



SASB RULES OF PROCEDURE

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)



February 2017



Contents

| | |
|---|----|
| EXECUTIVE SUMMARY | 1 |
| INTRODUCTION | 3 |
| SASB MISSION STATEMENT | 4 |
| Guiding Principles | 4 |
| GOVERNANCE STRUCTURE | 6 |
| The SASB Foundation Board of Directors..... | 8 |
| The Standards Oversight Committee..... | 8 |
| The Sustainability Accounting Standards Board | 9 |
| Composition | 9 |
| Standards-Setting Role | 10 |
| The SASB Chair..... | 10 |
| The SASB Vice Chair | 10 |
| Voting Requirements | 11 |
| The SASB Staff | 11 |
| Advisory Committees and Groups..... | 11 |
| OPERATING PROCEDURES | 13 |
| Research | 13 |
| Consultation | 14 |
| Technical Agenda Setting | 14 |
| Proposed Updates | 14 |
| Public Comment Period for Proposed Updates..... | 15 |
| Ratification..... | 15 |
| Implementation Review | 16 |
| Interim Updates and Additional Research..... | 16 |
| PRONOUNCEMENTS..... | 18 |
| Standards..... | 18 |
| Updates | 18 |
| Interpretations..... | 19 |
| Bulletins | 19 |
| Public Announcements..... | 19 |
| Availability of Information..... | 20 |
| Public File | 20 |



EXECUTIVE SUMMARY

The SASB Rules of Procedure (hereafter “the Rules”) establish the processes and practices to be followed by the appointed technical Sustainability Accounting Standards Board members (hereafter “the SASB”) in its Standards-setting activities and in its governance and oversight of related processes and practices undertaken by its staff.

The Rules provide that:

- SASB Navigator is the official source of sustainability accounting standards (hereafter “the Standards”) issued by the SASB, reflecting the latest version of the Standards, including any amendments to them authorized by updates (hereafter “Updates”).
- The SASB carries out its process for maintenance and improvement of the Standards on a recurring three-year cycle. However, the SASB will address more urgent issues outside this regular schedule, as it deems necessary or useful.
- Changes to the Standards occur through Updates, based on Technical Agenda-setting informed by independent research and consultation, ongoing monitoring of implementation of the Standards, evaluation of stakeholder requests, and ongoing stakeholder engagement by the SASB staff.
- Once prepared by the SASB staff, both Technical Agendas and Updates are subject to approval by the SASB.
- Sole responsibility for and authority over the ratification of the Standards and all subsequent Updates rests with the SASB.
- The SASB votes to approve Updates based on review of the following inputs and others, as appropriate: the relevant Standards and/or proposed Updates, the due process involved in research and consultation, stakeholder input received, and the SASB staff’s analysis and recommendations. This review is considered in the context of the objectives outlined in the Technical Agenda and the essential concepts of sustainability accounting set forth in the SASB Conceptual Framework.
- A majority vote of the SASB is required to approve Updates.
- The members of the SASB are appointed by the SASB Foundation Board of Directors (hereafter “Directors”). The SASB comprises five to nine members, including a Chair, and reflects a diversity of backgrounds and perspectives, including (but not limited to) experience and expertise in investing, corporate reporting, Standards-setting, and sustainability issues.
- The Standards Oversight Committee (hereafter “SOC” or “Committee”)—a committee of the Directors—oversees due process of Standards-setting activities, including receiving and



reviewing appeals and complaints. However, the SOC does not play a role in Technical Agenda and Standards-setting decisions.

- The SASB has the authority to establish and seat, as well as dissolve, Advisory Committees to provide informed advice and technical input on the decision-usefulness, cost-effectiveness, and materiality of the Standards and proposed Updates.



INTRODUCTION

These Rules of Procedure establish the processes and practices followed by the SASB in developing, issuing, and maintaining its Standards. In establishing formal governance procedures, the Rules describe the SASB’s organizational structure, including the roles, composition, and operating procedures of the various entities involved in the Standards-setting process. The Rules then provide an overview of the SASB’s Standards-setting process, which involves the systematic, independent evaluation of evidence-based research, stakeholder consultation, Technical Agenda-setting, proposed Updates, public comment, and ratification—all of which are subject to public transparency. Finally, the Rules describe the various outcomes of this process, including Updates to and Interpretations of the Standards, and other relevant pronouncements.

The Rules of Procedure are complementary to the Conceptual Framework (available on SASB’s website, www.sasb.org), which sets forth the essential concepts of sustainability accounting.



