview

Our review of the proposed standards revealed that IFO402 -1, 2, 3, 7 and 8 contained the requirement to report on tenant use. Our reasoning for requesting a revision to the accounting metrics is stated below.

Is supplying information on tenant space or spaces that are not part of the registrant's expenses a material issue to a reasonable investor?

Our analysis is based on the Supreme Court's opinion in TSC v. Northway. This case is considered foundational in the establishment of the required company disclosures of material information. In that case, the court stated materiality as: "There must be 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 made available" (TSC, 426 US 449).

While an argument can be made that tenant electric costs may affect lease rates and therefore registrant property values, we believe that the lease rates are affected in a negligible way, if at all. Our reasoning for this is based on our observations that the tenant's specific activities and behaviors are the driving factor of



Comments on Sustainability Disclosure Topics & Accounting Metrics

the total utility use and expense. In addition, many other factors outside the building, such as local and regional utility rate structures, when combined with the lessee's consumption patterns, have the largest effect on tenant's electric / utility use. We therefore conclude that property rents at the portfolio level are affected in an unmeasurable and de minimis fashion and do not significantly affect the "total mix" of information disclosed to investors.

Do the Benefits Outweigh the Costs?

Commercial tenants are generally responsible for purchasing energy used within the leased space with no obligation to report consumption to their property owner. Therefore, collecting this information would be a change in practice that would be difficult to adopt. Additionally, since the practice is not widely used, challenges with gathering the data could include resistance from some tenants and would likely require an addition to the lease language. Even if it were possible to collect this information from the tenants, the utility usage would have to be assembled from different sources of data, including multiple electronic formats and paper copies.

Residential tenants may or may not be responsible for purchasing utilities, however the challenges above, combined with the number of tenants would make an effort to assemble their information a difficult task at best.

Since the practice of reporting third-party lessee utility data is not common in the real estate industry, generally no cost information related to assembling direct-billed third-party tenant utility data is available. We can, however, estimate that the costs associated with gathering 12 months of utility data, for many tenants of various levels of sophistication and styles of recordkeeping, could be problematic. In addition, distilling the information into a usable reporting format would likely require an extraordinary and cost prohibitive effort for any size real estate portfolio.

Is the Information Decision Useful?

Tenant usage is also likely to be difficult to use to compare from property to property due to tenant mix, making the information less than useful for investment analysis. For example, in a retail center, without controlling for the tenant mix, differences in individual tenants, tenant use patterns, regional variations in weather, etc., would make like-for-like comparisons difficult and would therefore result in data that could not be used to reliably benchmark and compare properties or portfolios.

Conclusion

The barriers to obtaining tenant usage information are significant in buildings where tenants pay for their own utilities. The costs to aggregate tenant information could be prohibitive and the information gleaned from these efforts would be of limited value to a reasonable investor due to the varying tenant-by-tenant usage patterns from property to property. Therefore, we suggest the addition of an option to report Base Building use only to the reporting standard. This addition will allow for the reporting of this information in multiple formats and will be conducive to having more companies adopt the standard for use in their disclosures.

And;



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

.05 The registrant shall disclose energy consumption data coverage separately for each property type, where property types and definitions shall be aligned with those identified by the GRESB Survey, and include the following property types: Retail, High Street; Retail, Shopping Center; Retail, Warehouse; Office; Industrial, Distribution Warehouse; Industrial, Manufacturing; Residential; Hotels; Healthcare; Land; Leisure; Parking; Self-Storage; Senior Housing; Student Accommodation; and Other (as defined by the registrant).

Response

Proposed Change

We suggest the use of **Property Sub Sector** of the FTSE NAREIT Classification Structure to select a property type for reporting under this standard.

Reasoning

The intent of selecting and identifying a single set of classifications is to avoid the proliferation of descriptions of property types that could emerge. The intent of using the FTSE NAREIT Classification Structure is to provide the registrant with a succinct list of possible property types that are currently well established within our industry and one that is currently widely recognized and used by investors. Adoption by SASB of the FTSE NAREIT Classification Structure should provide a reporting structure that is easily understandable by the public investment community and should make the standards more useful to an individual investor for the purposes of comparison.



