



*PROPOSED CHANGES TO THE SASB CONCEPTUAL  
FRAMEWORK & RULES OF PROCEDURE*

**BASES FOR CONCLUSIONS & INVITATION TO  
COMMENT ON EXPOSURE DRAFTS**

Issued: August 28, 2020

Comments Due: November 30, 2020

Prepared by the  
Sustainability Accounting Standards Board®

## Notice of public comment period on proposed changes to the *SASB Conceptual Framework & SASB Rules of Procedure*

The SASB Standards Board invites comments on the enclosed exposure drafts of the *SASB Conceptual Framework* and *SASB Rules of Procedure*. Because the *Conceptual Framework* and *Rules of Procedure* documents are intended to complement each other, exposure drafts of each of these documents are undergoing public comment periods concurrently.

The exposure drafts may subsequently be modified as a result of deliberations by the SASB Standards Board following the public comment period, which will remain open for 90-days and closes on November 30, 2020.

All comment letters should be submitted to [SASB's Public Comment Portal](#) or emailed to [comments@sasb.org](mailto:comments@sasb.org) by November 30, 2020. The Standards Board and the technical staff tracks and considers all comments from stakeholders. All comments submitted will be on the public record and posted on the [SASB website](#). While the SASB Standards Board may not provide specific responses to each public comment, the Standards Board will acknowledge receipt of, review, and summarize all public comments received.



Established in 2011, the Sustainability Accounting Standards Board (SASB) is the independent standard-setting organization for sustainability accounting standards that meet the needs of investors, lenders, and other creditors by fostering high-quality disclosure of financially material sustainability information.

# Contents

- Bases for Conclusions & Invitation to Comment .....4**
- Background & Context ..... 4
- Invitation to Comment..... 5
- Next Steps ..... 5
- Basis for Conclusion – *Conceptual Framework* ..... 6
- Questions for Stakeholders – *Conceptual Framework* ..... 10
- Basis for Conclusion – *Rules of Procedure* ..... 13
- Questions for Stakeholders – *Rules of Procedure*..... 15
- Conceptual Framework* Exposure Draft .....18**
- Rules of Procedure* Exposure Draft .....36**

2020 EXPOSURE DRAFT

## Background & Context

SASB issued the existing *Conceptual Framework* and *Rules of Procedure* in February 2017. The *Conceptual Framework* sets out the basic concepts, principles, definitions, and objectives that guide the SASB Standards Board and technical staff in their approach to setting sustainability accounting standards. The *Rules of Procedure* establishes and describes the policies and practices followed by the Standards Board in developing, issuing, and maintaining the SASB Standards. Together, these documents serve as the primary governance documents that guide the activities of the Standards Board in its efforts to fulfill SASB's organizational mission.

In September 2019, the Standards Board began projects to revise and update the 2017 *Conceptual Framework* and *Rules of Procedure*. The Board's decision to undertake these projects was based on the outdated organizational mission statement contained in the existing documents, as well as the Board's view that the existing documents do not reflect SASB's global context and that they contain outdated assumptions, definitions, and data.

Notably, it is not the intent of the Standards Board to fundamentally change its approach to sustainability accounting or the processes it uses to conduct standard setting. The revisions proposed in the *Conceptual Framework* and *Rules of Procedure* exposure drafts are intended to help SASB further clarify and explain its approach to standard setting and its processes and practices. In other words, these revisions are being proposed to help SASB more clearly articulate its existing approach to setting sustainability accounting standards.

On August 25, 2020, the Standards Board voted unanimously to release the *Conceptual Framework* and *Rules of Procedure* exposure drafts for 90-day public comment periods. The Standards Board encourages companies, investors, and subject matter experts, as well as other interested parties and the general public, to review the exposure drafts and the corresponding questions for stakeholders and to provide comments by November 30, 2020.

This *Bases for Conclusions & Invitation to Comment* contains the *Conceptual Framework* and *Rules of Procedure* exposure drafts. The "Basis for Conclusion – *Conceptual Framework*" and "Basis for Conclusions – *Rules of Procedure*" sections primarily summarize the considerations of the Standards Board when developing the exposure drafts. Furthermore, the "Questions for Stakeholders – *Conceptual Framework*" and "Questions for Stakeholders – *Rules of Procedure*" sections provide background and context, as well as questions for stakeholders to respond to during the comment periods. The [Current Projects](#) page on the SASB website contains further historical information on these projects.

The *Conceptual Framework* exposure draft and *Rules of Procedure* exposure draft are contained in this consolidated document after the sections cited above.

## Invitation to Comment

The Standards Board invites comments on the *Conceptual Framework* and *Rules of Procedure* exposure drafts, particularly on the questions set out further below. Comments are most helpful if they:

- (a) address the questions as stated;
- (b) indicate the specific paragraph(s) to which they relate;
- (c) contain a clear rationale;
- (d) include any alternatives the Board should consider, if applicable.

Respondents do not need to comment on all of the questions posed.

## Next steps

Upon conclusion of the 90-day public comment period, the Standards Board will consider all comments submitted and conduct deliberations based on the comments received. At that time, the Standards Board may pursue further revisions of the *Conceptual Framework* and/or *Rules of Procedure* or may approve the exposure drafts as presented in this document. Upon the approval of the *Conceptual Framework* and *Rules of Procedure* by the Standards Board, the approved versions will supersede the 2017 versions of the *Conceptual Framework* and *Rules of Procedure*.

## Basis for Conclusions – *Conceptual Framework*

In initiating the project to revise the 2017 *Conceptual Framework*, the Standards Board sought to improve the *Conceptual Framework* by focusing on four primary themes, listed below. The revisions contained in the *Conceptual Framework* exposure draft are guided by these themes:

- Incorporate SASB’s updated mission statement, which better reflects SASB’s global perspective
- Remove and/or modify references to US-based regulations, as SASB operates in a global context
- Update assumptions, definitions, and data cited in the document
- Address opportunities to improve the clarity of core principles and concepts

The *Conceptual Framework* exposure draft aims to clarify that SASB is a global standard setter, place SASB into a broader landscape of corporate reporting, and strengthen SASB’s definition of financial materiality and related concepts, such as the primary intended users of the SASB Standards. It also contains a revised, and more succinct, discussion of the characteristics of topics and metrics that will support the objectives of the SASB Standards. In addition, the *Conceptual Framework* exposure draft now includes a discussion of the importance of transparency in its activities as a standard setter.

Overall, it is important to emphasize that through the proposed changes in the exposure drafts, it is not the intent of SASB to fundamentally change its approach to sustainability accounting or to standard setting. The revisions made to the *Conceptual Framework* have been made to help SASB further clarify its approach to standard setting for external stakeholders. In other words, it was the intent of the Standards Board to clarify and improve many definitions and concepts throughout the exposure draft without fundamentally altering the underlying concepts.

The below subsections describe the considerations and conclusions of the Standards Board in three key areas of change seen in the *Conceptual Framework* exposure draft.

### **Transparency as a Fundamental Tenet**

The 2017 *Conceptual Framework* details three tenets that are fundamental to SASB’s standard setting: evidenced-based, industry-specific, and market informed. In developing the revisions in the exposure draft, the Standards Board considered two separate issues related to the fundamental tenets: first, the necessity of “industry-specific” as an explicit tenet, and, second, whether “transparent” should be added as a fourth tenet.

The Board debated the necessity of the “industry-specific” tenet by considering whether industry-specificity is more of a description of the standards that result from its standard-setting process, rather than being a fundamental tenet that guides that process, *per se*. The Board ultimately determined that, while industry-specificity can be viewed as an outcome of meeting the objectives of the SASB Standards (i.e., financially material, decision-useful, and cost-effective), it can also effectively serve as a tenet of the standard-setting process used by the Board as the concept plays such a significant role in guiding the Board’s efforts and activities throughout the process. Furthermore, the Board was concerned that removing this tenet may be viewed by market participants as an unintended shift away from industry-specificity.

The Board also considered the role of transparency as a fundamental tenet of the standard-setting process. This consideration of adding “transparent” as the fourth tenet was prompted by the concurrent development of the *Rules of Procedure* exposure draft. The 2017 *Rules of Procedure* contains a list of

“guiding principles” with transparency being one of the principles cited. That document defines transparency as “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.” The Board acknowledged this as a crucial part of its historical and on-going standard-setting efforts, and so decided to elevate communication of that importance by including transparency as a fundamental tenet in the *Conceptual Framework* exposure draft. The change also reflects an effort to simplify and clarify the *Rules of Procedure*, including ensuring that the complementary nature of the *Conceptual Framework* and *Rules of Procedure* and avoiding unnecessary redundancies. Overall, the Board sought to emphasize how transparency is essential for both the integrity of its process, as well as improving the quality of the Standards.

### **Definition of Financial Materiality**

The Standards Board’s proposed changes related to “financial materiality” are intended to better communicate the underlying concept of financial materiality that SASB has always embedded into its standard setting. Because the discussion of financial materiality in the 2017 *Conceptual Framework* is based on U.S. law, it does not clearly communicate SASB’s approach to standard setting on a global basis. The revisions proposed by the Standards Board in the exposure draft are intended to more effectively communicate the global nature of the concept of financial materiality.

The definition included in the exposure draft is as follows:

*For the purpose of SASB’s standard-setting process, information is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value.*

In formulating this definition, the Standards Board drew from many sources and considered numerous alternatives. Throughout this process, the Standards Board sought the input of the technical staff and subject matter experts on various components of the definition—including experts from other standard setters, accounting firms, investment professionals, legal professionals, and academics.

In addition, the Board intended the revised definition of “financial materiality” to align as much as reasonably possible with the definitions of “materiality” used by the standard setters and other organizations who, like SASB, have a focus on the information needs of providers of capital [e.g., the International Accounting Standards Board (IASB) and the International Integrated Reporting Council].

The Board deliberated over multiple aspects of the definition, such as the specificity of “investment or lending decisions.” The Board considered omitting “investment or lending” from the above definition to instead refer to the decisions of users since users is explained elsewhere in the *Conceptual Framework* as referring primarily to providers of capital. However, it is the Board’s objective to establish an abundance of clarity in the revised definition. As a result, it viewed the additional specificity of the types of decisions as supportive of this objective.

Similarly, the Board considered explicitly stating that decisions related to stewardship and proxy voting are also embedded within the definition, specifically within the term “investment decisions.” The Board decided to not explicitly include this language in the definition to keep it more succinct. Instead, the Board expands on what is implied by “investment decisions” in a footnote: “Investment decisions include decisions relating to stewardship and proxy voting. Any investment-related decision that is made on the basis of assessments of financial performance and enterprise value is included in SASB’s definition of

financial materiality.”

One additional aspect in the definition that the Board deliberated over is the reference to “assessments of short-, medium-, and long-term financial performance and enterprise value.” The Board considered the necessity of the terms, “short-, medium, and long-term,” as well as how to best articulate, “financial performance and enterprise value.” Ultimately, the Board concluded that maximizing comprehensiveness in this aspect of the definition was a necessity because external stakeholders have, at times, misinterpreted SASB’s approach to financially material as a short-term time horizon, which is not the Board’s intent. As a result, the Board sought to clarify that its approach to standard setting is not constrained to short-term financial performance, but rather the “short-, medium, and long-term” time frames are all within scope when they influence investment decisions on the basis of users’ assessments of financial performance and enterprise value. The Board acknowledged that, while this definition sacrifices some on brevity, the benefits of additional clarity around these concepts, including being explicit regarding “long-term,” outweighed the drawbacks.