SASB MISSION STATEMENT

SASB was founded in 2011 as an independent standards-setting organization. SASB's mission is to develop and disseminate industry-specific sustainability accounting standards to assist public corporations in disclosing material, decision-useful information to investors in mandatory filings with the Securities and Exchange Commission ("SEC"), such as Forms 10-K and 20-F. That mission is accomplished through a rigorous process that includes evidence-based research, broad and balanced stakeholder input, public transparency, and independent oversight.

SASB's objective is to enable the standardized measurement and disclosure of corporate performance on the most critical sustainability factors—those that are reasonably likely to have material impacts on the financial condition or operating performance of a company. This information, in turn, will better inform the decisions made by companies and their investors. To ensure their decision-usefulness and cost-effectiveness, SASB Standards are industry-specific, focused on material information, and comprise predominantly quantitative metrics. Thus, information disclosed in conformity with SASB Standards is expected to be relevant and readily incorporated into financial analysis, as well as strategic decision making within companies.

SASB Standards are aligned with existing U.S. securities laws. For example, Regulation S-K, which mandates specific disclosure requirements for SEC registrants, requires companies to disclose known trends, uncertainties, and events that are reasonably likely to have a material impact on the company's financial condition or results of operations.¹ Such disclosures are to be made in Management's Discussion and Analysis of Financial Condition and the Results of Operations (MD&A). By incorporating the U.S. Supreme Court's definition of "materiality" into its process for setting Standards and its guidance for their use, SASB provides a standardized format for the disclosure of sustainability information that is useful to investors, financial analysts, and corporate decision-makers.

SASB Standards are rooted in evidence-based research and shaped by market feedback. The SASB develops its Standards based on in-depth research into the materiality of sustainability impacts in specific industries, assessment of the decision-usefulness of metrics to capture performance, and consideration of the cost-effectiveness of their measurement and disclosure. The SASB and its staff also actively solicit input from a range of stakeholders during the Standards-setting process to assess the materiality, decision-usefulness, and cost-effectiveness of the Standards.

Guiding Principles

The following principles guide the SASB and its staff in making governance, management, and operations decisions. These principles also guide the SOC of the Directors.

- **Accountability** refers to governance structures and mechanisms put in place to ensure compliance with due process and the exercise of responsibility in the approval or rejection of proposed Standards.
- **Credibility** refers to each Standard's technical adequacy in the specific industry or subject

¹ 17 C.F.R. §229.303 – Item 303, Management's discussion and analysis of financial condition and results of operations.



area it is intended to address, and is provided through staff expertise, expert technical review, and stakeholder consultation.

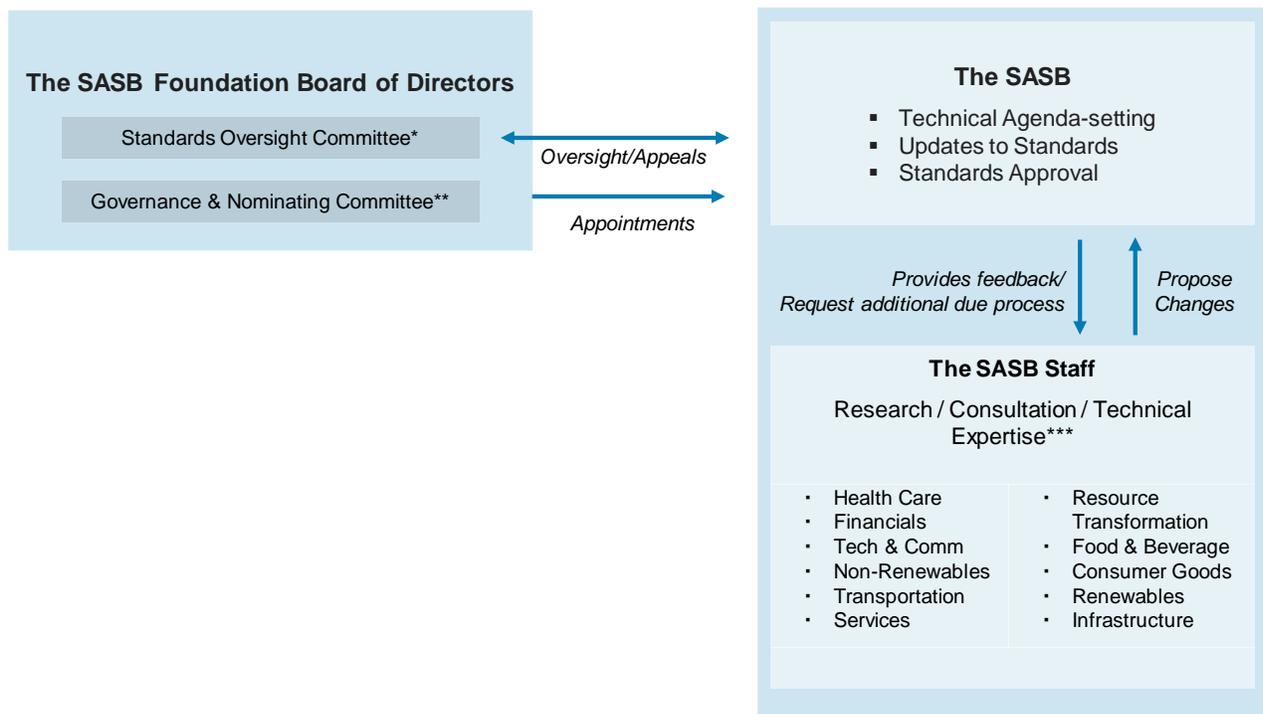
- **Transparency** refers to an inclusive and open process that engages broad stakeholder input, addresses all comments and input in a transparent way, and is open to public participation and/or observation.
- **Stakeholder consultation** refers to a systematic outreach process for involving a balanced group of representative stakeholders in the Standards-setting process.
- **Quality** refers to developing a Standard that represents best practice. In terms of SASB Standards, quality refers to their ability to facilitate material, decision-useful, and cost-effective disclosure.
- **Timeliness** refers to how well each Standard responds to stakeholder demand and changing market conditions, and the SASB's ability to incorporate revisions, amendments, or replacements, as warranted, without undue delay.