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

IF0402-02. Total energy consumed by (1) (a) base building and (b) tenant space or (2) whole building, percentage grid electricity, percentage renewable, by property type

.07 1) (a) *Base Building and (b) Tenant Space or (2) Whole Building, where:*

- *Definitions of Base Building, Tenant Space, and Whole Building are aligned with the GRESB Survey.*

Further guidance in .06 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the GRESB Survey Q24.1.

Response

Proposed Change

.07 1) (a) *Base Building and (b) Tenant Space or (2) Whole Building, or (3) **Base Building**, where...*

The base building language should also be incorporated throughout the standard including the standard description.

Reasoning

Tenant space information may not be available if it is separately metered and under a separate account that is not readily accessible to the building owner.

Refer to the explanation on pages 7 and 8.

And;

SASB Standard

.07 *The registrant shall disclose energy consumption for the total floor area for which there is energy consumption data coverage as an aggregate figure in gigajoules or their multiples by either...*

Response

Proposed Change

The current disclosure metric is gigajoules. Guidance throughout the section and other sections in the document refers to GRESB standards. We suggest that SASB change the reporting standard from gigajoules to megawatt hours.



Comments on Sustainability Disclosure Topics & Accounting Metrics

Reasoning

In an attempt to avoid the proliferation of units of measurement used in reporting standards, we would suggest that SASB stay consistent with the GRESB standard and report in megawatt hours.



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

IF0402-03. Like-for-like change in energy consumption of (1) (a) base building and (b) tenant space or (2) whole building, by property type

.18 *The registrant shall disclose like-for-like change in energy consumption by either (1) (a) Base Building and (b) Tenant Space or (2) Whole Building.*

- *Definitions of Base Building, Tenant Space, and Whole Building are aligned with the GRESB Survey.*

Response

Proposed Change

.18 *The registrant shall disclose like-for-like change in energy consumption by either (1) (a) Base Building and (b) Tenant Space or (2) Whole Building or (3) Base Building.*

The base building language should also be incorporated throughout the standard including the standard description.

Reasoning

Tenant space information may not be available if it is separately metered and under a separate account that is not readily accessible to the building owner.

Refer to the explanation on pages 7 and 8.



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

IF402-06. Water consumption data coverage as a percentage of total floor area, percentage in regions with High or Extremely High Baseline Water Stress, by property type

.43 The registrant may choose to disclose the variation in water consumption data coverage between:

- *Base building and tenant space;*
- *Water purchased by the landlord and water purchased by tenants; and/or*
- *Managed assets and indirectly managed assets.*
- *The definitions of base building, tenant space, purchased by landlord, purchased by tenant, managed assets, and indirectly managed assets are aligned with the GRESB Survey.*

Response

Proposed Change

.43 The registrant may choose to disclose the variation in water consumption data coverage between:

- *Base building and tenant space;*
- *** Base building;**
- *Water purchased by the landlord and water purchased by tenants; and/or*
- *Managed assets and indirectly managed assets.*
- *The definitions of base building, tenant space, purchased by landlord, purchased by tenant, managed assets, and indirectly managed assets are aligned with the GRESB Survey.*

The base building language should also be incorporated throughout the standard including the standard description.

Reasoning

Tenant space information may not be available if it is separately metered and under a separate account that is not readily accessible to the building owner.

Refer to the explanation on pages 7 and 8.



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

IF0402-07. Total water withdrawn by (1) (a) base building and (b) tenant space or (2) whole building, percentage in regions with High or Extremely High Baseline Water Stress, by property type

.52 *The registrant shall disclose water withdrawn by either (1) (a) Base Building and (b) Tenant Space or (2) Whole Building.*

- *Definitions of Base Building, Tenant Space, and Whole Building are aligned with the GRESB Survey.*

Response

Proposed Change

.52 *The registrant shall disclose water withdrawn by either (1) (a) Base Building and (b) Tenant Space or (2) Whole Building or (3) Base Building.*

- *Definitions of Base Building, Tenant Space, and Whole Building are aligned with the GRESB Survey.*

The base building language should also be incorporated throughout the standard including the standard description.