### **Characteristics of Topics & Metrics**

The Standards Board evaluated the approach in the 2017 *Conceptual Framework* on the concepts that guide its standard setting pertaining to the development and selection of disclosure topics and sustainability accounting metrics. In the 2017 *Conceptual Framework*, these concepts were referred to as, “Principles for Topic Selection” and “Criteria for Accounting Metrics,” respectively. In developing the *Conceptual Framework* exposure draft, the Standards Board determined that these concepts are better framed and described as characteristics of decision-useful information. The exposure draft also articulates that, for both sets of characteristics, there are both primary characteristics and supporting characteristics.

The 2017 *Conceptual Framework* explicitly identifies five principles for topics, nine criteria for accounting metrics, and four aspects of technical protocols. The Board evaluated these principles and criteria (hereafter referred to as characteristics) and sought to remove redundancies, improve clarity, and address any concepts that it viewed as missing or inadequate. In developing the revisions to the characteristics, the Board consulted with the technical staff to better understand how each characteristic in the 2017 *Conceptual Framework* does or does not help the technical staff in its work.

The *Conceptual Framework* exposure draft includes the following proposed revisions relative to the 2017 *Conceptual Framework*:

- *Multiple characteristics were clarified through revised names and/or definitions.* The Board generally executed these revisions with an intent to improve clarity and brevity. For example, “potential to affect corporate value” has been shortened to “financially impactful.”
- *One principle for topic selection was removed.* The Board removed a principle that was included in the 2017 *Conceptual Framework*, “reflective of stakeholder consensus,” as it was the Board’s view that this concept is redundant. Specifically, the Board views this concept as being sufficiently, and appropriately, communicated in SASB’s approach to standard setting, where “market-informed” is identified as a fundamental tenet of that process.
- *Three criteria for accounting metrics were removed and/or consolidated.* The criterion, “useful” was removed as the Board viewed it as redundant, given that the purpose of the characteristics (and ultimately, one of the core objectives of the SASB Standards) are to generate useful information for investors. Similarly, the criterion, “applicable” was removed and consolidated with the conceptually similar characteristic, “aligned.” Finally, the criterion, “distributive” was removed as it was viewed by the Board as a likely outcome of “comparable” information—in other words,



the Board viewed distributive as a related component of the concept of comparability.

- *One new characteristic of metrics was added.* “Understandable” was viewed by the Board as a helpful addition to the characteristics for metrics, as metrics that do not produce understandable information for investors, are unlikely to ultimately be useful for these users.

In addition, the Standards Board determined that the references to technical protocols in the 2017 *Conceptual Framework* should be removed from the exposure draft, including the definition of the role of technical protocols and their attributes. The Standards Board made this determination because it views technical protocols as the application method used to established metrics in the SASB Standards—in other words, the practical way in which metrics are communicated in the Standards, including their definitions and methodologies. This lends itself less to content that is necessary or appropriate for the *Conceptual Framework* in the Board’s view. Furthermore, the Standards Board intends the characteristics overall to be additive—i.e., those characteristics of topics are also characteristics of metrics, which are also implicitly characteristics of technical protocols. This was an additional reason the Board relied on for determining that explicit references to technical protocols are unnecessary.

The changes described above are a result of SASB’s historic experience with applying these concepts in its standard-setting activities, as well as deliberations by the Standards Board that were informed by feedback from the technical staff. Furthermore, the Standards Board sought to draw and align with similar concepts as used by other standard setters (e.g., the Standards Board’s use of “representationally faithful” is informed by the conceptual frameworks of financial accounting standard setters).

## Questions for Stakeholders – *Conceptual Framework*

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### Question 1 – Globally applicable sustainability accounting standards

When SASB was founded, many of the definitions referenced in its *Conceptual Framework* were based on U.S. regulation and context, and SASB’s initial focus was on developing standards for U.S. public companies. Prior to codifying its standards in 2018, SASB’s engagement with companies and investors, many of whom operate in a global context, resulted in SASB recognizing that its Standards would best fulfill global companies’ and investors’ missions by reflecting the global nature of capital markets. As a result, the mission of SASB officially changed in 2018 to say that the organization’s mission is “to establish industry-specific disclosure standards across environmental, social and governance topics that facilitate communication between companies and investors about financially material, decision-useful information. Such information should be relevant, reliable and comparable across companies on a global basis.” (See *Conceptual Framework* exposure draft, paragraph 5).

While the Standards Board believes that the fundamental concepts as discussed in the 2017 *Conceptual Framework* were consistent with standards that are intended to be used on a global basis, the *Conceptual Framework* exposure draft further articulates and emphasizes this aspect of SASB’s approach standard setting.

**Do you believe the concepts described in the *Conceptual Framework* exposure draft are appropriate for a global standard-setting organization? Are there concepts or principles that warrant discussion in—or removal from—the *Conceptual Framework* to help the Standards Board more effectively develop standards that have global applicability?**

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### Question 2 – Approach to governance

The SASB Standards do not include traditional corporate governance topics and metrics, such as board composition, board structure, shareholder rights, and executive compensation. Such corporate governance topics, while widely viewed as value-relevant, are not included within the scope of SASB’s standard-setting activities because:

- The SASB Standards are intended to be globally applicable, and corporate governance requirements are often determined by laws and norms that vary significantly across regions.
  - Corporate governance codes have been established for many regions of the world, and investor expectations regarding disclosure and corporate governance practices have been clearly established by global and regional investor networks. The Standards Board does not wish to duplicate the work of these investor networks as such efforts would not aid the SASB mission in furthering decision-useful information for investors, in the Board’s view.
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- SASB has previously consulted informally on whether to include board governance metrics in the standards, and received feedback that SASB’s highest value is focusing on outcomes of environmental, social and human capital issues that may be indicators of poor governance (e.g. safety issues, regulatory fines).

Although detailed board governance metrics are outside of the scope of the SASB Standards, governance and risk oversight related to environmental, social capital, and human capital topics are not. The Board views disclosures related to the oversight of environmental, social capital, and human capital topics as indicators of effectiveness in the management of such topics. As a result, disclosure topics and sustainability accounting metrics related to this form of governance and risk oversight appear in certain SASB Standards, as appropriate. Commonly, such disclosure topics fall within the Leadership & Governance sustainability dimension (see part 5 under paragraph 17 for a description of this sustainability dimension). Furthermore, SASB’s **Standards Application Guidance** suggests that, for disclosure topics in the in Standards, companies disclose (Section 5.0):

- a. The entity’s governance around the risks and opportunities related to the topic, including board oversight of and management’s role in assessing and managing such risks and opportunities.
- b. The entity’s strategic approach regarding actual and potential impacts of topic-related risks and opportunities on the organization’s businesses, strategy, and financial planning, over the short, medium, and long term.
- c. The entity’s process to identify, assess, and manage topic-related risks, and how these risks are integrated into the entity’s overall risk management process.
- d. The entity’s use of metrics or targets to assess and manage topic-related risks and opportunities

**Should SASB describe its approach to governance in the *Conceptual Framework*? Is SASB’s approach to governance, as described above, sufficiently clear?**

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### **Question 3 –Definition of financial materiality**

The Standards Board is seeking to improve and clarify the definition of financial materiality using language that is reflective of standards that are intended to be globally applicable (see above in the “Basis for Conclusions” for further discussion on the Board’s rationale for the proposed revision). The Standards Board is not seeking to change the intended scope of its definition, but rather to align, where possible, with the language used by other standard setters who, like SASB, are focused on the information needs of capital providers.

The revised definition of financial materiality reads as follows (see *Conceptual Framework* exposure draft, paragraph 23):

*“For the purpose of SASB’s standard-setting process, information is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value.”*

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**Are all aspects of the proposed definition of financial materiality clear and understandable? Does the definition accurately reflect SASB’s mission to facilitate communication between companies and investors about financially material, decision-useful sustainability information?**

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#### **Question 4 – Characteristics of topic and metric selection**

The Standards Board is seeking to clarify the concepts that guide its development and selection of disclosure topics and sustainability accounting metrics in the *Conceptual Framework* exposure draft. These proposed changes to “Characteristics of Decision-useful Information” are primarily focused on revising the characteristics to improve their clarity and connection with the core objectives, reduce redundancies, and address any perceived gaps. See above in the “Basis for Conclusions” for further discussion on the Board’s rationale for the proposed revisions and the *Conceptual Framework* exposure draft, paragraphs 33-41, for the proposed characteristics.

**Are the characteristics of topic and metric selection (as framed and defined in the exposure draft) supportive in establishing standards that produce financially material, decision-useful, and cost-effective information (i.e., SASB’s three core objectives)? Are the definitions of the characteristics sufficiently clear? Are any characteristics that may be supportive of the objectives of the Standards missing, and therefore should be added? Are any characteristics redundant or misaligned with these objectives, and therefore should be removed?**

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#### **Question 5 – The *Conceptual Framework* and *Rules of Procedure* as complementary, holistic documents**

The *Conceptual Framework* exposure draft articulates the Standards Board’s conceptual approach to sustainability accounting and standard setting. The *Rules of Procedure* exposure draft translates aspects of SASB’s approach that are outlined in the *Conceptual Framework* into specific operating procedures and due process practices. As such, the documents are complementary and are intended to be used together to depict SASB’s approach to standard setting.

**When read alongside the *Rules of Procedure* exposure draft, are there important aspects of SASB’s approach to standard-setting that are missing from the *Conceptual Framework* exposure draft? Are there any material inconsistencies between the *Conceptual Framework* and *Rules of Procedure* exposure drafts?**

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## Question 6 – Additional comments

Please share any additional comments, concerns, or questions regarding the *Conceptual Framework* exposure draft.

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## Basis for Conclusions – Rules of Procedure

In initiating the project to revise the 2017 *Rules of Procedure*, the Standards Board sought to improve the *Rules of Procedure* through focusing on the following three themes:

- Incorporate SASB’s updated mission statement, which reflects SASB’s global perspective
- Focus on and expand upon details of SASB’s project-based approach
- Address opportunities for clarity and improvement in the standard-setting process and the communication of the standard-setting process (including the role of advisory groups)

The Board’s deliberations were primarily centered on how to best articulate the standard-setting process in a manner that is both useful and understandable for stakeholders. The Board is seeking to clearly describe key aspects of its current process, including how a standard-setting project is initiated, the due process that governs changes and updates to the SASB Standards, and, importantly, how stakeholders can engage with the Standards Board and the technical staff to provide input related to the SASB Standards.

The below subsections describe the considerations and conclusions of the Standards Board in two key areas of change seen in the *Rules of Procedure* exposure draft.

### **Overlap of scope with the *Conceptual Framework***

As stated above, the *Rules of Procedure* exposure draft and *Conceptual Framework* exposure draft are intended to be complementary documents. As such, the exposure drafts aim to clearly articulate this complementary relationship between the two documents while avoiding unnecessary redundancies.

The 2017 version of both documents were written more as standalone documents than documents intended to be complementary. As such, the previous version of the *Rules of Procedure* included six guiding principles for SASB’s standard-setting process (i.e., accountability, credibility, transparency, stakeholder consultation, quality, and timeliness). Similarly, the 2017 version of the *Conceptual Framework* identified and discussed three fundamental tenets to SASB’s approach to standard setting (i.e., evidence-based, industry-specific, and market-informed).