GOVERNANCE STRUCTURE

This section summarizes the key elements of governance associated with the SASB’s Standards-setting process. It defines the roles and responsibilities of the various parties involved, including the SASB and its staff, along with the SASB Foundation Board of Directors and its Standards Oversight and Governance & Nominating committees.

Figure 1. SASB Standards-Setting Governance



* SOC has oversight of due process of Standards-setting activities, complaints, and appeals

** Governance & Nominating Committee nominates members for appointment to the SASB by the Directors

*** Issuers, investors, and intermediaries help provide Technical Expertise through formal (Advisory Committees and ad hoc Advisory Groups) and informal (expert consultation) mechanisms



Table 1 outlines the roles and responsibilities of the different bodies involved in the SASB’s Standards-setting, governance, and oversight mechanisms.

Table 1. SASB Standards-Setting Governance: Roles & Responsibilities

| | Composition | Roles & Responsibilities | Output |
|--|--|---|---|
| The SASB Foundation Board of Directors (the Directors) | Up to 21 Directors | Fiduciary duty and governance | Appointments of the SASB members, based on nominations by the Director’s Governance & Nominating Committee |
| Standards Oversight Committee (SOC) | Foundation committee of 3-5 Directors | Oversight of due process of Standards-setting activities, appeals and complaint resolution | Rulings on due process appeals |
| The Sustainability Accounting Standards Board (the SASB) | 5-9 expert professionals with policy, market, and Standards-setting experience | Undertakes Standards-setting process and is responsible for following the SASB Conceptual Framework and SASB Rules of Procedure to ensure quality | Standards developed in accordance with the SASB Conceptual Framework and these SASB Rules of Procedure; and acknowledged by the market as likely to facilitate material, decision-useful, and cost-effective disclosure |
| The SASB Staff | Sector analysts, researchers, and other professionals on staff | Execute research and engage in consultation on industry-specific Standards for sustainability disclosure | Propose Technical Agenda items and recommend Updates to the Standards for the SASB consideration |



| | | | |
|--|--|---|---|
| Advisory Committees and ad-hoc Advisory Groups | External advisors such as industry members, investors, financial analysts, and other professionals | Advise on specific aspects of sectors, industries, and topics, including metrics and technical protocols, as needed | Input on practical and technical issues that arise in Standards-setting |
|--|--|---|---|

The following sections provide more detailed information about these entities.

The SASB Foundation Board of Directors

The SASB Foundation Board of Directors has a fiduciary duty to oversee the SASB, its staff, and the operations and activities of both. The Directors play a significant oversight role that includes the nomination of the SASB members through its Governance & Nominating Committee, the appointment of the SASB members, including the Chair, and direct oversight of the Standards-setting process through its a Standards Oversight Committee.