Reasoning

Tenant space information may not be available if it is separately metered and under a separate account that is not readily accessible to the building owner.

Refer to the explanation on pages 7 and 8.

And;

SASB Standard

.54 *The registrant may choose to disclose the variation in water withdrawals between:*

- *Water purchased by the landlord and water purchased by tenants; and/or*
- *Managed assets and indirectly managed assets.*

Response

Proposed Change

.54 *The registrant may choose to disclose the variation in water withdrawals between:*

- *Water purchased by the landlord and water purchased by tenants; and/or*



Comments on Sustainability Disclosure Topics & Accounting Metrics

- *Water purchased by the landlord; and or*
- *Managed assets and indirectly managed assets.*

The water purchased by the landlord language should also be incorporated throughout the standard including the standard description.

Reasoning

Tenant space information may not be available if it is separately metered and under a separate account that is not readily accessible to the building owner.

Refer to the explanation on pages 7 and 8.



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SASB Standard

IF0402-08. Like-for-like change in water consumption of (1) (a) base building and (b) tenant space or (2) whole building, for floor area with data coverage, by property type

.57 The registrant shall disclose like-for-like change in water consumption by either (1) (a) Base Building and (b) Tenant Space or (2) Whole Building.

Response

Proposed Change

.57 The registrant shall disclose like-for-like change in water consumption by either (1) (a) Base Building and (b) Tenant Space or (2) Whole Building or (3) Base Building.

The base building language should also be incorporated throughout the standard including the standard description where appropriate.

Reasoning

Tenant space information may not be available if it is separately metered and under a separate account that is not readily accessible to the building owner.

Refer to the explanation on pages 7 and 8.

And;

SASB Standard

.62 The registrant may choose to disclose the variation in water consumption data coverage between:

- Water purchased by the landlord and water purchased by tenants; and/or
- Managed assets and indirectly managed assets.

Response

Proposed Change

.62 The registrant may choose to disclose the variation in water consumption data coverage between:

- Water purchased by the landlord and water purchased by tenants; and/or
- **Water purchased by the landlord; and or**
- Managed assets and indirectly managed assets.



Comments on Sustainability Disclosure Topics & Accounting Metrics

Reasoning

Tenant space information may not be available if it is separately metered and under a separate account that is not readily accessible to the building owner.

Refer to the explanation on pages 7 and 8.



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

IF0402-09. Discussion of water management risks and description of strategies and practices to mitigate those risks

.65 *The registrant shall discuss, where applicable, risks to the availability of adequate, clean water resources.*

- *Relevant information to provide includes, but is not limited to:*

- *Environmental constraints, such as operating in water-stressed regions, drought, interannual or seasonal variability, and risks due to the impact of climate change.*
- *External constraints, such as volatility in water costs, stakeholder perceptions and concerns related to water withdrawals (e.g., those from local communities, non-governmental organizations, and regulatory agencies), direct competition with and impact from the actions of other users (commercial and municipal), restrictions to withdrawals due to regulations, and the ability to obtain and retain water rights or permits.*
- *How risks may vary by withdrawal source, including wetlands, rivers, lakes, oceans, groundwater, rainwater, municipal water supplies, or supply from other water utilities.*

Response

Proposed Change

.65 *The registrant shall discuss, where applicable, risks to the availability of adequate, clean water resources.*

- *Relevant information to provide includes, but is not limited to:*

- *Environmental constraints, such as operating in water-stressed regions, drought, interannual or seasonal variability, and risks due to the impact of climate change.*
- *External constraints, such as volatility in water costs, stakeholder perceptions and concerns related to water withdrawals (e.g., those from local communities, non-governmental organizations, and regulatory agencies), direct competition with and impact from the actions of other users (commercial and municipal), and restrictions to withdrawals due to regulations, and the ability to obtain and retain water rights or permits.*
- *How risks may vary by withdrawal source, including wetlands, rivers, lakes, oceans, groundwater, rainwater, municipal water supplies, or supply from other water utilities all sources of withdraw.*

Reasoning

In the second bullet beginning with “External constraints,” we believe that stakeholder perceptions and impacts from other users are not easily ascertainable. The inclusion of this set of details could result in the material misstatement by omission or other issues related to gathering this type of information.