The Standards Board decided to consolidate these concepts into a single list of principles and to reference them consistently in both documents. With respect to consolidation, the Standards Board concluded that the three fundamental tenets identified in the *Conceptual Framework* largely capture the principles identified in the *Rules of Procedure*. For example, “stakeholder consultation” in the *Rules of Procedure* is captured by “market-informed” in the *Conceptual Framework*. In addition, the Standards Board views “accountability,” “credibility,” and “quality” as being outcomes of a transparent process that relies on evidence and market input, rather than being descriptions of process, *per se*.

As noted in the summary of the revision to the *Conceptual Framework*, “transparency” was not specifically discussed in the 2017 *Conceptual Framework*. As such, the decision was made to add “transparent” as a fundamental tenet in the revised *Conceptual Framework* to better represent transparency as a core tenet of SASB’s approach to standard setting.

### **Revision of Operating Procedures**

The 2017 *Rules of Procedure* stated that SASB would revise the Standards every three years with the option to “address more urgent issues outside [the] regular schedule, as it deems necessary or useful.” In practice, the Standards Board has only ever embraced the latter approach to standard setting (which may be referred to as its project-based model) and has never relied on the three-year revision cycle, which has proven unnecessarily rigid and arbitrary.

SASB’s project-based model has helped ensure that SASB’s standard-setting efforts are efficient and effective by allowing SASB to embrace a thoughtful, structured, and timely approach to prioritizing, initiating, and executing standard-setting projects. Through SASB’s project-based model, SASB gathers evidence of financial impact and assesses market feedback, both of which tie back to SASB’s fundamental tenets. This approach to standard setting was informed by the model used by other standard setters (such as the IASB).

Given the lack of clear advantages to implementing a three-year revision cycle, the proposed revisions to the *Rules of Procedure* refer exclusively to the Standard Board’s use of a project-based approach to standard setting.

In the exposure draft, the Standards Board explains how the efforts of the Standards Board and the technical staff, which include monitoring industries and issues, ongoing research, conducting regular consultations with companies, investors, and subject matter experts, and being receptive to unsolicited input, may lead to the initiation of standard setting projects. The exposure draft further articulates the considerations made by the Standards Board when deciding whether and when to initiate a standard-setting project. While the Board was largely in agreement on these key aspects of its standard-setting process, the Board importantly sought to clearly communicate these concepts in the exposure draft.

As mentioned elsewhere in this document the Standards Board’s intent is not to change the fundamental principles that guide its approach to sustainability accounting or to standard setting. The revisions proposed in the *Rules of Procedure* exposure draft have been made to help the Standards Board further clarify and explain its processes and practices. In other words, these revisions have been made to help the Standards Board more clearly articulate its existing practices to develop, issue, and maintain the SASB Standards.

## Questions for Stakeholders – *Rules of Procedure*

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### Question 7 – Operating procedures, standards updates

A primary objective of the *Rules of Procedure* exposure draft is to articulate, at a high level, how the SASB Standards are updated or revised. A clear description of this process was viewed by the Standards Board as important in enabling stakeholders to understand the standard-setting process, including how they can engage in the process. The “Operating Procedures” section of the document (paragraphs 7-36) is designed to define the process, including the objectives and requirements of each step of the process.

**Does the *Rules of Procedure* exposure draft provide a clear description of the Standards Board’s operating procedures? Are there any areas that should be further clarified?**

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### Question 8 – Operating procedures, standard-setting agenda

An important phase in the standard-setting process (as described in the “Operating Procedures”) is the point at which a project is defined and added to the standard-setting agenda by the Standards Board, as this represents the initiation of standard-setting. As described earlier in this document, the Standards Board sought to clarify the process by which standard-setting activities may be initiated through its project-based model. Standard-setting activities may ultimately result in revisions to the SASB Standards.

This process begins with research and consultation that is generally performed by the technical staff (and is overseen by the Standards Board). Such research and consultation is typically informal in nature and is intended to assess whether or not standard-setting is required and/or desirable. If such research and consultation suggest the need for standards-setting, the Standards Board may consider adding a project to the standard-setting agenda. (See the *Rules of Procedure* exposure draft, paragraphs 9-21).

**Does the exposure draft clearly explain the activities that the Standards Board and technical staff engage in to determine when and if standard-setting is necessary? Are these activities consistent with the mission of SASB and the objectives of the SASB Standards? Are there other activities that should be pursued to monitor the relevant industries and issues?**

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### Question 9 – Stakeholder participation in standard setting

A section has been added to the end of the *Rules of Procedure* exposure draft to highlight the multiple times at which and ways in which stakeholder engagement is possible and encouraged. (See *Rules of Procedure* exposure draft, paragraphs 39-41).

As is explained in the *Conceptual Framework* exposure draft, the Standards Board is committed to market engagement and input. Two of SASB’s fundamental tenets are “Market-informed” and “Transparent”; the Standards Board and technical staff actively solicits input and carefully weighs the perspectives of standards users and external stakeholders and views transparency of its standard-setting processes as vital for high-quality stakeholder engagement. As a result of these beliefs, the Standards Board has included a new section in the *Rules of Procedure* exposure draft (titled “Summary of Sources of Market Input”) to clearly describe how the public can engage in SASB’s standard-setting process.

**Are the ways in which stakeholders can participate in SASB’s due process for standard-setting activities clear? Is it sufficiently clear how such participation may inform standard-setting outcomes? Are there other methods the Standards Board and/or technical staff should pursue to obtain market input on the Standards?**

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### Question 10 – Governance structure

The governance structure of the SASB organization, including the roles and responsibilities of its Foundation Board of Directors and the Standards Board, is more clearly and succinctly articulated in the *Rules of Procedure* exposure draft than it is in the current *Rules of Procedure*. (See *Rules of Procedure* exposure draft, paragraphs 5-6).

The revised *Rules of Procedure* is largely focused on the activities of the Standard Board. As such, it only refers the governance role that the Foundation Board has in overseeing the work of the Standards Board. But the revised document no longer discussed the details of the Foundation Board or how the Foundation Board carries out its oversight duties. That information, including the Foundation Board’s membership, its committee structure, and its committees’ roles and responsibilities can be found on SASB’s website.

An effort was also made to make the *Rules of Procedure* more readable. As such, technical details on the Standards Board appointments, roles, responsibilities, and voting procedures can be found in the SASB Bylaws, as excerpted in the Appendix of the *Rules of Procedure* exposure draft, but are not repeated in detail in the main body of the document.



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**Is SASB’s governance structure sufficiently and clearly articulated in the document and in a way that appropriately contextualizes subsequent content in the document? Is the independence of the Standards Board clear? Is the oversight role of the Foundation Board of Directors clear?**

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**Question 11 – Complementary, holistic documents**

SASB’s *Conceptual Framework* exposure draft document articulates how the Standards Board approaches sustainability accounting and standard setting. The *Rules of Procedure* exposure draft then translates aspects of the Standards Board’s approach that are outlined in the *Conceptual Framework* into specific operating procedures and due process practices. As such, the documents are complementary and, together, should holistically depict SASB’s approach to standard setting.

**When read alongside the *Conceptual Framework* exposure draft, are there important aspects of policies and practices followed by the Standards Board that are missing from the *Rules of Procedure* exposure draft?**

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**Question 12 – Additional comments**

Please share any additional comments, concerns, or questions regarding the *Rules of Procedure* exposure draft.

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# **SASB CONCEPTUAL FRAMEWORK Exposure Draft**

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

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August 2020

2020 EXPOSURE DRAFT



Contents

**GLOSSARY..... 20**

**INTRODUCTION..... 21**

**1. SASB’S APPROACH TO ACCOUNTING AND DISCLOSURE ..... 22**

    Sustainability Accounting Defined..... 23

    Sustainability Disclosure Landscape..... 24

    The SASB Standards: Primary Users and Use Cases ..... 25

    Five Dimensions of Sustainability for Businesses..... 26

    Fundamental Tenets of SASB’s Approach to Standard Setting ..... 28

**2. CORE OBJECTIVES OF THE SASB STANDARDS..... 30**

    Financially Material ..... 30

    Decision-useful ..... 31

    Cost-effective..... 31

**3. CHARACTERISTICS OF DECISION-USEFUL INFORMATION..... 32**

    Characteristics of Sustainability Disclosure Topics..... 32

    Characteristics of Sustainability Accounting Metrics ..... 33

**4. SUMMARY OF SASB’S APPROACH TO STANDARD SETTING ..... 34**

# GLOSSARY

## **Sustainability Accounting Standards Board (SASB) Foundation**

The Sustainability Accounting Standards Board Foundation (often referred to as “SASB” within this document) is an independent nonprofit organization that sets standards to guide disclosure of financially material sustainability information by companies to their investors.

## **The SASB Foundation Board**

SASB is governed by the SASB Foundation Board of Directors (also referred to as the “SASB Foundation Board” throughout this document), which oversees the strategy, finances and operations of the entire organization. The SASB Foundation Board appoints the members of the SASB Standards Board (described below) and provides oversight of the Standards Board’s due process.

## **The Standards Board**

The SASB Standards Board (also referred to as “the Standards Board” throughout this document) is the independent standard-setting arm of SASB and has sole responsibility for all of SASB’s standard-setting activities.

## **The Technical Staff**

Staff who work under the direction of the Standards Board to produce, maintain, or revise the SASB Standards are referred to within this document as “technical staff.”

## **The Standards**

Sustainability disclosure standards are the main output of the Standards Board and technical staff and identify the subset of environmental, social, and governance issues reasonably likely to materially impact financial performance of the typical company in an industry. Throughout this document, the Standards are referred to as “the SASB Standards” or “the Standards.”

## **Primary Users**

The SASB Standards are designed primarily to facilitate disclosure that is useful to investors, lenders, and other creditors for the purpose of making investment decisions on the basis of these users’ assessments of short-, medium-, and long-term financial performance and enterprise value.

## INTRODUCTION

- 1 This *Conceptual Framework* document sets out the basic concepts, principles, definitions, and objectives that guide the Standards Board and technical staff in their approach to setting sustainability disclosure standards.
- 2 The *Conceptual Framework* also serves to communicate these concepts, principles, definitions, and objectives to SASB's external stakeholders. The primary external stakeholders for SASB's standard-setting process are capital markets participants, including companies and their investors, lenders, and other creditors; service providers (accountants, auditors, securities lawyers); and capital markets regulators.
- 3 SASB has also issued a *Rules of Procedure* document, which establishes and describes the policies and practices followed by the Standards Board in developing, issuing, and maintaining the SASB Standards. The two documents are intended to be complementary and are available on SASB's website ([sasb.org](https://sasb.org)).
- 4 This *Conceptual Framework* supersedes SASB's *Conceptual Framework* dated February 2017.