The Standards Oversight Committee

The Directors oversee the due process of Standards-setting activities through a Standards Oversight Committee. The SOC is charged with safeguarding the independence and integrity of the Standards-setting process through the direct monitoring and evaluation of the SASB's due process and via the resolution of due process-related inquiries. The SOC can also make the SASB member recommendations to the Director's Governance & Nominating Committee.

Composition

The SOC comprises a minimum of three and a maximum of five Directors, elected by their peers for three-year terms (or for the remaining duration of their term as Directors). Consistent with the SASB Foundation bylaws, SOC membership is subject to an annual re-approval vote by the Directors upon recommendation by the Governance & Nominating Committee. The Directors and Governance & Nominating Committee endeavor to stagger the terms of SOC members.

Oversight Role

The SOC monitors the Standards-setting process of the SASB, including the processes for review, maintenance, modification, and ratification of the SASB Standards, and evaluates that process for consistency with the SASB's mission and governing documents, including these Rules of Procedure. In monitoring this process, the Committee evaluates the adequacy, comprehensiveness, and effectiveness of, as well as the adherence to, due process procedures through all its stages. In exercising its responsibilities, the SOC does not engage in technical Standards-setting activities.



Inquiry Resolution Role

The SOC is also responsible for addressing any stakeholder feedback, formal complaints, or other inquiries regarding the adequacy of due process in Standards-setting activities. The SOC does not hear complaints of a purely technical nature, which are addressed by the SASB and its staff, with input, as appropriate, from the relevant Advisory Committee or ad hoc Advisory Group. Formal complaints are accepted from any interested party who believes due process has not been properly followed in the Standards-setting process. Formal complaints and other feedback should be sent to the Chair of the SOC and should include a description of the alleged violation of due process and any details regarding attempts to resolve the due process concern with the SASB or its staff, including any correspondence with these groups on the matter. Appeals of actions taken by the SASB or its staff shall be made within reasonable time limits; appeals of inactions may be made at any time. The burden of proof to demonstrate that the SASB or its staff did not follow appropriate due process in its Standards-setting activities shall be on the appellant. The SOC is responsible for addressing appeals promptly and for taking further action, when appropriate, as expeditiously as possible.

In reviewing a formal due-process complaint or other relevant feedback, the SOC examines all correspondence and requests an initial analysis of the matter from the SASB and/or its staff. The SOC may also, as it deems appropriate, undertake further investigation of the matter to determine whether the Rules of Procedure were followed, and recommend corrective actions if appropriate. The SOC provides an official response to formal complaints and responds to other feedback as appropriate, setting out its activities and outcomes, including any corrective actions. The SOC further provides an annual summary report detailing stakeholders' formal due-process complaints and other feedback, as well as SOC and/or the SASB responses.

In the interest of transparency, all correspondence from interested parties to the SOC, initial analyses from the SASB or its staff, and responses from the SOC are made publicly available. By submitting a due process complaint to the SOC, appellants agree that their correspondence will be made publicly available. The SOC may choose to consider anonymous complaints or feedback if the appellant provides a written reason for requesting anonymity.

The Sustainability Accounting Standards Board

The members of the SASB are independent experts appointed by the Directors to adopt the Standards, review and maintain the Technical Agenda, make proposed Updates to the Standards, and have overall responsibility for the Standards-setting process.

Composition

The SASB comprises five to nine members, including its Chair. The SASB members are appointed by the Directors, based on nominations by its Governance & Nominating Committee, for a term of three years, with a two-term limit. The composition of the SASB reflects SASB's purpose, which is to be an expert-led Standards-setting organization. Members of the SASB are selected for:

- Relevant experience and expertise in areas including Standards-setting, corporate and sustainability reporting, investing and financial analysis, and other relevant areas as deemed



appropriate by the Governance & Nominating Committee and based on consultation with the SOC;

- Willingness and ability to devote the necessary time and attention to the work of the SASB; and
- Objectivity and capacity for open- and fair-minded consideration of complex issues, and balance in exercising judgement with an ultimate view toward furthering SASB's mission.

This composition is intended to facilitate adherence to "best practices" in the SASB's Standards-setting activities to ensure that the process results in cost-effective Standards that yield material, decision-useful information.