In the third bullet beginning with “How risks may vary...,” we believe that the excess language should be removed for simplification.



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

IF0402-10. Percentage of leases that contain a cost recovery clause for resource efficiency-related capital improvements

.72 *The scope of disclosure includes all of the properties in the registrant's portfolio that were leased during any part of the last fiscal year, and for which the associated lease was executed between the registrant and the tenant.*

Response

Proposed Change

.72 *The scope of disclosure includes all of the properties in the registrant's portfolio that were newly leased during any part of the last fiscal year, and for which the associated lease was executed between the registrant and the tenant.*

Reasoning

Our understanding of .72 is that it narrows the scope of disclosure to only include new leases in the registrant's portfolio that were executed during the last fiscal year.

If the intention of the language was to include all leases in the registrant's portfolio, we would ask that the section be rewritten to include only new leases; as the lease abstraction costs to inventory an entire portfolio for these types of clauses could be excessive. This approach of only including the new leases signed in the last fiscal year would help the industry capture this information during the normal leasing process.



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SASB Standard

IF0402-12. Description of approach to measuring, incentivizing, and improving sustainability impacts of tenants

.83 *The registrant shall include a discussion of its approach to third-party initiatives concerning green leases, including, but not limited to, the registrant's support of such initiatives, the use of the frameworks provided by such initiatives, and participation in associated programs.*

- *The registrant shall disclose whether such green lease principles are integrated into its lease contracts with tenants regardless of the use of the terminology "green lease" and the origins of such lease principles.*

Response

Proposed Change

.83 *The registrant may include a discussion of its approach to third-party initiatives concerning green leases, including, but not limited to, the registrant's support of such initiatives, the use of the frameworks provided by such initiatives, and participation in associated programs.*

- *The registrant may disclose whether such green lease principles are integrated into its lease contracts with tenants regardless of the use of the terminology "green lease" and the origins of such lease principles.*

Reasoning

Not all of the lease formats listed will be applicable to all of the members of the industry. In addition, the industry generally does not have the required information to determine if "green lease principals" are incorporated into the leases because these type of lease terms would not have been captured in historical lease abstraction efforts. The lease abstraction costs to inventory an entire portfolio for these types of principals could be difficult and the costs excessive; and the likelihood of results that could be used for even a general statement uncertain at best.



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SASB Standard

IF0402-13. Area of properties located in FEMA Special Flood Hazard Areas or foreign equivalent

.86 *The registrant shall disclose the total floor area of properties that are located in special flood hazard areas, where:*

- *The total portfolio floor area is defined as the total leasable floor area of all properties in the registrant's portfolio.*
- *FEMA Special Flood Hazard Areas (SFHA) are defined as land areas covered by the floodwaters of the base flood on National Flood Insurance Program (NFIP) maps. An SFHA is an area where the NFIP's floodplain management regulations must be enforced and where the mandatory purchase of flood insurance applies. The SFHA includes Zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, VI-30, VE, and V. Examples of Special Flood Hazard Areas include coastal floodplains, floodplains along major rivers, and areas subject to flooding from ponding in low-lying areas.*
- *The scope of disclosure includes properties located in the U.S. that are designated by FEMA as SFHA, as well as properties located outside of the U.S.*
- *For non-U.S. properties that fall outside of the scope of FEMA, the foreign equivalent is the area that will be inundated by a flood event that has a one-percent chance of being equaled or exceeded in any given year (i.e., the 100-year floodplain).*

Response

Proposed Change

.86 *The registrant shall disclose the total floor area of properties, as a percentage of total floor area, that are located in special flood hazard areas, where:*

- *The total portfolio floor area is defined as the total leasable floor area of all properties in the registrant's portfolio.*
- *FEMA Special Flood Hazard Areas (SFHA) are defined as land areas covered by the floodwaters of the base flood on National Flood Insurance Program (NFIP) maps. An SFHA is an area where the NFIP's floodplain management regulations must be enforced and where the mandatory purchase of flood insurance applies. The SFHA includes Zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, VI-30, VE, and V. Examples of Special Flood Hazard Areas include coastal floodplains, floodplains along major rivers, and areas that will be inundated by an event that has a one-percent chance of being equaled or exceeded in any given year (i.e., the 100-year floodplain).*

The percentage of total floor area language should also be incorporated where appropriate throughout the standard including Table 1 on page 10 of the standard.