# 1. SASB'S APPROACH TO ACCOUNTING AND DISCLOSURE

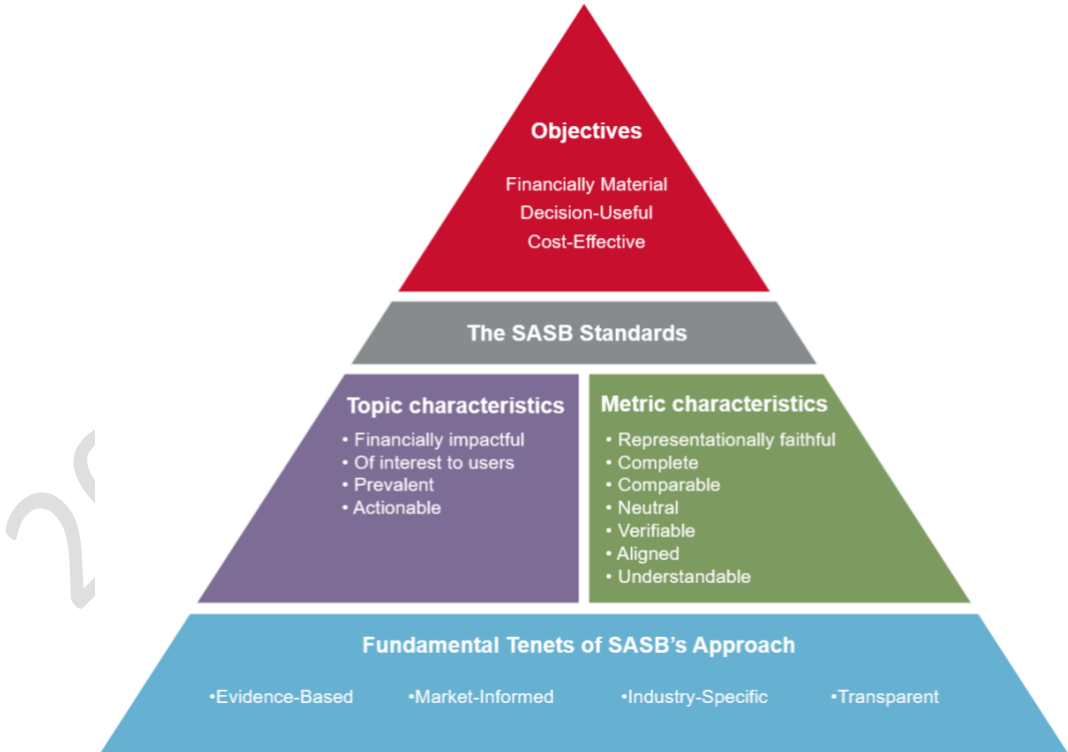
5 The mission of the Sustainability Accounting Standards Board (SASB) Foundation is to facilitate effective communication between companies and investors on financially material environmental, social, and governance topics. (See Figure 1.) SASB's industry-specific disclosure standards are fundamental to achieving that mission.

**Figure 1. SASB mission statement**

The mission of the Sustainability Accounting Standards Board (SASB) Foundation is to establish industry-specific disclosure standards across environmental, social, and governance topics that facilitate communication between companies and investors about financially material, decision-useful information. Such information should be relevant, reliable and comparable across companies on a global basis.

6 This *Conceptual Framework* articulates the key concepts illustrated in Figure 2. These concepts serve three purposes. First, they act as a guide to the Standards Board and technical staff in carrying out their standard-setting activities. Second, they can help stakeholders better understand SASB's approach to standard setting. Third, they can help to improve the Standards Board's and technical staff's engagement and consultation with stakeholders by providing a common language for communication.

**Figure 2: Illustration of SASB's Conceptual Framework**



## Sustainability Accounting Defined

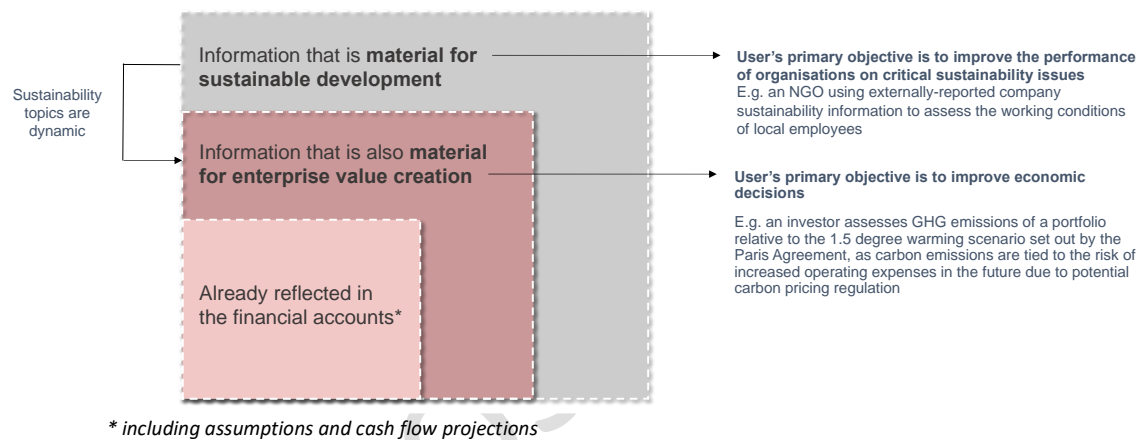
- 7 Accounting is, fundamentally, the process of identifying, measuring, and reporting information. Accounting is not only a necessary condition for accountability, but it is also essential for effective management and decision making.
- 8 The concept of sustainability (or, more specifically, sustainable development) is defined in the Brundtland Report (*Our Common Future*) as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>1</sup> In the context of companies, we can think of sustainable performance as firm operations that maintain or enhance firm value today without compromising the ability of the firm to create value in the future. SASB’s use of the term “sustainability” refers to activities that maintain or enhance the ability of the company to create enterprise value over the long-term.
- 9 Historically, financial accounting has been designed to reflect a company’s past financial performance and current financial condition, as captured within a double-entry system of accounts built on conceptual definitions of existing assets and present liabilities, where notions of control, access rights, and measurability play important roles in decisions about which assets and liabilities to include in company balance sheets. As such, financial accounting statements (by design) capture only some elements of sustainability performance.
- 10 To more fully meet the needs of financial capital providers, corporate reporting necessarily extends beyond the scope of financial statements to the disclosure of information that will enhance capital providers’ understanding of a company’s risks and opportunities. When the information needed relates to management’s use of and investment in environmental, social, and/or human capitals, this is referred to by SASB as “sustainability accounting.”
- 11 Sustainability accounting includes identifying the impacts that environmental, social and human capital issues have on business models, financial performance, and long-term enterprise value, and how businesses adapt corporate strategy, risk management, and governance in response. Sustainability accounting also includes identifying metrics that can be used to set targets and measure performance on the environmental, social, and human capital issues most relevant to long-term enterprise value creation. Thus, like traditional financial accounting, sustainability accounting not only enhances a company’s external disclosures, but can also serve as a useful tool for management and board decision-making.

<sup>1</sup> United Nations World Commission on Environment and Development, *Our Common Future* (Oxford: Oxford University Press, 1987), p. 43.

## Sustainability Disclosure Landscape

- 12 Sustainability information—perhaps more so than traditional financial information—is of interest to a broad range of users, including investors, companies, policy makers, civil society, employees, and customers. As illustrated in Figure 3, perspectives on the materiality of sustainability information vary by user and use case. Some users are primarily interested in how sustainability issues impact a company’s financial performance and contribute to enterprise value creation; other users are interested more broadly in how a company’s actions impact society and contribute to sustainable development. Some users are interested in both perspectives.

**Figure 3: Scope of Sustainability Disclosure**



- 13 As capital markets have come to recognize the important links between sustainability performance and financial outcomes, an ecosystem of nonprofit and for-profit organizations has developed to provide a wide range of sustainability-related information and analytics. SASB’s role in this ecosystem is to develop sustainability disclosure standards that meet the needs of capital markets participants for decision-useful information connected to long-term enterprise value creation. The SASB Standards help create a foundational layer of high-quality, company-reported information that the entire ecosystem can use to enable more efficient capital markets and more effective capital allocation.
- 14 The SASB Standards are complementary to, and can be used in conjunction with, not only traditional financial accounting statements, but also with standards designed to guide communication to multiple stakeholders about a company’s impacts on society and sustainable development.



## The SASB Standards: Primary Users and Use Cases

- 15 The SASB Standards are designed primarily to facilitate disclosure that is useful to investors, lenders, and other creditors for the purpose of making investment decisions on the basis of these users' assessments of short-, medium-, and long-term financial performance and enterprise value, regardless of where those users are located or where they deploy their capital. As such, the SASB Standards are intended to be used by public and private companies around the world, or any other entities that raise capital or otherwise rely on the capital markets.
- 16 Sample use cases for the information resulting from disclosure in accordance with the SASB Standards include, but are not limited to, the following:
- inform fundamental equity and credit analysis,
  - inform investors' corporate engagement priorities and voting decisions,
  - inform investment due diligence in public and private markets,
  - enable construction of investable indices based on comparable performance data,
  - enable companies to benchmark performance against competitors, and
  - enable companies to establish sustainability performance targets informed by industry benchmarks.

## Five Dimensions of Sustainability

17

As stated above, SASB defines sustainability as, “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland Report, *Our Common Future*). To apply this definition to its standard setting, SASB organizes the universe of sustainability risks and opportunities that companies can face into five broad sustainability dimensions:<sup>2</sup>

- 1. Environment.** This dimension addresses direct environmental impacts that are linked to a company’s ability to create value over time and are a result of activities which include natural resource extraction, land cultivation, product manufacturing, and the use of energy and water. The impacts include greenhouse gas emissions, water consumption, waste generation, and biodiversity loss. Environmental impacts arising out of the use of a company’s products and services are excluded from this sustainability dimension and are instead captured under the “Business Model and Innovation” dimension.
- 2. Social Capital.** This dimension addresses a company’s impact on external stakeholders and the management of those stakeholder relationships, including a company’s license to operate. External stakeholders include customers, local communities, regulators, and the public. Impacts on these stakeholders may relate to issues such as human rights, protection of vulnerable groups, local economic development, access to and quality of products and services, affordability, responsible business practices in marketing, and customer privacy. Stakeholders that are directly or indirectly employed by the company are excluded from this sustainability dimension and are instead captured under the “Human Capital” and/or “Business Model & Innovation” dimensions.
- 3. Human Capital.** This dimension addresses issues that affect a company’s workforce, which is often a key resource to delivering long-term value. It includes issues such as management of the health and safety of the workforce, labor practices, and the organizational culture. This sustainability dimension addresses issues related to workforce engagement and the building of a diverse and inclusive workforce. These issues may affect the levels of workforce productivity, as well as the attraction and retention of members of the workforce in highly competitive or constrained markets for specific talent, skills, or education.
- 4. Business Model and Innovation.** This dimension addresses the integration of environmental, human, and social issues in a company’s value-creation process. This includes business model resilience and the manner in which a company integrates sustainability considerations into the development, production, and sales of products or services. The dimension includes the design and innovation of products and services, including the impacts of such products in the use phase and those stemming from product disposal. Furthermore, the dimension includes the extent of a business model’s integration of physical impacts of climate change on assets,

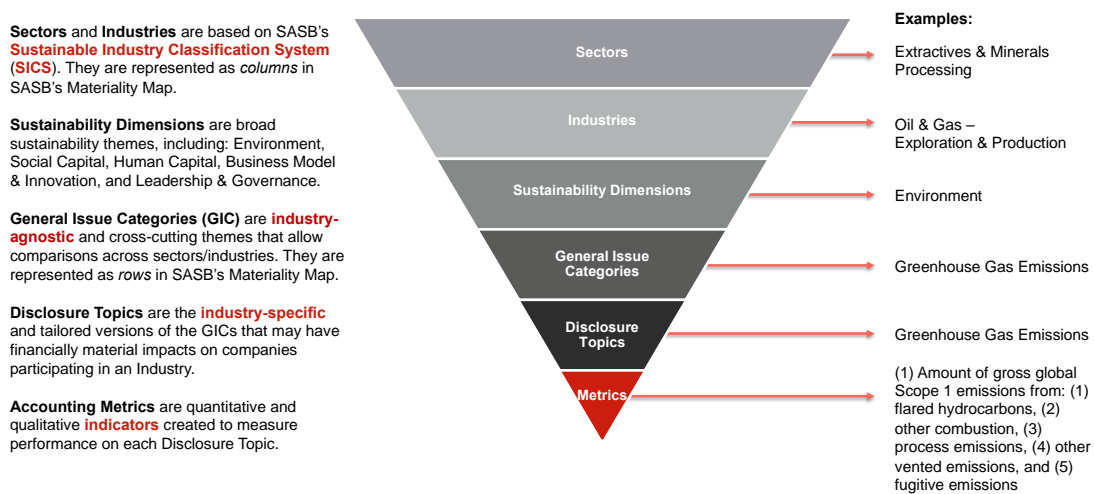
<sup>2</sup> These 5 dimensions are adapted from Steve Lydenberg, Jean Rogers, and David Wood, “From Transparency to Performance: Industry-Based Sustainability Reporting on Key Issues,” Harvard University & the Initiative for Responsible Investment (2010).

availability and pricing of key resources, and impacts of supply chains. Although this sustainability dimension is centered on the integration of sustainability into the company’s business model, including the indirect impact of the company’s products and services, the environmental, social, and human capital impacts that are directly generated by the company’s operations are captured under the “Environment,” “Social Capital,” and “Human Capital” dimensions, respectively.

