

Dr. Jean Rodgers  
The SASB Foundation and The SASB  
1045 Sansome Street, Suite 450  
San Francisco, CA 94111

10 January 2018

Dear Dr Rodgers

IPIECA, the global oil and gas industry association for environmental and social issues, would like to thank SASB for the invitation to participate in the public comment period for the Extractives and Minerals Processing Sector standards. IPIECA's membership consists of 41 oil and gas companies and service providers, as well as 21 trade associations, that represent the industry globally.

We were grateful for the opportunity to meet with SASB representatives in early 2017 to discuss the Standards. We would like to thank you for taking on board many of our comments from that engagement, and our April 2014 letter, in preparing the drafts for public consultation. We welcome the pro-active approach SASB is taking to receiving industry feedback.

We have outlined our feedback below.

## GENERAL

- IPIECA members believe that the exposure drafts of the SASB Extractives and Minerals Processing Sector standards could better take into account the existing industry frameworks on sustainability reporting: the IPIECA/API/IOGP [\*Oil and gas industry guidance on voluntary sustainability reporting\*](#) (the Guidance) and the [\*IPIECA climate change reporting framework\*](#). The Guidance is the outcome of over 15 years of sharing, assessing and debating between industry experts and stakeholders. It represents consensus on the most prevalent sustainability issues and indicators, at the same time as supporting continuous improvement of sustainability reporting and performance across the sector.
- IPIECA members disagree with SASB that each of the accounting metrics in the exposure drafts of the SASB Extractives and Minerals Processing Sector standards represent topics that are “reasonably likely to have a material effect on the financial condition or operating performance of companies” within the global oil and gas industry. In the topic-specific comments below, we express our specific concerns regarding the SASB’s contention that the SASB accounting metrics apply broadly as material to the financial performance of oil and gas companies.
- IPIECA supports SASB’s determination that issuers may disclose sustainability information in non-SEC filings in a separate standalone publication, such as a company’s corporate responsibility report. Individual companies are best suited to determine what information is “material” under the long-standing U.S. Supreme Court definition of that term, and whether to disclose this information in required financial filings.
- The use of the word “shall” throughout the document seems inconsistent with the notion that the “...the issuer must determine what information is (or is reasonably likely to be) material to the

reasonable investor.” We would propose using “if deemed material” or “if relevant” in appropriate locations.

- We are concerned with references to proven and probable reserves throughout (EM0101-11, EM0101-12, TA04-04-01, EM0101-20). We do not believe investors would benefit from the disclosure of this additional reserves detail. Disclosure of this kind would be detrimental and potentially misleading as it focuses on risks of future hypothetical changes to the political or regulatory environment. These disclosures of reserves in specific geographic areas are also more granular than those required under U.S. securities regulation and create competitive harm regardless of whether competitors have similar disclosure requirements. In addition, these proposed reserves disclosures are based on the presumption that energy development in such areas cannot be done in a way that mitigates risks. [See also Biodiversity comments].
- SASB’s Exploration & Production, Midstream and Refining & Marketing Standards all apply to integrated oil and gas companies. Performing a segment-by-segment materiality assessment and reporting on all of the metrics would place an undue burden on IOCs due to the organizational time and resources that would be required. We appreciate that SASB recognizes companies are in the best position to determine their own material risks, but third-party raters/rankers may suggest otherwise. This will likely lead to confusion as to what data should be reported, and potentially require companies to spend time and resources assessing what to report at the expense of improving performance. We believe investors are best served by understanding a company’s risk management approach and having confidence in a robust risk management process.

#### GREENHOUSE GAS EMISSIONS

With regards to accounting metric “TA04-02-01. Amount of gross global Scope 1 emissions from: (1) combustion, (2) flared hydrocarbons, (3) process emissions, (4) directly vented releases, and (5) fugitive emissions/leaks”, this information is generally available to companies reporting on an operating basis (i.e. reporting on facilities that they operate) at the site level, but may or may not be aggregated at the company level. However, where companies are reporting on equity basis, data at this level of granularity is unlikely to be available for assets operated by others. Without substantial industry-wide changes in reporting practices, this is not feasible for equity basis reporting.

In addition, the definitions in the technical protocol do not clearly state how each source of emissions should be reported. For example, vented emissions from glycol dehydrators could be considered “process emissions” or “venting of hydrocarbons.” We recommend aligning the definitions in the technical protocol to table 1-1 “proposed source classification approach” in the 2009 API compendium on page 1-5.

