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SASB Exposure Draft Comments

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This note consists of some brief and very general comments relating to your sustainability accounting standard draft. These comments do not represent the opinion or position of the US EPA, but represent my own general views and observations.

I appreciate the opportunity to offer these comments and impressions. EPA is interested in fostering sustainability across a number of product and service sectors, and attempts to do so by participating in the development and assessment of consensus standards. In the not too distant past, EPA wrote to the SEC in relation to its inquiry on the nature of sustainability information, with a view toward inclusion in 10K filings. In relevant part, we included some of the following ideas.

In supporting EPA's objectives to protect human health and the environment through pollution prevention, we have been engaged in efforts (partnering with other federal agencies and mandated by Congress and Executive Order) that leverage the significant market incentive of federal purchasing. To this end, EPA has been active in developing consensus standards in various product and service sectors with an eye toward adopting their eventual use by incorporation and reference in solicitations and contracts. We are also presently engaged through executive mandate in developing and implementing a system of assessing the body of private sector standards and eco-labels for this same use government wide. Consequently, we are bringing focus to the quality, characteristics and conclusions to be drawn by sustainability information.

We believe the information we rely on when determining more sustainable business practices by both product manufacturers and service providers should be of interest to the greater marketplace - not only the federal government in our acquisition functions. Many other large and small institutional purchasers, in fact, are designing sustainable acquisition programs - thereby magnifying federal sustainability efforts. As for investors, we wish to share our expertise on what information is available in various product sustainability categories, review our experience in what this information might mean toward environmental quality and human health, and work with you as you determine its ultimate value as a risk/financial indicator to investors.

Related to the concept of reporting sustainability information commensurate with established financial disclosure, we offer several areas of inquiry for the SEC to consider as they process and explore the disclosure proposal:

- What company information will be disclosed? Will you consider guidelines, specifications, metrics or other performance criteria applied in existing mandates or other sustainability reporting schemes?

- How would this disclosed information be used and by whom? Would the government and other large institutional purchasers be able to use this in purchasing decisions? Would the environmental disclosure be easily accessible - and understandable as opposed to a mass of information without organization, score, rating or context? Would there be a simple means for institutional procurement officers to easily interpret or understand the disclosed information in determining environmental preferability for contract award purposes?

- How reliable is the disclosed information? Would the disclosed information be audited and certified as to the statements made, and if so by whom and under what accreditation?

- What information is material, and to whom? SEC and SASB focus is on "investors," what nature of performance indicators would be relevant or "material" to investors?

Reflecting on federal green purchasing and contracting requirements, it is clear that a company's bottom line (and therefore, investment considerations by others) may be impacted by company choices regarding sustainable products. Based on the federal family's collective efforts and focus on sustainable procurement, EPA anticipates that the demand for products and services sold by publicly traded companies in the federal government supply chain will be impacted.

In quick review of portions of your draft product which interest me in particular - the Services category -- I noticed some inconsistency in the application of reporting requirements for various subjects. For instance, there were somewhat detailed environmental reporting requirements under Hotels & Lodging, but none under Professional & Commercial Services. P&C Services represent a substantial potential impact on the environment in relation to operational practices in commercial buildings, purchase of products, building and office fit out, use of energy and water, GHG emissions, use of renewable energy, business travel, waste management, commuting practices, supply chain embedded energy, local community impact, and so forth. Where a few of these items were addressed in other categories (such as Hotels & Lodging), the inconsistency and limitation raises questions on the completeness and usefulness in assessing investor risk across the greater sector (SEC and SASB's focus).

I believe it is an advantage to investors and purchasers alike, as well as the companies which depend on responding to the needs of each, to align themselves on the information they each either seek or provide in relation to "sustainability" (and from our perspective, that involves environmental

sustainability). Alignment in this manner should actually assist these publically traded companies by reducing their reporting burdens (currently spread across a diverse set of information disclosure sustainability standards and protocols). Consequently, in reviewing your overall product in the light of requesting disclosure of useful information, I think it would be an advantage to ensure quality, context and usefulness when evaluating the tools for collection, and to do so with an eye on other reporting protocols and standards which may have been designed for other purposes (such as institutional marketing). Identifying not only metrics and measurements, but benchmarks for satisfactory performance and sustainable outcomes is deeply relevant to both investors and purchasers. For whereas it is good to know a publically traded company is self-aware of its environmental measurements in a given category (e.g., energy and water usage), the other half of the story is answering the question: "What does it all mean?" Facts and measures alone, without context, offer less toward understanding performance - and risk - than measuring from an established benchmark of acceptability. So my core observations are 1) include more and consistent environmental reporting, and 2) ensure there is context in evaluating acceptable performance. Only in this way will we truly incentivize improvement - and reduce the risk of poor performance.

Thank you.

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