



December 22, 2017

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

Reference: 2017 Public Comment Period

Ladies and Gentlemen:

The Assurance Services Executive Committee (“ASEC”) Sustainability Assurance and Advisory Task Force (the “Task Force”) of the American Institute of CPAs (“AICPA”) appreciates the opportunity to comment on the SASB’s Proposed Changes to the Provisional Standards, including the corresponding Basis for Conclusions. The AICPA is the world’s largest member association representing the accounting profession, with more than 418,000 members in 143 countries and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting. Among other things, the AICPA sets ethical standards for the profession and U.S. auditing and attestation standards for private companies, nonprofit organizations, and federal, state and local governments. The AICPA’s auditing and attestation standards are incorporated into state law through the Accountancy Boards of the states and territories of the United States of America. The task force supports the SASB’s efforts to ratify the SASB Standards and, in this regard, is pleased to offer feedback on the Proposed Changes to Provisional Standards. Given the large number of standards open for comment and the limited period for comment (79 standards including the corresponding basis for conclusions open for comment during a 90-day comment period) we have limited our feedback to high level comments. Further, given the task force’s area of expertise, comments have been limited to governance and assurance-related matters.

Overall Observations and Comments

We support the steps taken by the SASB to strengthen overall governance and the integrity of the standard-setting process. We encourage a rigorous post-implementation review process to continue to build trust and confidence with market participants.

We commend the SASB for adopting the Rules of Procedure and for transitioning to a two-tiered governance model which separates fundraising and business-related activities from standard-setting activities. We believe both of these steps are critical in protecting the integrity of the standard-setting process. We further strongly suggest that these steps be accompanied by a rigorous post-implementation review process during these early years of standards implementation to quickly incorporate lessons-learned, enhance uptake of the standards, ensure

that high quality sustainability information is brought to the market and continue to build trust and confidence with market participants. Some specific post-implementation review considerations are provided in the discussion which follows.

We support the SASB's aim of bringing high-quality disclosure of material sustainability information to the market and believe efforts to further enhance the quality of disclosures should be undertaken

The quality of a company's sustainability disclosures can be enhanced by establishing the appropriate governance over the sustainability reporting process. This would include establishing the appropriate policies, systems, processes, and relevant internal controls. Additionally, under its governance structure a company can seek independent third-party assurance on the reported sustainability information from a licensed Certified Public Accountant. The implementation of all of these measures by a company results in the most reliable and highest quality information.

With regard to independent third-party assurance, in order for an assurance provider to provide assurance in accordance with their professional standards, the reporting standards (e.g., the SASB Standards) used to prepare the reported sustainability information need to form the basis for suitable criteria, or ideally be suitable criteria. Per the AICPA's Statement on Standards for Attestation Engagements 18 (SSAE 18), suitable criteria exhibit all of the following characteristics:

- **Relevance.** Criteria are relevant to the subject matter.
- **Objectivity.** Criteria are free from bias.
- **Measurability.** Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- **Completeness.** Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

As indicated under the *measurability* characteristic mentioned above, suitable criteria permit reasonably consistent measurement of the subject matter. This is not only critical from an assurance perspective but also for ensuring comparability of sustainability information in the market. Standards should provide clear definitions that result in consistent calculation of metrics. In situations where a lack of clarity exists, companies would need to describe their interpretation of such items for reporting purposes (thereby forming suitable criteria for assurance purposes); however, the lack of clarity would nevertheless result in metrics that are not truly comparable across companies, and could negatively affect SASB's goal of improving the effectiveness and comparability of corporate disclosure on material environmental, social, and governance (ESG)

factors. Accordingly, we recommend undertaking efforts during the post-implementation review phase to ensure the consistency of measurement of the various metrics by:

- Monitoring and resolving questions raised by preparers regarding the calculation of metrics.
- Performing a thorough review of the consistency and clarity of terminology used in definitions within the standards to ensure consistent application of the standards.
- Engaging with the AICPA's ASEC Sustainability Assurance and Advisory Task Force regarding suitable criteria matters. Given the importance of high quality, comparable sustainability information, we would value the opportunity to continue to provide input and guidance regarding the suitability of criteria during the post-implementation review phase.

We support strong collaboration with other standard setters and framework developers with an effort towards convergence of the standards, and believe such efforts will help promote uptake of the SASB Standards

We believe the SASB should continue to demonstrate leadership through active participation in collaboration efforts with the CDP (formerly, Carbon Disclosure Project), the Climate Disclosure Standards Board ("CDSB"), the Global Reporting Initiative ("GRI"), the International Integrated Reporting Council ("IIRC"), the Corporate Reporting Dialogue ("CRD"), the Task Force on Climate-related Financial Disclosures ("TCFD"), and the World Resources Institute ("WRI"), among others. We support the various collaboration efforts already being undertaken and believe the SASB should vigorously pursue areas to find convergence among the various standards and framework setters. We believe this will help promote uptake of the SASB standards.

Similarly, we believe that during the post-implementation review phase, the SASB should thoroughly evaluate alignment with material metrics from separate metrics development efforts of industry groups like the Edison Electric Institute ("EEI") and the International Council on Mining and Metals ("ICMM") that have worked in good faith with their industry stakeholders to determine useful industry metrics. While we recognize that investors and issuers have been involved in the SASB Standards development process, we believe that serious consideration should be given to the efforts of specific industry groups as broader collaboration could help drive uptake of the SASB Standards by such industries.

Consistent with the comments around promoting convergence among sustainability standard setting and reporting initiatives where appropriate and applicable, we suggest providing more clarity where synergy exists while acknowledging audience or intended user considerations. For example, *Chemicals Industry: TA07-05-01. Amount of hazardous waste, percentage recycled,*

indicates that the disclosure “corresponds with Global Reporting Initiative Effluents and Waste 2016 306-2”. It is, however, unclear whether the measure as disclosed would accomplish GRI and SASB conformance objectives. Greater clarity in such situations would be helpful.

In conclusion, we support the SASB’s efforts to ratify the SASB Standards and appreciate the opportunity to comment on the Proposed Changes to Provisional Standards. We would be pleased to discuss our comments or answer any questions that the SASB may have regarding the comments expressed in this letter.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. R. Pawlicki".

Amy R. Pawlicki
Vice President, Assurance and Advisory Innovation
American Institute of CPAs