#### WATER USE

With regards to accounting metric “TA04-03-01. Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline”, this is US-centric and incorrectly assumes that similar sampling requirements to those in Wyoming and Colorado are in place in other states and other nations, which is not the case. As defined, the metric could not be usefully applied in many areas. We also remain concerned that the indicator may not account for other influences on ground and surface water quality unrelated to industry operations. Further, regarding the proposed change, it is unclear why a “maximum of four” water sources may be sampled, as stated in the technical protocol under #40. There may be situations where more sources need to be sampled. For example, at a site where there are multiple aquifers in addition to multiple surface water sources. Finally, it is not clear if it would be permissible to leverage samples or data available from other sources.

## EMPLOYEE HEALTH AND SAFETY

With regards to TA04-05-01, (1) Total Recordable Injury Rate (TRIR), (2) Fatality Rate (3) Near Miss Frequency Rate and (4) Average hours of Health, Safety, and Emergency Response Training, we believe that company definitions for “contract employees” and “short-service employees” may vary. Without consistent definitions, each company’s disclosures may not be comparable.

## BIODIVERSITY IMPACTS

- In relation to metric: “EM0101-11. (1) Proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat”, we have the following comments:
  - The ability to produce those reserves may, or may not, be constrained by habitat management issues. By using the mitigation hierarchy, it is possible for companies to avoid, minimise, etc. potential and actual impacts on the biodiversity and ecosystem services of a site. For example, by using horizontal or extended reach drilling practices, companies can access reserves in such areas usually avoiding the area.
  - In relation to the text: “Land is considered to be endangered species habitat if it is in or near areas where IUCN Red List of Threatened Species that are classified as Critically Endangered (CR) or Endangered (EN) are extant. A species is considered extant in an area if it is a resident, present during breeding or non-breeding, season, or if it makes use of the area for passage”. The inclusion of the word “passage” makes the definition overly inclusive. For example, almost all the migratory bird flyways in the Americas and on other continents would likely qualify. Consider (a) limiting to exclude transient migratory passage or (b) limiting to terrestrial species (as migrating avian and aquatic species have greater flexibility to avoid localized disturbed areas.
- In relation to metric “EM0101-10. Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume near shorelines with ESI rankings 8-10, and volume recovered”, there is no definition for “near”. Further, “near” has no necessary bearing on impact (environmental or financial). We suggest that the metric should focus on volumes and spills that *did* affect sensitive shorelines.

## COMMUNITY RELATIONS:

The use of the word “rights” throughout the preamble to EM0101-15 implies that it is the role of companies, rather than governments, to ensure that conditions for compliance with human rights regulation are in place. In line with the expectations of the UN Guiding Principles on Business and Human Rights, the role of companies is to respect human rights and adhere to local legislation within their area of influence. We appreciate the intent of this text, but feel that the language should be clarified, for example by removing references to rights, e.g. Economic ~~rights and~~ interests, including ~~the right to~~ employment, fair wages, payment transparency, and respect of infrastructure and agricultural land.

## MANAGEMENT OF THE LEGAL AND REGULATORY ENVIRONMENT

We believe the introductory description suggests that companies should not engage with policy-makers on emerging regulations that may impact their business. We think the Standard should take into account:

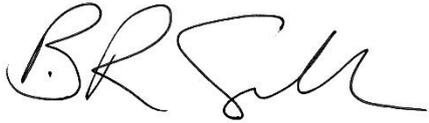
- The recognition that changes to the legal and regulatory environment can have material impacts on shareholder value. In particular, laws on climate change, and as well as other environmental laws and regulations, can have material impacts on business.
- Regulators often seek industry views to better inform regulations and to ensure they are practicable and effective.
- Companies have a responsibility to shareholders to be engaged in the political process – to protect and promote their interests and to ensure that regulatory frameworks function effectively.
- Companies must balance the benefit of engaging in the process of developing laws and regulations to achieve science-based and cost-effective outcomes and the risk that this may be perceived as inappropriate lobbying.

We would be pleased to work with you on any revisions to this text.

Once again, thank you for the opportunity to submit comments. IPIECA remains committed to maintaining an effective working relationship with SASB and we are happy to engage further on the content of the Standards. We hope you find our comments useful.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'BRSullivan', written in a cursive style.

Brian Sullivan  
Executive Director  
IPIECA