Standards-Setting Role

The role of the SASB is to establish and improve Standards through a variety of responsibilities, including the review and approval of Technical Agendas and Updates proposed by the SASB staff; oversight of due process in staff activities to ensure adherence to key principles (as outlined in the SASB Conceptual Framework) and practices (as detailed in these SASB Rules of Procedure); initiation of public comment periods for proposed Updates; ratification of the Standards and Updates; approval and issuance of Interpretations of the Standards; and appointment of Advisory Committees or Groups to inform Standards-setting. Each of these functions is described in more detail in the Operating Procedures and Pronouncements sections that follow.

In fulfilling these objectives, the SASB meets quarterly, with additional meetings as deemed necessary by the Chair in consultation with the SASB staff. Voting meetings are open to the public via a web- or audio-cast. In addition, records of all official meetings—voting and nonvoting—are made public. The SASB publicly announces the time, date, location, and agenda at least 10 days before each public meeting, and publishes preparatory materials in advance, as appropriate.

The SASB Chair

The Chair administers the functioning of the SASB, calling and presiding over official meetings of the SASB. The Chair also ensures that voting meetings are accessible to the public (and the agendas, preparatory documents, and minutes are published), that proper voting procedures are followed, and that the SASB conducts its business in an orderly fashion. Official meetings are defined as any deliberations of a majority of serving members of the SASB intended or expected by the Chair to involve matters related to the establishment or improvement of the Standards.

The Chair of the SASB will be compensated for his or her services. The level of compensation is determined by the Directors. Other members of the SASB fulfill their duties on a voluntary part-time basis, with a stipend and reimbursement for reasonable expenses associated with their functions.

The SASB Vice Chair

The Vice Chair of the SASB shall, in the absence of the Chair of the SASB, carry out all the duties of the Chair of the SASB. The Vice Chair shall support oversight of due process, leading the formation of the SASB's technical agenda, and assisting with recruiting members of the SASB.



Voting Requirements

Decisions of the SASB require a quorum of the SASB, which is two-thirds of the SASB members. When a quorum is constituted, the SASB votes on the following matters, which require the approval of no less than a majority of the SASB:

1. The adoption of items to be included in the Technical Agenda
2. The initiation of a public comment period for one or more Exposure Drafts of proposed Updates
3. The ratification of the Standards or of Updates that amend, extend, or replace an authoritative portion of the Standards
4. Interpretations of the Standards
5. Changes to these SASB Rules of Procedure
6. Formation of standing Advisory Committees or Groups

Each of these functions is described in more detail in the Operating Procedures and Pronouncements sections that follow. Any additional action of the SASB that requires a vote of its members may be approved at a meeting of the SASB or through written ballot of its members.

The SASB Staff

The SASB staff supports the SASB by carrying out research, technical analysis, stakeholder consultation, and additional projects to inform the Standards-setting process. These functions are described in more detail in the sections that follow. Based on the research and market intelligence that arises from this work, the SASB staff is responsible for proposing Technical Agenda items and Updates, as appropriate, to the SASB. Staff members are selected for their experience and expertise in investing, accounting, finance, business, securities regulation, education, and research. The staff will be under the supervision of the SASB Chair.

Advisory Committees and Groups

From time to time, the Chair of the SASB may form standing Advisory Committees or ad hoc Advisory Groups to support the SASB and its staff in producing cost-effective Standards that yield material, decision-useful information. The Advisory Committee or Advisory Group will follow a charter delineating topics such as purpose, responsibilities, size, qualifications for membership, and operating procedures, to name a few.

Advisory Committees and ad hoc Advisory Groups may be focused on thematic or technical matters related to specific sustainability issues, industry topics, and initiatives to harmonize with other Standards-setters; or they may be focused on providing additional advisory input on key objectives of the SASB Standards (e.g., material, decision-useful, and cost-effective). Both types of entities are advisory in nature and their recommendations are non-binding; ultimate authority to approve Updates, as recommended by the SASB staff, rests with the SASB. Advisory Committees may be standing, whereas ad hoc Advisory Groups are limited-life entities, with the duration of their activities determined by the Chair.



For each Advisory Committee or Advisory Group, the Chair appoints a SASB staff member to act as liaison. Members of the Committee or Group are nominated by the SASB staff and the SASB, and approved by vote of the SASB. When appropriate, a Chair of the Committee or Group may be nominated by other members of the Committee or Group and approved by vote of the SASB. The SASB staff liaison supports the Chair in outlining an agenda for meetings and proposing it for consideration of the Advisory Committee or Group. The staff liaison is responsible for providing background information to the Committee or Group on the relevant Standards related to the agenda and, when appropriate, any inputs considered in the development of the Standards to date, as well as for proposing options for resolution of the agenda item.