- 5. Leadership and Governance.** This dimension involves the governance and management of key industry issues that may create conflicts with the interests of broader stakeholder groups, and therefore may lead to liabilities or impacts on a license to operate. The dimension includes conducting business activities in compliance with industry laws and regulations, and in accordance with the industry’s leading standards of professional integrity. Issues captured in this dimension include, anticompetitive practices, ethical conduct of business, and engagement with regulators on environmental, social, and human impacts. This dimension also addresses the management of risks related to low-probability, high-impact accidents and emergencies that generate a multitude of sustainability impacts.

18 The five sustainability dimensions, which are further defined through general issue categories, serve as a high-level organizing structure for the topics covered in the SASB Standards. The SASB standard-setting process identifies industry-specific disclosure topics that are reasonably likely to be financially material for the typical company in an industry across the five sustainability dimensions. The Standards also identify metrics to measure performance on each industry-specific disclosure topic. The structure of the SASB Standards is illustrated in Figure 4.

**Figure 4: Structure of the SASB Standards**



## Fundamental Tenets of SASB's Approach to Standard Setting

19 There are four fundamental tenets that guide SASB's approach to standard setting—namely, that the process the Standards Board uses for issuing and maintaining SASB Standards is evidenced-based, market-informed, industry-specific, and transparent.

- 1. Evidence-Based.** The Standards Board relies on research to identify evidence of financial impact associated with sustainability topics and on robust and diverse sources of credible evidence that support different types of financial impacts. To help ensure that the disclosure topics identified are relevant for an industry over time, the Standards Board evaluates evidence based on the underlying industry structure, regulatory environment, and financial drivers of an industry, and by focusing on long-term trends rather than anecdotal impacts from a specific corporation or stakeholder. This research is supplemented by evaluating the current state of affairs in an industry or sector to ensure emerging sustainability topics are included in the Standards as they become relevant.
- 2. Market-Informed.** The Standards Board actively solicits input and carefully weighs the perspectives of reporters, investors, creditors, lenders, and subject matter experts in considering which sustainability topics warrant standardized disclosure and in determining how to frame, describe, and measure those topics for the purposes of standardization. Market perspectives are a crucial input into the Standards Board's assessment of the extent to which proposed standards or revisions are aligned with SASB's mission of producing standards that facilitate cost-effective communication between companies and investors about financially material, decision-useful information.
- 3. Industry-Specific.** Companies operating in the same industry are likely to have similar business models and, therefore, similar sustainability risks and opportunities. As a result, the Standards Board develops sustainability disclosure standards at the industry level, focusing on issues that are closely tied to resource use, sustainability impacts, business models, regulation, and other factors at play in the industry. Because business models differ by industry, disclosure topics are likely to vary by industry as well.
- 4. Transparent.** Ultimately, to support SASB's mission, the Standards Board must be a trusted standard setter. The Standards Board recognizes that this depends not only the quality of the SASB Standards, but also on the way in which the Standards Board conducts its standard-setting activities. Thus, while the three tenets above support SASB's mission by directly impacting the quality of the SASB Standards, transparency supports SASB's mission by providing stakeholders with insight into the Standards Board's agenda, activities, deliberations, and decisions. In addition to supporting trust in the Standards Board's process, transparency is also vital for high-quality stakeholder engagement. As such, transparency can enable high quality standards by ensuring that the SASB Standards reflect market input.

- 20 The above tenets guide SASB's approach to standard setting at a high level. For additional information on how the Standards Board embeds these tenets into its standard-setting activities and operating procedures, see *SASB's Rules of Procedure*.

2020 EXPOSURE DRAFT

## 2. CORE OBJECTIVES OF THE SASB STANDARDS

21 The Standards Board strives to produce sustainability disclosure standards with the following objectives in mind:

- **Financially material**
- **Decision-useful**
- **Cost-effective**

### Financially Material

22 The first objective of the SASB Standards is to identify sustainability disclosure topics that are reasonably likely to be financially material for the typical company in an industry.

23 **For the purpose of SASB’s standard-setting process, information is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions\* that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value.**

24 The Standards Board evaluates sustainability issues for inclusion in the Standards by assessing whether a given topic is reasonably likely to materially affect the financial condition, operating performance, or risk profile of a typical company within an industry.

25 The time horizon over which financial materiality is evaluated can vary based upon many factors, including industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, and the planning horizons typically used by management in an industry for strategic decision-making. Because investors, lenders, and other creditors making assessments of financial performance and enterprise value seek information that is relevant over various time horizons, a key piece of evidence for the Standards Board’s decision making is evidence of interest in a topic from investors, lenders, and other creditors.

26 *Although SASB’s approach to financial materiality is not tied to the laws or regulations of any specific country or regulatory jurisdiction, it is similar to definitions traditionally used by accounting standards setters and capital markets regulators around the world. **SASB recognizes that each reporting entity is responsible for identifying the information that is material to its operations and activities and is ultimately responsible for determining what should be disclosed in compliance with applicable laws and regulations.***

\* Investment decisions include decisions relating to stewardship and proxy voting. Any investment-related decision that is made on the basis of assessments of financial performance and enterprise value is included in SASB’s definition of financial materiality.

## Decision-useful

- 27 The second objective of the SASB Standards is to facilitate disclosure that is decision-useful for investors, creditors, and lenders. SASB's standard-setting process helps translate broad sustainability dimensions, such as human capital, into decision-useful information, such as performance on specific health and safety metrics.
- 28 As noted previously, the SASB Standards are primarily intended to facilitate the decision making of investors, lenders, and other creditors, who make investment decisions based on their assessments of a company's financial performance and potential for value creation – not only in the near term, but also over longer horizons. The SASB Standards are intended to support the disclosure of financially material sustainability issues in a way that can be incorporated into the decision-making processes of a diverse set of capital providers. This includes identifying quantitative metrics that can be compared across companies and reported consistently across time periods, along with suggested qualitative disclosures that provide context for quantitative metrics.
- 29 The Standards Board has, therefore, identified a set of characteristics (for both disclosure topics and accounting metrics) that comprise decision-usefulness. These characteristics are used to guide the Standards Board's internal deliberations and their engagement with market participants. These characteristics are described in more detail in Section 3 of this document.

## Cost-effective

- 30 The third objective is for the SASB Standards to be cost-effective. That is, the Standards Board aims to establish standards for which the benefits resulting from the use of the Standards justify the costs of implementation of the Standards.
- 31 The Standards Board recognizes that companies, in particular, may face several costs related to implementation of the SASB Standards, such as the costs associated with gathering information, designing controls to support high quality disclosures, and/or obtaining third-party assurance of that information. In striving to produce cost-effective standards, the Standards Board seeks to assess the implementation costs of a new or updated Standard and the recurring costs of reporting to that Standard after the initial implementation.
- 32 The objective of cost effectiveness is closely related to the objective of financial materiality. By limiting the number of disclosure topics to those that are reasonably likely to be financially material in a given industry, the objective of financial materiality helps support the objective of cost-effectiveness. In addition, the metrics in the SASB Standards should, where feasible and appropriate, align with metrics contained in other reporting standards or regulations and/or with metrics that are already in use within an industry.

### 3. CHARACTERISTICS OF DECISION-USEFUL INFORMATION

33 One of the key roles a standards setter can serve is to provide guidance that helps translate financially material information into decision-useful information. To do so, the standards must consider the needs of the primary users of the information. The characteristics below are designed to enhance decision usefulness for investors, lenders, and other creditors.

34 Some characteristics apply to sustainability disclosure topics and others to sustainability accounting metrics. The characteristics of sustainability accounting metrics build upon the characteristics of sustainability disclosure topics. In aggregate, the characteristics for both sustainability disclosure topics and sustainability accounting metrics support the objective of the SASB Standards to provide decision-useful information.

#### Characteristics of Sustainability Disclosure Topics

35 The Standards Board first considers the following two characteristics when considering sustainability disclosure topics for inclusion in an industry standard:

- **Financially impactful.** Sustainability disclosures are likely to be decision-useful to investors, lenders, and other creditors when the impact of the topics can be linked to operational and/or financial performance through at least one of the following channels: (1) revenues or costs, (2) assets or liabilities, and/or (3) cost of capital or risk profile.
- **Of interest to users.** Sustainability disclosures are likely to be decision-useful to investors, lenders, and other creditors when the topics identified relate to issues that they typically monitor and incorporate into their capital allocation decisions, engagement strategies, voting decisions, due diligence, and other aspects of their investment processes.

36 In addition to the two primary characteristics noted above, the Standards Board considers two additional items when considering which sustainability disclosure topics to include in an industry standard:

- **Prevalent.** The decision-usefulness of sustainability disclosures is likely to be enhanced when the topics identified apply to many companies, both within a given industry and across geographies.
- **Actionable.** The decision-usefulness of sustainability disclosures is likely to be enhanced when the topics identified are captured in a way that is actionable by companies. Topics are captured in a way that is actionable when they are linked to the types of strategic and operational decisions made by companies.



## Characteristics of Sustainability Accounting Metrics

37 The Standards Board considers two key characteristics when evaluating metrics to capture performance on a sustainability topic – namely, that they should be representationally faithful and complete, as described below:

- **Representationally faithful.** A metric is representationally faithful if performance on the metric correlates with performance on the disclosure topic it is intended to address.
- **Complete.** A set of metrics is complete if individually, or as a set, the metrics provide enough data and information to understand and interpret performance on the sustainability disclosure topic.

38 In addition to the two primary metric characteristics discussed above, there are other supporting characteristics of sustainability accounting metrics that the Standards Board considers:

- **Comparable.** Metrics are comparable if they permit users to identify which companies have similar versus different performance on a particular sustainability topic.
- **Neutral.** Metrics are neutral if they are free from bias and value judgment, so that they yield an objective measure of performance related to the disclosure topic they are intended to address.
- **Verifiable.** Metrics are verifiable if their calculation or production can be replicated by others who follow the same guidance. Verifiability can help support the development of effective internal controls and enable external assurance.
- **Aligned.** Metrics are aligned if they are based on or consistent with other standards or regulations, common industry practices, or guidance already in use within an industry. Aligned metrics allow companies to use one metric for multiple reporting purposes.
- **Understandable.** Metrics are understandable if the primary users can understand the information encompassed by that metric and can use the metrics in their investment decisions.