Reasoning

The addition of “as a percentage of total floor area” and the resulting change in the unit of measure table



Comments on Sustainability Disclosure Topics & Accounting Metrics

is to maintain consistency with the Energy and Water Management standards that use this measure. The second change in the “FEMA Special Flood Hazard” section represents a minor clarification.



Comments on Sustainability Disclosure Topics & Accounting Metrics

SASB Standard

IF0402-14. Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks

.88 *The registrant shall discuss the risks and/or opportunities that are presented to its portfolio by climate change scenarios, including, where relevant:*

- *Identification of the risks presented by climate change, including, but not limited to, availability of water, extreme weather events, evolving regulation and legislation, impacts on regional infrastructure, and impacts on local economies and populations, regardless of the impact of physical risks presented to the registrant's portfolio.*
- *Discussion of the scenarios used to determine the risks and opportunities presented by climate change.*
- *Discussion of how such scenarios will manifest (e.g., effects directly on the registrant or effects on the registrant's tenants).*
- *The timeline over which such risks and opportunities are expected to manifest.*

Response

Proposed Change

.88 *The registrant shall discuss the risks and/or opportunities that are presented to its portfolio by climate change scenarios, including, where relevant:*

- *Identification of the risks presented by climate change, including, but not limited to, availability of water, extreme weather events **and** evolving regulation and legislation. ~~impacts on regional infrastructure, impacts on local economies and populations, regardless of the impact of physical risks presented to the registrant's portfolio.~~*
- *Discussion of the scenarios used to determine the risks and opportunities presented by climate change.*
- *Discussion of how such scenarios will manifest (e.g., effects directly on the registrant or effects on the registrant's tenants).*
- *The timeline over which such risks and opportunities are expected to manifest.*

Reasoning

We suggest the elimination of “...impacts on regional infrastructure, impacts on local economies and populations, regardless of the impact of physical risks presented to the registrant's portfolio” because we do not feel that these topics are understandable, reportable or meet the threshold of material information for disclosure.

We suggest the elimination of the “Discussion of the scenarios used to determine the risks...” and “Discussion of how such scenarios will manifest...” and “The timeline over which such risks and opportunities are expected to manifest...” because these three suggested topics ask for subjective speculation of how a future event may affect a respondent's portfolio. In addition, we feel that the



Comments on Sustainability Disclosure Topics & Accounting Metrics

remaining language adequately identifies the risks presented by climate change and allows the respondent to discuss the risks in a format that is focused and objective.



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The Real Estate Roundtable

January 5, 2016

Jean Rogers, PhD, PE
CEO
Sustainability Accounting Standards Board
75 Broadway
Suite 202
San Francisco, CA 94111

Dear Dr. Rogers:

On behalf of The Real Estate Roundtable, I am pleased to submit these comments on SASB's October 2015 Exposure Draft Standards for Real Estate Owners, Developers & Investment Trusts, and Real Estate Services ("Draft Standards"). This letter incorporates by reference the comments we previously submitted on June 23, 2015, as part of a coalition with other real estate companies and associations ("June 23 Letter").

The Roundtable's members are involved in every aspect of real estate ownership, development, management, services, and brokerage, spanning all asset-types of income-producing properties. In the United States and abroad, we represent billions of square feet of health care, industrial, office, retail, storage, and mixed-use properties; millions of residential and apartment units; and millions of hotel rooms.

As we previously explained: "Our industry has been the subject of numerous third-party efforts to define and direct sustainability-related investments and practices. We have created our own successes in developing and implementing replicable, cost-feasible corporate programs to meet the demands of building tenants, occupants and investors."¹

The companies we represent are among the first adopters of sustainability "labeling" platforms that have proliferated in the past decade. The Roundtable's long standing policy is to avoid picking "winners and losers" among the various voluntary rating programs that compete for fee-based subscriptions and other resource commitments from our members. Rather, market participants must decide the success or failure of such programs. We appreciate this opportunity to further guide SASB's efforts in creating more options for real estate firms to report environmental, social, and governance ("ESG") information that investors may deem "material."