The Advisory Committees and Advisory Groups are expected to produce a report to the SASB summarizing their recommendations and their assessment of the SASB's incorporation of those recommendations into Exposure Drafts of the relevant Updates. Meetings of Advisory Committees and Advisory Groups are open to all interested parties, but only appointed Advisory Committee or Group members can take the floor and speak at those meetings.



OPERATING PROCEDURES

The operating procedures of the SASB, its Standards-setting activities, and its oversight and support bodies are designed to facilitate due process in the development of the Standards. The SASB has designed a transparent and systematic Standards-setting process that balances the need for timely outcomes with the need for comprehensive research and broad stakeholder participation. Stakeholder consultation is an integral part of the SASB’s operation, and the organization has established communication channels to encourage market and public input into every phase of its Standards-setting process.

In its Standards-setting work, the SASB and its staff survey the social, economic, and regulatory landscape on an ongoing basis to monitor existing, evolving, and emerging sustainability issues, and endeavor to address these matters within a regular three-year cycle of Standards review. During this cycle, which is applicable to every SICSTM industry, the SASB and its staff follow the general process of:

- Research
- Stakeholder Consultation
- Technical Agenda Setting
- Proposed Updates, with Public Comment Period for Review
- Ratification & Implementation of the Updates

Figure 2. SASB Standards-Setting Process



Research

The SASB staff closely and monitors the evolving landscape of sustainability issues on an ongoing basis with an eye toward identifying and understanding those with the potential to materially impact the financial condition or operating performance of companies in a given industry. The staff also studies those issues already addressed in the Standards to ensure that they remain relevant, that they continue to effectively frame the topic, and that the associated metrics continue to capture performance in a way that is decision-useful for investors and cost-effective for issuers.

The SASB staff actively researches these issues via statutory filings, earnings calls, industry publications, journals, corporate communications, white papers, government documents, general media, and the like, as well as through direct engagement with relevant experts and market participants via meetings, calls, emails, and outreach at conferences and other industry and investor events.



Consultation

The SASB staff engages in consultation with issuers and investors during its Standards-setting process to gather deeper input on evolving market dynamics, the Standards, their content, and their use. The goal is to ensure that the Standards continue to facilitate material, decision-useful, and cost-effective disclosure. To achieve this objective, the SASB staff maintains open, two-way channels of communication for stakeholders who would like to provide input on these subjects, as well as on proposed Updates to the Standards. These channels may include Advisory Committees or Groups, in-person meetings, telephone or video meetings, webinars with the SASB staff, email communication, and others. To facilitate more meaningful, productive, and ongoing communication, the SASB staff includes sector analysts with specific expertise who act as the primary points of contact for stakeholder consultation.

Generally, the SASB staff focuses stakeholder consultation on corporate issuers, investors, analysts, and other market participants and intermediaries who are, or may become, involved in directly implementing the SASB Standards or in using the reported information. The SASB also considers input from academics, NGOs, and other subject-matter experts with the background to make meaningful contributions.

Technical Agenda Setting

The SASB indicates the items that are under review at any given time by adopting a formal Technical Agenda. Having gathered information from its independent research, stakeholder consultation, and implementation review, the SASB staff recommends agenda items to the SASB, which detail the Standards, topics, and/or metrics recommended for review, the underlying rationale, the objectives, and any supporting evidence or feedback required for a reasonable understanding. The SASB reviews and may approve or modify the Technical Agenda through a vote. The SASB will adopt items for its Technical Agenda at regular intervals. The Technical Agenda will be published, and feedback on the SASB's agenda is welcome on an ongoing basis.

The public may submit items for the Technical Agenda, including proposed changes to the Standards, to the SASB using submission mechanisms provided on the SASB website. The SASB staff tracks all items proposed by stakeholders, and logs those that are not included as agenda items in the minutes of the SASB.

Proposed Updates

Based on the outcomes of all previous steps, including independent research, stakeholder consultation, agenda setting, and recommendations of the SASB, the SASB staff prepares proposed Updates to the Standards, together with a Basis for Conclusion, for public exposure. Updates may cover the addition of new topics, the removal of old topics, or the amendment of existing topics, including their sustainability accounting metrics and technical protocols. They may also include the introduction of new Standards to address emerging industries, the retirement of old Standards for obsolete industries, or the modification of existing Standards, including activity metrics, to more accurately reflect an evolving industry. The Basis for Conclusion summarizes the



SASB staff's considerations in developing the Updates, helping users to better understand the Updates and the reasoning behind them.