39 The above characteristics are not completely independent of each other, but rather can all work together to the same end: namely, to produce decision-useful information.

40 For example, when a complete set of metrics faithfully represents performance on a sustainability disclosure topic, the resulting information should be comparable, in that it will yield information that identifies which companies have similar performance and which companies have different performance. If a metric is designed in a way that is not neutral or not verifiable, resulting bias or error in measurement could limit representational faithfulness and erode comparability.

41 When a set of metrics embodies the above characteristics, the resulting information should yield a discernable range of data for companies within an industry or across industries that allows investors, lenders, and other creditors to differentiate performance on that sustainability topic.

## 4. SUMMARY OF SASB'S APPROACH TO STANDARD SETTING

- 42 SASB establishes and maintains sustainability disclosure standards that facilitate communication between companies and investors, creditors, and other lenders. SASB takes a balanced and objective approach to its standard-setting activities and is guided by the principles in this *Conceptual Framework*.
- 43 The objectives of the SASB Standards are to facilitate the disclosure of sustainability information that is financially material, decision-useful, and cost effective. This *Conceptual Framework* identifies eleven characteristics of decision-useful information that guide the Standards Board and technical staff's selection of disclosure topics and metrics for inclusion in the SASB Standards. The fundamental tenants of SASB's approach to standard setting are to ensure the process is evidence-based, market-informed, industry-specific, and transparent.
- 44 SASB's standard-setting process is intended to be rigorous and transparent. It includes evidence-based research; broad and balanced participation from investors, companies, and subject matter experts through public comment periods and other means of consultation and market input; and oversight and approval from an independent Standards Board. The outcomes of this process are a set of industry-specific, sustainability disclosure standards and supporting application guidance—namely, the SASB Standards. Both the SASB Standards, as well as the underlying process to maintain and update the Standards, are intended to help meet the needs of capital markets participants for decision-useful information about performance on the sustainability issues that matter most for long-term enterprise value creation. In short, this process is an essential part of SASB's mission

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# **SASB RULES OF PROCEDURE Exposure Draft**

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

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August 2020

2020 EXPOSURE DRAFT



# Contents

**GLOSSARY** ..... 38

**INTRODUCTION** ..... 39

**SASB OVERVIEW** ..... 40

**OPERATING PROCEDURES** ..... 41

    Monitoring Industries and Issues ..... 41

        Research ..... 41

        Consultation ..... 42

    From Monitoring to Standard Setting ..... 42

    Due Process for Standard-Setting Activities ..... 43

        Initiating a Standard-Setting Project ..... 43

        Preliminary Deliberations ..... 44

        Proposing a Standards Update ..... 45

        Exposure Draft Deliberations ..... 46

        Issuing a Standards Update ..... 46

**POST-IMPLEMENTATION REVIEW** ..... 47

**SUMMARY OF SOURCES OF MARKET INPUT ON SASB STANDARDS** ..... 48

    Comments and Concerns Regarding Due Process ..... 49

**APPENDIX: EXCERPT OF SASB BYLAWS** ..... 50

## GLOSSARY

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The SASB Standards are designed primarily to facilitate disclosure that is useful to investors, lenders, and other creditors for the purpose of making investment decisions on the basis of these users’ assessments of short-, medium-, and long-term financial performance and enterprise value.

## INTRODUCTION

- 1 The SASB Standards Board’s rules of procedure were initially adopted, effective February 2017, by the SASB Foundation Board, pursuant to Section 9 of the SASB Bylaws (see the Appendix for the complete text of Section 9). Those Bylaws also provide that the Standards Board has the exclusive authority to adopt, alter, amend, supplement, and repeal those rules of procedure. (See Section 9.4.)
- 2 This *Rules of Procedure* document establishes and describes the policies and practices followed by the Standards Board in developing, issuing, and maintaining the SASB Standards. This document includes a description of the SASB Foundation’s governance structure and an overview of the Standards Board’s operating procedures and due process activities. The Standards Board has also issued a *Conceptual Framework* document, which sets out the basic concepts, principles, definitions, and objectives that guide the Standards Board and technical staff in their approach to setting sustainability disclosure standards. The two documents are intended to be complementary and are available on SASB’s website ([sasb.org](https://sasb.org)).
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# SASB OVERVIEW

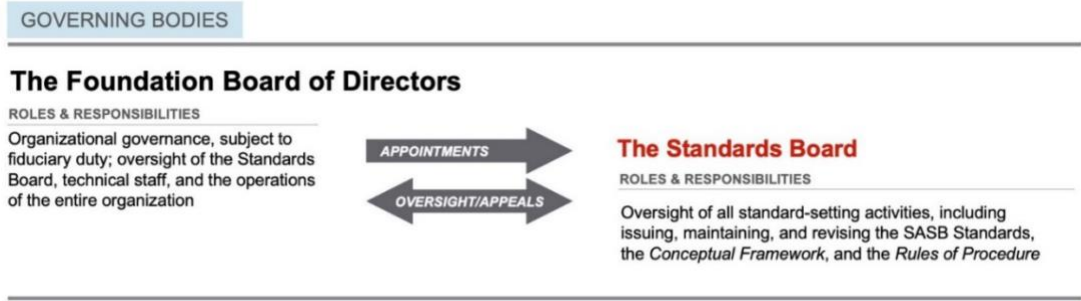
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The mission of the Sustainability Accounting Standards Board (SASB) Foundation is to establish industry-specific disclosure standards across environmental, social, and governance topics that facilitate communication between companies and investors about financially material, decision-useful information. Such information should be relevant, reliable and comparable across companies on a global basis.

5 SASB is governed by a Board of Directors, which is responsible for advancing the organization’s mission. As part of its oversight, the SASB Foundation Board of Directors has established the Standards Board as an independent standard-setting arm of the organization. The Standards Board has sole authority to direct the organization’s standard-setting activities, including issuing, maintaining, and revising the SASB Standards. (See Appendix, Section 9.1.) The Standards Board consists of 5-11 individuals, each of whom are appointed by the SASB Foundation Board. (See Section 9.2.) In addition to appointing individuals to the Standards Board and as part of its oversight role, the SASB Foundation Board reviews any concerns raised by interested persons regarding the due process of the Standards Board’s standard-setting activities.

**Figure 2. SASB standard-setting governance: roles & responsibilities**



6 The SASB Foundation Board has charged the Standards Board with developing and maintaining sustainability disclosure standards that facilitate cost-effective disclosure of financially material, decision-useful information and to do so in a way that is evidenced-based, industry-specific, market-informed, and transparent. To guide the Standards Board in the execution of its responsibilities, the Standards Board maintains two key governance documents: the *Rules of Procedure* and the *Conceptual Framework* (see “Introduction” for more discussion on the purpose and role of each of these governance documents).



## OPERATING PROCEDURES

- 7 As an independent standard-setting body, the Standards Board has a responsibility to monitor the SASB Standards in the context of the evolving sustainability and business landscape, including the effectiveness with which the SASB Standards support SASB's mission. To do so, the Standards Board and technical staff engage in evidence-based research, focused outreach, and broad market consultation. This input serves as the basis for the standard-setting activities that the Standards Board follows, including the robust due process required for the Standards Board to revise the SASB Standards, whether by addition, revision, or removal.
- 8 The following sections describe in more detail how the Standards Board and technical staff stay informed, prioritize issues, and engage in standard-setting activities.

### Monitoring Industries and Issues

- 9 Understanding sustainability issues and whether they are likely to have financially material impacts on companies in a specific industry is critical to the Standards Board's approach to the development and maintenance of the SASB Standards. To that end, the technical staff engages in ongoing research and consultation with market participants and subject matter experts, as described below. As explained later, these activities are sometimes part of a specific standard-setting effort, but they also inform decisions about which issues to address in standard setting and enable the Standards Board to remain informed.

#### Research

- 10 Internal research conducted by the technical staff is overseen by the Chair of the Standards Board (see Appendix, Section 9.10) and includes monitoring the evolving landscape of sustainability issues with an eye toward identifying and understanding the likelihood that they present financially material risks and opportunities within each industry. Specifically, the technical staff assesses the evidence of financial impact and investor interest associated with a given sustainability issue. (For a more detailed discussion of financial materiality and the objectives of the SASB Standards, see SASB's *Conceptual Framework*.)
- 11 The technical staff's research activities are intended to be broad and varied, and they include examining the following sources: corporate reports and communications, earnings calls, industry publications and data, journals, academic and investment research, white papers, government or regulatory documents and databases, financial markets media, other general media, and other similar sources. Industry- and company-specific research sources are focal points, while broader market research may continue to inform or expand the technical staff's understanding of certain sustainability issues within an industry or across industries.

## Consultation

- 12 As part of its ongoing monitoring efforts, the technical staff regularly engages in external consultations with companies, investors, analysts, subject matter experts, and SASB’s advisory groups. Consultation provides deeper input on evolving market dynamics, the Standards, their content, and their use. Similar to evidence-based research, the objective of market consultation is to inform the technical staff and the Standards Board’s understanding of sustainability issues and how they are evolving within and across industries. To accomplish this objective, the technical staff establishes and maintains open, two-way channels of communication with market participants and subject matter experts. This enables market participants and subject matter experts to provide input on key aspects of SASB’s standard-setting work, such as the likelihood of a sustainability topic having material financial implications, the extent to which the metrics for a given disclosure topic are cost-effective to prepare or generate decision-useful information, and the importance of thematic issues across the market. Consultation focuses on both monitoring new and emerging issues, as well as the market’s use of the SASB Standards, with cost-effectiveness being an important aspect of these consultation efforts.
- 13 Channels of communication may include SASB’s advisory committees or groups, in-person meetings, audio or video meetings, industry events or forums, stakeholder or public roundtables, webinars, and email communication. At times, the Standards Board and technical staff may also issue discussion papers or requests for comments related to particular topics or broad thematic issues. To facilitate more meaningful, productive, and ongoing communication and to maintain consistency for market participants, the technical staff generally appoints one member of the staff as the primary point of contact for each industry standard and consultative activity. In addition to the focused outreach and broader consultations pursued by the technical staff, the Standards Board encourages unsolicited input from companies, investors, subject matter experts, and other interested parties.

## From Monitoring to Standard Setting

- 14 The monitoring activities described above are a critical input to the formal standard-setting work of the Standards Board. As such, research and consultation activities are often carried out in tandem. There is also a natural feedback loop between them, in which research findings can inform market consultations and comments received from market participants (whether solicited or unsolicited) can prompt further research.
- 15 As a general rule, the Standards Board will not make significant changes to the SASB Standards without following rigorous and transparent due process, as outlined next.