Our comments on the Draft Standards are as follows:

¹ June 23 Letter, p. 1.

(1) References to the Global Real Estate Sustainability Benchmark (GRESB)

A key point from our June 23 Letter encouraged closer scrutiny of other sustainability rating and disclosure platforms that have preceded SASB's entry into this space. Real estate stakeholders have a track record of understanding and implementing ESG metrics and tools that are already tested in the marketplace. We urged SASB to:

[C]arefully consider the questionnaires, surveys, and other information-gathering efforts administered by platforms such as the Global Real Estate Sustainability Benchmark (GRESB); the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative; the Commercial Building Energy Consumption Survey (CBECS) of the U.S. Energy Information Administration; the Carbon Disclosure Project (CDP); the Investor Confidence Project (ICP) of the Environmental Defense Fund (EDF);² and the Urban Land Institute/Greenprint Center for Building Performance.

The Roundtable reiterates that SASB's Standards should not create new metrics for reporting and measuring ESG risks where existing sustainability platforms cover the same ground. The Draft Standards (when finalized) are not likely to gain traction if they impose more resource burdens without added incremental benefits—especially where corporate executives, sustainability departments, and hired consultants have already been socialized to implement pre-existing platforms that respond to their investors' needs.

At the same time, some of our members are concerned that the Draft Standards reference GRESB to such an extent that SASB could be construed as promoting GRESB compliance. For example, the Owners' Draft Standard is replete with the following statement:

XX. The underlying technical approach ... shall be consistent with GRESB Survey Qxx.

- The registrant *shall consider the GRESB Survey as a normative reference*, thus any updates made year-on-year *shall be considered updates to this guidance*.

With respect, there is tension in how this statement may be read. The first sentence plainly states that SASB's approach for compliance “shall be consistent” with pertinent GRESB survey questions. The bulleted sentence then denotes GRESB Survey is a “normative reference” (we assume to further consistency in reporting)—but one that “shall” be considered. A SASB registrant could read these statements to believe (s)he *must* be guided by GRESB’s methods and does not have an option to consider other sustainability reporting platforms.³

We recognize that GRESB is a widely adopted tool. We wholly support our members who opt to use it to gauge their performance and reputations as leaders in sustainability. Likewise, we respect the decisions of our members who elect *not* to use GRESB, and may employ other metrics to quantify and report ESG performance and risks. The Roundtable accordingly recommends that SASB clarify and make available compliance opportunities for

² *Id.*, pp. 7-8.

³ Indeed, SASB itself construes the word “shall” to denote a “requirement” as opposed to simply “guidance” that is “recommended.” See *infra* note 5.

firms that pursue means other than GRESB to evince their corporate commitments to sustainability.

Further, GRESB is an evolving, iterative platform. It is possible (and, indeed, has been the case) that Roundtable members presently satisfied with GRESB's approach may entertain different perspectives in subsequent cycles. SASB should not change automatically with GRESB, but rather should review GRESB changes before adopting them as elements of the Real Estate Owners and Services Standards. Otherwise, we are concerned that SASB could be perceived as farming-out development of its own standards to GRESB. To the extent that SASB identifies GRESB as a truly "normative reference" going forward, SASB should explain how its processes and Standards may adapt to capture input from real estate companies whether or not they are involved in shaping GRESB's current or future rating system.

Our June 23 Letter cautioned against SASB's direction in its initial research briefs and industry questionnaires, showing a "preoccupation" for LEED ratings.⁴ We appreciate that SASB took this advice to heart; the Draft Standards allow for consideration of, but are not so focused on, LEED assets. We submit the same approach is required for GRESB. In the next phase of the Standards' development, we request an approach for SASB compliance that projects more inclusiveness for real estate companies that opt not to use GRESB.

The Draft Standards themselves suggest a possible "fix" that SASB may wish to consider. SASB offers rules of construction to interpret the terms "shall," "should" and "may" in the Draft Standards.⁵ A solution may be to simply swap "shall" with "may" in the context of all GRESB references, as follows:

XX. The underlying technical approach ... **shall may** be consistent with GRESB Survey Qxx.

- The registrant **shall may** consider the GRESB Survey as a normative reference, thus any updates made year-on-year **shall may** be considered updates to this guidance.