Based on a thorough review of the due process, the Updates, the accompanying Basis for Conclusion, and the objectives set forth in the agenda, the SASB votes to initiate a public comment period for Exposure Drafts of the proposed Updates to the Standards, adhering to the voting requirements outlined in the preceding Governance Structure section. The SASB staff will be directed accordingly based on the outcome of this process.

Public Comment Period for Proposed Updates

Periods for public comment are conducted for all proposed Updates to the Standards to gather feedback from the broadest base of stakeholders. Exposure Drafts of proposed Updates to the Standards are subject to a 90-day public comment period, which may be shortened or lengthened depending on the circumstances, to no less than 60 days.

Through open, transparent public comment periods advertised on the SASB website, any interested or affected party may provide comment and input as to whether topics included in the Standards or Updates to the Standards are likely to constitute material information, whether metrics fulfill the SASB's criteria for metric selection, and whether the Standards or Updates to the Standards are technically accurate and constitute a basis for "suitable criteria" for data verification. Specific questions may include:

- Is this topic reasonably likely to constitute material information for companies in the industry?
- Will the proposed Update improve the Standard's ability to achieve one or more of the SASB's core objectives (materiality, decision-usefulness, and/or cost-effectiveness)?

Responses to Public Comment Periods are one input, among others, for the SASB to consider when voting to ratify the Updates to the Standards. The SASB staff solicits and encourages comments and participation from each key stakeholder group, including a focus on ensuring input from investors and corporate issuers.

Exposure Drafts and the accompanying notices of their issuance specify the time and manner in which individuals and organizations may comment. Written comments received during the public comment periods constitute a part of the SASB's public file. All public comments received are posted publicly on the SASB's website in a timely fashion along with the SASB's response.

Ratification

Each Standard or Update submitted for ratification is accompanied by a Basis for Conclusion, describing the reasoning process that led to the selection of certain alternatives and the rejection of others, and providing a summary of research and significant viewpoints communicated via public comment and stakeholder consultation. This information is made public.

Prior to ratification proceedings, the SASB staff provides the SASB with the following documentation:



- Relevant Standard(s);
- Description of the research and stakeholder consultation conducted in the process of developing the actual or proposed Standard(s);
- Basis for Conclusions, summarizing public comments and other input received and the SASB's consideration of these, including:
 - Evidence of investor interest and financial impact for topics included in the Standards,
 - Decision-usefulness and cost effectiveness of the Standards,
 - Reasoning process that led to the choice of certain alternatives over others and a summary of significant viewpoints; and
- Other information or data as the SASB deems necessary.

In addition to reviewing this material, the SASB judges all Standards and proposed Updates to the Standards against the essential concepts of sustainability accounting, as described in the SASB Conceptual Framework. Finally, the SASB votes on whether to ratify the proposed Updates to the Standards, adhering to the voting requirements outlined in the preceding Governance Structure section. When an Update fails to gain ratification, the SASB indicates its reasoning and directs its staff to proceed as appropriate.

Implementation Review

The SASB may undertake or commission periodic implementation reviews, as necessary, to evaluate the decision usefulness and cost effectiveness of Standards.

Interim Updates and Additional Research

In addition to its regular three-year review cycle, the SASB may, in its judgment, elect to initiate research or Standards-setting work to address emerging issues that require more immediate response. Some issues may be addressed via a Technical Bulletin dealing with questions around one or more of the Standards. In other cases, the response may require an interim Update, which is subject to the same process as regular Updates described above, including research, consultation, agenda-setting, public exposure, and ratification.

The SASB staff may also be directed to take on additional projects or research needs outside the scope of the regular three-year review cycle. Such projects typically take a problem-solving approach to addressing issues that are related to projects already on the SASB's Technical Agenda or that may be added to the agenda. Research of a theoretical or conceptual nature may also be conducted, as warranted. For example, research may investigate:



- The potential materiality of sustainability topics and the development of decision-useful metrics to support ongoing Standards-setting efforts;
- The uses of sustainability information in financial analysis;
- Industry-specific business models and resource uses; and
- Cross-cutting sustainability topics that have impacts across many or most sectors.



PRONOUNCEMENTS

The Directors delegate to the SASB and its staff full and final authority over all aspects of the Standards and all other official communications it issues, as detailed in these SASB Rules of Procedure and under the oversight of the SOC. Such pronouncements and communications are discussed below. The Directors take care not to impair, in fact or perception, the independence and objectivity of the SASB in the performance of its activities.