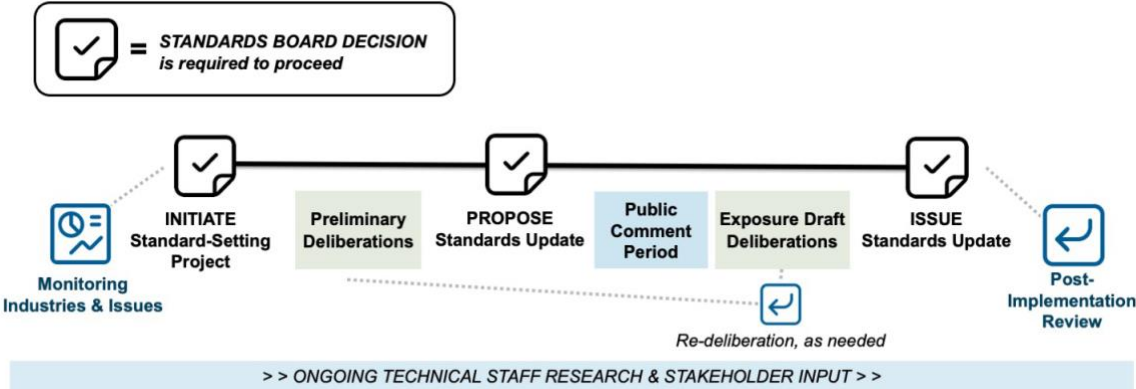
## Due Process for Standard-Setting Activities

16 The Standards Board’s due process involves a set of distinct but interrelated activities centered around three key Standards Board decisions (see Figure 3):

- Initiating a standard-setting project
- Proposing a standards update
- Issuing a standards update

17 These Standards Board decisions and the activities that support them are described in detail below.

**Figure 3. Due process for standard setting activities**



### Initiating a Standard-Setting Project

18 Transparency is a cornerstone of the Standards Board’s work. Therefore, when the monitoring activities described in the previous section suggest an opportunity to improve the SASB Standards, the technical staff will discuss with the Standards Board, during a public meeting, a proposal for how to do so. If and when a project is approved, it is added to a public standard-setting agenda. This public standard-setting agenda is the set of active projects that have the potential to directly change and improve the SASB Standards.

19 In evaluating project proposals for the public standard-setting agenda, the Standards Board assesses the potential for the project to improve the availability and communication of financially material sustainability information to investors in a decision-useful and cost-effective manner, based on the evidence and market input presented by the technical staff. As part of this assessment, the Standards Board considers the following questions:

- Is the issue expected to be pervasive within an industry, across geographies, and over time?
- Is there likely to be a feasible solution that adequately addresses the issue?

- Does the issue warrant prioritization of resources over alternatives? Does the technical staff, as well as the Standards Board, have sufficient capacity to address the issue?

20 The addition of a project to the standard-setting agenda requires approval by a majority of the Standards Board (see Section 9.7 of the Appendix for more detail on Standards Board voting) and initiates the formal standard-setting process. The standard-setting agenda, including descriptions and relevant resources, materials, and information on specific projects, is publicly available on SASB's website.

21 In addition to the standard-setting agenda, the Standards Board may, at times and at the discretion of the Chair, publicly announce certain research projects or other activities to facilitate the public's awareness of the Standards Board's efforts and to help obtain needed market input, as discussed in the previous section. While these [research projects and activities](#) can be monitored by the public on SASB's website and may lead to standard-setting projects, they do not constitute formal standard-setting projects until approved as such by the Standards Board.

### Preliminary Deliberations

22 For each project on the standard-setting agenda, the Standards Board and/or technical staff will pursue a variety of activities, centered around research and consultation, to support the development of a proposed standards update and to inform the Standards Board's decision-making process. These activities may include consultation with SASB's advisory committees or groups, and/or other interested persons and organizations and may include the public issuance of briefing documents or discussion papers (e.g., containing priority consultation questions).

23 The research and consultation that take place during preliminary deliberations are similar to the monitoring activities discussed in the previous section but are directly designed to lead to the development of a proposed standards update and are conducted more publicly.

24 In particular, in the context of a standard-setting project, the Standards Board and technical staff will discuss the findings and preliminary conclusions drawn from their research and consultation at a public Standards Board meeting. (See Appendix, Section 9.5.) Public meetings of the Standards Board are open to observers from the public. The Standards Board will provide notice of all its public meetings, including the proposed meeting agenda, at least seven days in advance of the meeting, unless circumstances require a shorter notice period. Public board meetings may, at times, allow for in-person attendance, but will generally be broadcast and recorded with the recordings (or summaries of the meetings and decisions) made available to the public afterward.

25 In addition to Standards Board meetings, the Standards Board's decision-making process may be supported by other public consultations with interested parties. The Standards Board and technical staff may convene public roundtable meetings, hearings, or other public forums when, in their judgment, these meetings, hearings, and other public forums would be necessary or advisable for the Standards Board to make an informed decision. The transcripts or recordings

(if available) of these meetings will be available to the public, to the fullest extent possible. If transcripts or recordings are unavailable, meeting minutes will be made available to the public.

26 Outside of public Standards Board meetings, the technical staff may informally consult with members of the Standards Board in private. However, significant standard-setting deliberations by a majority of the Standards Board are to be conducted in public meetings. Formal votes of the Standards Board are either conducted in public meetings or reported publicly if balloted outside of a public meeting. (See Appendix, Section 9.6.) The Standards Board regularly meets in closed meetings that are educational or administrative in nature.

### Proposing a Standards Update

27 Upon conducting research and consultation that yields a sufficient body of evidence and market input to support an informed conclusion, the technical staff prepares a recommendation to the Standards Board on whether to proceed with releasing a proposed update to the SASB Standards or to remove the project from the Standard Board's agenda. Either decision requires approval by a majority of the Standards Board.

28 When the technical staff recommend moving forward with a proposed standards update, they will not only provide the Standards Board with a rationale for the recommendation, but also with the following documentation:

- The proposed new or amended standard(s);
- A summary of the findings from research and consultation that were conducted as part of developing the proposal;
- Other information or data as deemed necessary by the Standards Board or the technical staff.

29 All proposed standards updates, if approved, are subject to a public comment period to solicit formal comments from companies, investors, subject matter experts, and other interested parties on the proposed Standard or amendment. (See Appendix, Section 9.4.)

30 Because market views are a major input that the Standards Board considers when voting whether to approve the proposed new or amended standards, the Standards Board solicits and encourages investors, companies, subject matter experts, and all interested parties to submit comments on any proposed standards update during formal public comment periods.

31 Public comment periods are generally 90 days, but may be longer or shorter, as circumstances warrant.<sup>1</sup> Comment periods will be announced on SASB's website. Although commenters may

<sup>1</sup> For example, the Standards Board may choose to use an extended public comment period to ensure ample opportunity for market participants to comment on an exposure document, or may choose to use an abbreviated public comment period to address time-sensitive improvements to the SASB Standards or when implementing minor technical corrections.

address any issue they choose, the Standards Board typically seeks views on specific questions related to an exposure draft<sup>2</sup>. Comment letters received will be posted on SASB's website.

### Exposure Draft Deliberations

- 32 After a public comment period has closed and the comment letters have been published on the SASB website, the Standards Board conducts deliberations on whether to vote to approve the proposed standards update. To support such deliberations, technical staff may produce summaries of the feedback received, or summaries of other related research and/or consultations.
- 33 As part of these deliberations, the Standards Board may determine to proceed with a vote or, alternatively, may direct the technical staff to conduct additional research and consultation in order to re-evaluate the proposed update or to consider additional alternatives. Such research and consultation may result in a modification to the proposed update, which may then warrant, at the Standards Board's discretion, conducting an additional public comment period or other activities to support transparency and broad and balanced market input.
- 34 In some circumstances, the Standards Board may consider removing a project from the standard-setting agenda based on its deliberations and/or a recommendation by the technical staff. As noted previously, decisions to remove, re-expose, or approve a proposed update each require approval by a majority of the Standards Board.

### Issuing a Standards Update

- 35 Should the Standards Board determine that a vote on a proposed standards update is appropriate, this vote (like other votes by the Standards Board) requires an affirmative vote by a majority of the Standards Board. In addition, dissenting members shall provide comments on the reason for their dissent. (See Appendix, Section 9.7.)
- 36 Upon an affirmative vote to update the SASB Standards, the new or amended standard will be made available to the public on the SASB website in a timely fashion, including a supporting summary of the research and consultation conducted, the rationale for the update, and any other supporting information, as determined by the Standards Board.

<sup>2</sup> An exposure draft is a proposed, revised draft of the relevant standard, and exposure drafts are issued for the purposes of soliciting public comment.

## POST-IMPLEMENTATION REVIEW

- 37 Upon issuance of a new or amended standard, the Standards Board and technical staff seek to specifically assess the market's use and implementation of the standard. (See Appendix, Section 9.9.) While not part of the formal due process, post-implementation review helps ensure that the SASB Standards are accomplishing their intended purposes, including being cost-effective relative to their benefits, and that they are consistent with the *Conceptual Framework*. In conducting post-implementation review, the Standards Board and technical staff conduct additional research and consult with companies, investors, and/or other subject matter experts, such as academic researchers. The Standards Board and technical staff also seek to assess the costs incurred from implementing a new or updated standard and the ongoing costs of reporting to that standard over time.
- 38 The insights gained by the Standards Board and technical staff resulting from the post-implementation review are evaluated as part of the monitoring activities and the subsequent process described above in the section, "Monitoring Industries and Issues." Because the monitoring activities conducted by the Standards Board and technical staff serve as the basis for standard-setting activities, information gained through the post-implementation review may result in no additional standard-setting activity or could lead to additional proposals to resolve an issue or to seek additional improvements related to the standards update that occurred. Regardless, the Standards Board will not make significant changes to SASB Standards without following rigorous and transparent due process, as outlined above in the section, "Due Process for Standard-Setting Activities."

## SUMMARY OF SOURCES OF MARKET INPUT

39 Market input is a key part of the Standards Board’s standard-setting activities. Market participants, including companies, investors, creditors, analysts, other providers of financial capital, and subject matter experts, are encouraged to participate at appropriate points in the standard-setting process.

40 Below is a list of ways in which market participants and subject matter experts or the broader public can influence the considerations of the Standards Board in its standard-setting activities, typically by providing input directly to the Standards Board and/or technical staff.

- *Unsolicited input*—The Standards Board welcomes unsolicited input on the SASB Standards from all companies, investors, subject matter experts, and other interested parties at any point in time. Unsolicited input can be directed toward the Standards Board or the technical staff, and can be provided through multiple channels including [email](#), [requests for phone or in-person discussions](#), and [written comment letters](#).
- *Consultation*—The technical staff regularly conducts consultation with market participants and other members of the public, including subject matter experts, on an ongoing basis. Consultations support the Standards Board’s efforts to identify projects to be added to the standard-setting agenda, as well as its deliberations throughout a project lifecycle. The Standards Board and its technical staff seek out consultations from market participants and other members of the public, while also welcoming requests for consultations—whether related to projects on the standard-setting agenda or any other aspect of the SASB Standards.
- *Advisory groups*—SASB’s advisory Groups, which consist of external advisors, including industry professionals, investors, financial analysts, and other subject matter experts, provide advice to technical staff and Standards Board members on specific aspects of sectors, industries, and topics, including metrics and technical protocols, as needed. The Standards Board and technical staff may form task forces as needed to advise on specific projects or issues.
- *Roundtables or other convenings*—In an effort to have meaningful, productive, and ongoing external consultations, technical staff and the Standards Board use multiple forums and formats, including conducting roundtables and other convenings.
- *Comment periods*—Comment periods allow for a more formal, structured point of engagement for companies, investors, subject matter experts, and other interested parties. Public comments are a key input that the Standards Board considers when voting whether to approve the proposed new or amended standards, and the Standards Board solicits and encourages comments and participation from companies, investors, subject matter experts, and other interested parties. Comment letters received will be posted on SASB’s website.