(2) **"Like-for-like" Data Collection**

As aligned with applicable GRESB survey questions, the Owners Draft Standard provides that SASB registrants "shall calculate" annual percentage change in total energy and water consumption on a "like-for-like basis."⁶ While "like-for-like" is defined to align with the

⁴ The June 23 Letter (at p. 2) stated that "SASB appears preoccupied with select ratings, LEED ratings in particular." We expressed concern that such a predominant focus on LEED-rated buildings, which overwhelmingly apply to new construction, would "de-emphasiz[e] those assets where strides in sustainability can be the greatest—namely, the existing buildings stock."

⁵ Both the Owners and Services Draft Standards provide (each at p. 8): "The term '*shall*' is used throughout this document to indicate those elements that *reflect requirements* of the Standard. The terms '*should*' and '*may*' are used to *indicate guidance*, which, although not required, provides a *recommended* means of disclosure." (Emphasis supplied.)

⁶ Like-for-like change in energy consumption (Owners Draft Standard, p. 14); in water consumption (*id.*, p. 21). The delta is to be reported with reference to the fiscal year of the SASB disclosure relative to changes from the immediately prior fiscal year. Such consumption data can be reported at the level of (1) base building and tenant spaces, or (2) whole building by property type for floor area that has data coverage.

GRESB model, SASB should clarify whether or not registrants should submit *normalized* consumption data. We would like to gain a greater understanding of SASB's intent on the appropriateness to collect normalized data, because annual energy and water usage is driven by external factors (such as weather, location, occupancy, computers per capita, etc.) Regionally specific challenges (like extreme weather events, drought conditions, access to potable water, etc.) can also have a major impact on resource consumption and significantly affect year over year metrics at the asset and portfolio levels. Just as EPA's ENERGY STAR program scores buildings based on normalized data, SASB should clarify that registrants may report normalized sustainability-related data.

Additionally, with regard to collection of water consumption data, some communities may only bill such data once a year or on some other infrequent basis that does not align with the SASB reporting period. In finalizing its standard, we thus request that SASB remain sensitive to a time lag in recording and reporting actual water usage relative to its reporting deadlines.

(3) Reporting on Building Certifications

The Owners and Services Draft Standards include metrics for reporting on building ratings and certifications, which again refer to the GRESB survey.⁷ We would support a SASB standard that aligns with GRESB and encourages reporting that distinguishes between certificates for on-going operations in an occupied building, compared to ratings for new construction with performance-modeled design objectives. However, we request the ability to supplement this reported data with an explanation of the barriers that may make it impractical or infeasible to obtain building ratings or certificates for certain assets.⁸

Additionally, where real estate companies decide to obtain ratings (such as ENERGY STAR or LEED) for asset(s) in their portfolios, it is typically the case that such assets are not rated *every* year but on some other interval. We accordingly recommend SASB's subsequent standard expressly encourage registrants to explain time periods in which they may pursue building ratings.

(4) Accounting Metrics for Water-Stressed Regions

As explained above in section (2), disclosure of "normalized" data—such as a building's location—should be a key element of SASB's reporting methods. In this regard, we agree that a registrant should disclose whether its assets and portfolios are located in water-stressed regions as part of any water consumption disclosures.⁹

However, we respectfully request more information on why SASB selected the World Resources Institute's "Water Risk Atlas" tool as the "sole source" to determine water-stressed regions. We request further explanation from SASB and suggest analysis of federal government tools like the "drought portal" administered by the National Integrated Drought Information

⁷ Owners Draft Standard, p. 16; Services Draft Standard, pp. 12-13.

⁸ The June 23 Letter (pp. 5-8) identifies some of the regulatory, economic and other barriers beyond the control of real estate owners, developers and service providers that frequently inhibit greater uptake in corporate sustainability projects.

⁹ Owners Draft Standard, p. 19.