Standards

The Standards comprise: (1) disclosure guidance and (2) accounting standards on key, industry-specific sustainability topics. SASB Standards identify the sustainability topics that are most likely to have material impacts on companies in each industry, depending on a firm's specific operating context. The Standards are intended to provide guidance to company management, which is ultimately responsible for determining which information is material and which information should be included in its public filings.

For each industry-specific sustainability topic, the Standards provide companies with standardized sustainability accounting metrics designed to capture and communicate performance, along with technical protocols to ensure consistent data collection and reporting, and industry-tailored activity metrics to facilitate data normalization by analysts. Thus, companies can use the Standards to help ensure that disclosure to investors is decision-useful, relevant, comparable, reliable, and complete.

The SASB Navigator is the official source of the Standards, reflecting their current state, including any amendments to them authorized by Updates.

Updates

As social, economic, regulatory, and other changes alter an industry's competitive landscape, the SASB Standards may need to evolve to reflect a new market dynamic. Likewise, as shortcomings are identified through systematic review of the Standards' implementation, modifications may become necessary or desirable. In such cases, the SASB may issue Updates. Updates are non-authoritative pronouncements that explain:

- How the SASB has changed the Standards, including each amendment;
- Why the SASB has changed the Standards, including relevant background information related to the change; and
- When the changes are effective, including any transition considerations.

Amendments to the Standards may involve the addition, removal, or modification of industries, activity metrics, disclosure topics, sustainability accounting metrics, or technical protocols. Once an Update is ratified by the SASB, in accordance with the process outlined in these Rules of Procedure, the amended Standard as described in the Update supersedes all previous iterations.



Updates, once approved and issued, are accompanied by a record of how each member of the SASB voted on the Update and, optionally, the written comments of dissenting members in support of their dissent.

Interpretations

Periodically, the SASB issues Interpretations to address clarifying questions related to the Standards that have been ratified. Interpretations are distinct from Updates in that they do not change the content of the Standards but rather attempt to resolve questions regarding aspects of the Standards that are unclear.

The SASB considers issuing an Interpretation if there is sufficient interest from stakeholders to clarify aspects of the Standards that may be ambiguous or could lead to different interpretations. Interpretations become part of the authoritative source of the Standards and, as such, are subject to review and approval by the SASB, following the same rules in effect for the review and approval of Updates.

Bulletins

Bulletins address current topics that are external to the Standards-setting process nor are a part of the Standards. For example, Technical Bulletins may be issued in response to issues or questions raised by stakeholders with regard to the adoption or use of the Standards that do not warrant an Update or Interpretation. While intended to provide additional guidance or clarification, or to enhance the Standards' utility, Bulletins do not impact the fundamental substance of the Standards, nor do they provide interpretations of the Standards. Thus, Bulletins are not subject to the same formal approval process as Updates or Interpretations.

Public Announcements

The SASB makes public announcements of developments in Standards-setting operations and activities deemed important to the public through publication on SASB's website and by any other means deemed appropriate given the circumstances. Such announcements may include:

- The time, date, and place of each public meeting of the SASB, as well as those of its Advisory Committees and Groups, along with the agenda for the meeting;
- The Technical Agenda and possible changes to the Standards;
- Issuance and availability of Standards and Updates, Interpretations, and Bulletins;
- Issuance and availability of publicly available reports prepared by or for the SASB or any of its committees;
- Organization and dissolution of, and appointments to and retirements from, an Advisory Committee or Group of the SASB; and
- Appointments to the SASB made by the Directors and retirements of the SASB members from the SASB



Availability of Information

To promote broad public participation in the process of establishing and improving sustainability accounting and reporting Standards, the SASB makes its agendas, Exposure Drafts, and other materials relevant to the Standards-setting process available for public download, without charge, from SASB's website.

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- Published results of research projects related to the Standards, whether prepared by or for the staff or any Advisory Committee or Group;
- Written comments received by the SASB regarding matters related to sustainability accounting and reporting from its committees and other individuals and organizations;
- The charter and membership of the SASB, the SOC, and each Advisory Committee of the SASB; and correspondence, analyses, and other materials relating to due process complaints addressed to and reviewed by the SOC;
- SASB Conceptual Framework;
- Other significant SASB communications such as statements of policy (including these Rules of Procedure); and
- SASB annual reports



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