## Comments and Concerns Regarding Due Process

- 41 In addition to providing input on the SASB Standards, market participants, as well as broader members of the public or other interested parties, have the opportunity to share comments or concerns on the Standards Board's due process procedures and guidelines. Comments and suggestions on how to enhance the Standards Board's due process can be shared either directly with the Chair of the Standards Board or with the SASB Foundation Board, as described below.
- 42 Concerns with either the due process procedures or the Standards Board's execution of its due process can be shared directly with the SASB Foundation Board, given its oversight role, as described in the above section, "SASB Overview." Specifically, formal complaints can be sent to the Chair of the Standards Oversight Committee, a committee of the SASB Foundation Board that oversees the due process of the Standards Board's standard-setting activities. Contact details and additional information regarding the Standards Oversight Committee are available on [SASB's website](#).

## APPENDIX: EXCERPT OF SASB BYLAWS

Below is Article 9 of the SASB Foundation's Bylaws. Please note that the Standards Board is referred to as "the SASB" throughout the SASB Foundation's bylaws and that the SASB Foundation Board of Directors is referred to as "the Board."

### ARTICLE 9 THE SUSTAINABILITY ACCOUNTING STANDARDS BOARD

**Section 9.1 SASB Standards.** The SASB is hereby delegated authority to develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors. That mission is accomplished through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation. The SASB's standards shall relate to accounting for and disclosing sustainability information.

**Section 9.2 Number and Qualifications of Members.** The number of members that shall constitute a full SASB shall be no less than five (5) and no more than eleven (11). The members of the SASB shall, in the judgment of the Board, each have a concern for the investor and public interest in matters of sustainability accounting and reporting and shall, collectively, have knowledge of and experience in investing, accounting, finance, business, sustainability issues, and research. The Chairperson of the SASB may, at the determination of the Board, be a full-time employee. The Chairperson of the SASB, at the determination of the Board, and the other members may perform their duties on a part-time basis, with a stipend in an amount determined by the Board.

#### Appointment of Members:

**(a) Term.** Subject to the exceptions set forth in clause (b) below, each member of the SASB shall be appointed or reappointed by the Board to a term continuing through June 30 (or such other date determined by the Board) in the fourth calendar year from the calendar year in which such member's term commenced and until a successor is appointed or until his or her earlier resignation or removal.

**(b) Vacancies; Reappointments.**

(i) If there is a vacancy on the SASB, the Board, in its discretion, may appoint a new member to either fill the vacancy for the balance of the unexpired term of the vacating SASB member, or eliminate the remaining unexpired term and establish a new term, as determined in accordance with this Section 9.2. Except as provided in clause (ii) below, a new term established pursuant to this clause (i) shall expire on June 30 (or such other date as determined by the Board) in the fourth full year from the year in which such term commences. Vacancies on the SASB shall be filled as promptly as practicable by the Board of Directors.

(ii) The terms of SASB members shall be staggered in such manner that the terms of not more than three members of the SASB shall expire in any one calendar year. If the term of a newly-appointed SASB member would otherwise expire on the date that the terms of two other SASB members would expire, then the term of the newly-appointed SASB member shall be reduced so that it expires in the next earlier year in which the terms of one or fewer existing SASB members will expire.

Members of the SASB may be re-elected upon the expiration of their terms; provided, however, that members shall not be reappointed if the term of their reappointment will cause the member to have served more than eight full year periods, excluding any partial year period that the SASB member may have served during his or her term.

**(c) Removal.** No member of the SASB shall be removed except on the vote of two-thirds (2/3) of all members of the Board serving and then only by reason of disability [(which in the opinion of a physician selected by the Board will continue for a period of at least six (6) consecutive months from the commencement of such disability)], malfeasance or alleged malfeasance as a member of the SASB, or other cause deemed by the Board as reasonably evidencing conduct detrimental to the purposes or repute of the SASB.

**Section 9.3 Outside Activities and Investments.** Appropriate policies shall be adopted, and from time to time may be altered, amended, supplemented, and repealed, by the Board in respect of personal investments and other personal activities of members and the staff of the SASB. Such policies as shall be in effect at any time shall be designed and interpreted in such a manner as, in the judgment of the Board, will prevent conflicts of interest.

**Section 9.4 SASB Rules of Procedure.** The Board shall initially adopt the SASB Rules of Procedure. Thereafter, the SASB shall have exclusive authority to alter, amend, supplement, repeal and adopt SASB Rules of Procedure, with or without notice, hearings, or exposure, with the approval of a majority of its members, provided that the Rules of Procedure do not conflict with the provisions of the Corporation's Articles of Incorporation or these Bylaws. The SASB Rules of Procedure shall set forth and provide for procedures with respect to the issuing of sustainability accounting and reporting standards. Such rules shall provide for exposure of proposed standards and consultation with appropriate task forces, committees, and, to the extent deemed practicable in the circumstances by the SASB, other interested persons, organizations, and groups.

**Section 9.5 Public Participation.** The SASB Rules of Procedure shall provide for the giving of notice and the holding of public roundtable meetings, hearings or other forums when the SASB, in its judgment, determines that any such public forums are necessary or advisable in order for the SASB to make an informed decision. The Rules of Procedure shall provide that transcripts of public roundtable meetings, hearings and other forums (if prepared), minutes of meetings of the SASB, and, except where confidentiality is deemed appropriate by the SASB, copies of documents received by the SASB from task forces, written comments received by the SASB regarding its standards, and other materials as set forth in the Rules of Procedure shall be publicly available.

**Section 9.6 Meetings of the SASB.** Regular and special meetings of the SASB may be held at the SASB's principal offices or elsewhere, at such time and place and with such notice as shall be prescribed by or pursuant to the SASB's Rules of Procedure. The SASB's Rules of Procedure shall provide for public meetings, subject to such limitations and specifying such procedures as may be determined by the SASB as advisable. Members of the Board may attend all public and other meetings of the SASB.

**Section 9.7 Voting of SASB Members.**

(a) Generally, except as otherwise expressly provided in this Article 9 or in the SASB's Rules of Procedure, at all meetings of the SASB a majority of the members serving will constitute a quorum, and the act of a majority of the members voting shall be required to approve any action. Each standard of sustainability accounting and reporting shall identify those members of the SASB who voted for the standard and those who voted against it, and shall include comments of dissenting members in support of their dissents.

(b) The SASB shall not issue any sustainability accounting and reporting standards or any Exposure Draft of a proposed standard without the approval of at least a majority of the SASB members. In determining a majority, and provided that at least three SASB members affirmatively vote to approve, the SASB may exclude any member who is prevented from voting due to vacancy, disability of any duration or character, or because the member disqualified himself or herself from voting for reasons related to a policy of the Board adopted pursuant to Section 9.3 of this Article. A member may vote even if he or she was not a member or otherwise was unable to or did not participate in any public roundtable meetings, hearings or other forums during the research, discussion, or deliberative periods. A member may continue to participate in public roundtable meetings, hearings and other forums during the research, discussion, and deliberative periods even though such member has disqualified himself or herself from voting for reasons related to a policy adopted by the Board pursuant to Section 9.3 of this Article, or may so disqualify himself or herself, on a particular vote.

**Section 9.8 Other Communications.** The SASB may, subject to the oversight of the Board as provided herein, from time to time, in its discretion and with or without appointment of task forces, research, notice, hearings, or exposure, issue in its name sustainability accounting concepts, discussion documents, and other communications in respect of matters related to technical matters regarding sustainability accounting and reporting; provided, however, that such communications shall not purport to be standards of sustainability accounting and reporting. To the extent such communications have an impact on the Corporation's other activities or strategy, the SASB shall consult with the staff of the Corporation, and if necessary, the CEO or the Board, and the content of the communications must be agreed upon before such communications are disseminated outside the corporation.

**Section 9.9 Coordination with Other Organizations.** The SASB shall have authority over the standards of sustainability accounting and reporting and amendments to and interpretations thereof. The SASB should at all times be mindful of the importance of clarity and persuasiveness in its standards and other communications, and of their impact on users of financial and sustainability information, investors, creditors, issuers, auditors, educators, and the public at large.

Accordingly, the SASB shall encourage continuing communication, and endeavor to maintain continuing liaison, with those within its stakeholders. The SASB shall establish and maintain a process for reviewing, post-issuance, the effectiveness of, and issues raised by stakeholders in implementing, standards of financial accounting and reporting.

**Section 9.10 Chairperson of the SASB.** In furtherance of its oversight responsibilities as to the standard-setting process, the Board shall appoint, to serve at its pleasure, a member of the SASB as Chairperson of the SASB. The duties of the Chairperson of the SASB shall include the following, subject in all cases to the oversight of the Board as provided herein:

The Chairperson shall be the principal officer of the SASB and shall preside at its meetings and shall also be a non-voting participant in all Board and Committee meetings, other than executive sessions.

(a) The Chairperson shall transmit the SASB's agenda and short- and longer-range project plans to the Board.

(b) The Chairperson shall prepare annual reports and periodic reports at a frequency agreed with the Board, with respect to the activities of the SASB and its progress with respect to its project plans and annual reports with the Chairperson's evaluation of the SASB's performance within the context of its mission statement, and shall transmit such reports to the Board, which reports shall be publicly available.

(c) The Chairperson shall collaborate with the CEO, the President, and other persons designated by the Board or the CEO or the President in preparing the annual budget of the SASB, as part of the budget of the Corporation, following consultation with other members of the SASB, and shall participate in submitting and presenting such budget to the Board for its approval.

(d) In accordance with the policies of this Corporation, subject to the Corporation's HR, contracting and other procedures, and consistent with provisions of the budget approved at the time, the Chairperson shall: approve hiring decisions for all staff reporting to the SASB and work with the President and designated Foundation staff to formalize their hiring and compensation, and

i) make the decision to appoint and contract with any persons or organizations with respect to research (following consultation with the appropriate staff director(s)) and other technical services to be performed by them as consultants or independent contractors.

ii) have authority to establish and appoint persons to task forces, committees and other groups (who may but need not be members or staff of the SASB) following consultation with other members of the SASB and one or more staff directors, as appropriate.

iii) subject to the corporation's policies and procedures, be responsible for establishing operating procedures for the SASB, its staff, task forces, committees and other groups, and for implementing and directing their broad operating processes in accordance with the policies of the Corporation.

iv) provide for research to be conducted by the SASB staff or by such consultants or independent contractors as the Chairperson may deem necessary or desirable in the circumstances, following consultation with the appropriate SASB staff director(s). appoint one or more technical directors and may appoint other staff directors and staff members. Members of the SASB's staff, task forces, committees and other persons employed, hired, or otherwise retained or appointed by or at the

direction of the Chairperson shall, except as otherwise provided in these Bylaws, serve at the pleasure of the Chairperson or as otherwise provided in contracts made by the Corporation.

v) at his or her discretion, delegate or assign particular functions or duties to other members of the SASB, the staff directors, the members of the SASB's staff, task forces and committees, as the Chairperson may determine.

**(e)** The Board may, in its discretion, appoint, to serve at its pleasure, one or more members of the SASB as Vice Chairperson or Vice Chairpersons of the SASB, to exercise the powers and carry out the duties of the Chairperson in his or her absence or disability, and to perform such other duties and functions as may be determined by the Board in consultation with the Chairperson of the SASB.

**(f)** The Chairperson shall be the principal representative of the SASB in communicating with outside stakeholders regarding the standards and amendments thereto and interpretation thereof. The Chairperson and the Chair, Vice Chair(s), CEO, President, and other members of the Board and Corporation staff shall collaborate in communicating with outside stakeholders in respect of otherwise advancing the Corporation's mission. The Chairperson and Vice Chairperson of the SASB may also assist the Board, the CEO, the President or others in fundraising activities for the SASB Foundation.

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