Systems,¹⁰ and recommend SASB consult with agencies like the National Oceanic and Atmospheric Service¹¹ and U.S. Geological Survey before finalizing its Standards.¹²

(5) Accounting Metrics for Climate Change Adaptation

The Roundtable respectfully suggests that SASB has more work to do regarding accounting metrics for “Climate Change Adaptation.” The only metric proposed in the Draft Owners Standard is whether or not properties are located in Special Flood Hazard Areas (“SFHAs”), as defined by the Federal Emergency Management Agency (“FEMA”) (or foreign equivalents).¹³ It strikes us as too simplistic to suggest that the built environment’s resiliency to climate change is solely determined by whether a property is located in a FEMA-defined SFHA, and thus must obtain flood insurance under the National Flood Insurance Program (“NFIP”).¹⁴

The Roundtable would benefit from a greater understanding as to whether SASB explored other metrics for climate change adaptation. As one suggestion, we recommend that SASB assess the Community Rating System (“CRS”), which is a voluntary incentive program that recognizes and encourages community floodplain management activities that exceed minimum NFIP requirements.¹⁵ Communities with higher CRS ratings may offer more competitive flood insurance premiums to property owners, which could be “material” to investors. SASB may also wish to conduct research regarding the implementation of the Clean Power Plan (CPP) administered and implemented by the U.S. Environmental Protection Agency in coordination with state energy offices, as part of federal efforts to address climate change by regulating carbon emissions from coal-fired power plants.¹⁶

(6) The “business case” for cost-effective sustainability programs

Finally, the June 23 Letter explained The Roundtable’s perspective that:

Our investors and shareholders do not demand ESG projects at any cost, or without regard to cost. Sustainability programs in the real estate sector can be expensive and difficult to finance. They must be undertaken in a manner that avoids disrupting the lives and livelihoods of the businesses and customers who own and occupy buildings. They must be grounded in business fundamentals that assess returns on investment, net present value, and internal rates of return.¹⁷

¹⁰ See www.drought.gov.

¹¹ See <https://www.ncdc.noaa.gov/temp-and-precip/drought/recovery/>.

¹² See <http://www.usgs.gov/water/>.

¹³ Owners Draft Standard, p. 29.

¹⁴ See, e.g., <https://www.floodsmart.gov/floodsmart/pages/faqs/what-is-a-special-flood-hazard-area.jsp>.

¹⁵ See <https://www.fema.gov/national-flood-insurance-program-community-rating-system>.

¹⁶ See <http://www.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants>.

¹⁷ June 23 Letter, p. 8.

We do not believe that the Draft Standards adequately address this “business case” theme. The processes our members undertake to justify the costs of sustainability platforms is, by its very nature, grounded in quantifiable metrics that communicate corporate financial performance that investors would deem “material.” The Roundtable thus recommends that any forthcoming final SASB standards should give Owners and Service Providers the chance to explain and disclose decision-useful financial criteria that underpin sustainability investment decisions (such as calculations for pay-back, return on investment, net present value, and internal rate of return).

Thank you for considering these additional comments regarding SASB’s efforts to develop ESG reporting standards for the Real Estate Owners and Services Sectors. Duane J. Desiderio, Senior Vice President and Counsel, remains the point of contact on this matter. Please do not hesitate to contact him if you have questions.



Jeffrey D. DeBoer
President and CEO

My comments are limited to the Real Estate Owners, Developers and REITs draft standard.

- No accounting metric for Green Building Certifications? I'm surprised because the IWG Brief included information about green buildings (LEED, Green Globes, Casbee, BREEAM, Living Building Challenge, Net Zero, etc). I understand there was concern on the part of the industry about the overemphasis on green building certifications in the Brief, but I believe there is enough literature evidence on the value of green building standards to include them as an accounting metric.
- I'm not sure if Health and Wellness has enough peer reviewed evidence to include information as an accounting metric, but it is a rapidly growing area of interest in the real estate sustainability world. Perhaps for inclusion in future updates to this industry standard.
- In general, the standard seems to be in line with my experience with sustainability performance metrics in this industry. A big improvement from the IWG Brief.

Don't hesitate to contact me with questions.

Jaxon Love | Sustainability Program Manager

Property Management & Construction

Shorenstein Realty Services, L.P.

