Dear SASB Standards Board,

Parametric Portfolio Associates invests more than $300 billion on behalf of individual and institutional clients in largely rules-based strategies that invest in thousands of companies with headquarters and operations around the world. We recognize the growing importance of environmental and social issues to corporate financial performance, as well as to investors’ willingness to hold companies in their portfolios, whether it be to reflect their personal principles or to hold a portfolio of companies they believe can out-perform over time.

We therefore strongly encourage SASB’s development of a set of globally applicable sustainability standards that are cost effective for companies to report and generate decision-useful information for investors, companies and other interested parties, on financially material environmental and social issues.

We hope that you find our comments below helpful in your deliberations regarding the revision of the Conceptual Framework and Rules of Procedure. We strongly support the SASB mission and look forward to seeing the final updates to these two foundational documents.

Gwen Le Berre, Director of Responsible Investing

Gwen Le Berre

Parametric Portfolio Associates
Questions for Stakeholders – Conceptual Framework

Question 1: Globally applicable sustainability accounting standards

We agree that SASB standards which, in their early stages of development, focused on US-based companies and industries, should continue to expand to cover businesses that operate globally. There are multiple country and regional financial accounting standards, which makes corporate financial reporting unnecessarily costly for companies to prepare, and the resulting financial performance unnecessarily convoluted for investors to evaluate. There are multiple global sustainability reporting standards which, for related reasons, have similar drawbacks. We therefore strongly encourage SASB, other sustainability reporting entities and financial accounting standards entities to work closely together to harmonize their standards and frameworks. Such alignment should be focused exclusively on sustainability issues associated with corporate value creation and aim for the development of a single set of global sustainability standards.

Question 2: Approach to governance

We agree that SASB should describe its approach to governance in order to be clear that conventional corporate governance measures are not covered in the standards. We believe that this draft successfully articulates SASB’s approach. Specifically, the Conceptual Framework appropriately describes the standards’ approach to governance in two ways: 1) oversight of environmental, social capital, and human capital topics as indicators of the effectiveness of the management of such topics, typically through topics associated with the Leadership & Governance sustainability dimension; and 2) through the Standards Application Guidance regarding a company’s governance of all material E&S issues in SASB standards.

Related to our response to Question 1, we note that SASB’s Standards Application Guidance is consistent with the recommendations of the TCFD regarding Governance, Strategy, Risk Management and Metrics & Targets. Aligning SASB standards with another widely accepted framework or financial accounting standard focused exclusively on corporate value creation is critical to achieving one of SASB’s core objectives, Cost-Effective.

Question 3: Definition of financial materiality

We agree with changes to the definition of financial materiality as such changes make the definition less US-centric and more globally applicable.

Question 4: Characteristics of topics and metric selection

We agree with the Exposure Draft definitions of the characteristics for topic and metric selection. The elimination of redundancies (e.g. – for Topics “Of interest to investors” and “Reflective of stakeholder consensus” consolidated into “Of interest to users”).

We disagree, however, with the elimination of the Distributive criteria for Metrics and the stated reason that Distributive is a likely outcome of “comparable” information. The current Metric criterion, Distributive, is defined as “Metrics are designed to yield a discernable range of data for companies within an industry or across industries allowing users to differentiate performance on the topic or an aspect of the topic.” Output that is comparable is not necessarily distributive
when, for example, companies are asked if they have a diversity policy or not, increased methane emissions or not, or asked to disclose the number of aviation accidents (when there are so few).

Question 5: The Conceptual Framework and Rules of Procedure as complementary, holistic documents

We don’t see any inconsistencies between these two documents.

Question 6: Additional comments

We agree with the specification that Primary Users of SASB standards are “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” as it clearly identifies not just equity investors and that sustainability issues can include short-term as well as medium and long-term issues. We also agree that investment decisions include decisions related to stewardship and proxy voting.

Questions for Stakeholders – Rules of Procedure

Question 7: Operating procedures, standards updates

We agree with SASB’s move to a project-based approach from a three-year update cycle. The 3-year update cycle is arbitrary and not flexible enough to meet the disparate needs for standards updates on specific topics, industries, or cross-cutting issues. In contrast, the project-based approach is better suited to the flexibility required to address changing global sustainability issues.

We believe three paragraphs should be changed as follows:

Paragraph 15: Regarding standards updates, the exposure draft states, “As a general rule, the Standards Board will not make significant changes to the SASB Standards without following rigorous and transparent due process...” While we understand the need to make changes in the standards to correct minor inaccuracies or improve consistency among metric definitions that reduce implementation costs and improve the clarity of a metric without changing the output, the Standards Board should not ever make significant changes to the standards without following rigorous and transparent due process consistent with that which is described in this exposure draft. We therefore recommend excluding, “As a general rule.”

Paragraph 25: Regarding public forums, the exposure draft states, “If transcripts or recordings are unavailable, meeting minutes will be made available to the public.” The Standards Board importantly, and correctly in our view, added Transparency as a fourth fundamental tenet of SASB Standards in the exposure draft. Not providing transcripts or recordings of all public forums, which should not be particularly difficult to execute, would be inconsistent with this new tenet. We strongly encourage SASB to make every effort to record or transcribe all public meetings.

Paragraph 28: Regarding standards updates, the exposure draft identifies documentation to be provided, including “the proposed new or amended standard(s); a summary of findings from research and consultation that were conducted as part of developing the proposal; and other
information or data as deemed necessary by the Standards Board or the technical staff.” Where there are changes to existing standards, a redline version of the standards should be included along with a clean version of the proposed standard, consistent with the approach taken when SASB proposed changes to its provisional standards. Redline versions make clear proposed changes to the standard, which is particularly important when it comes to metric definitions, which can be a page or more in length. Redline versions of exposure drafts are consistent with the fundamental tenet of transparency.

**Question 8: Operating procedures, standard-setting agenda**

The exposure draft clearly explains the activities that the Standards Board and technical staff engage in to determine when and if standard-setting is necessary. These activities are consistent with the mission of SASB and the objectives of the SASB Standards. There are no other activities that should be pursued to monitor the relevant industries and issues.

**Question 9: Stakeholder participation in standard-setting**

The “Summary of Sources of Market Input” section is a welcome addition that clearly identifies the sources of market input for the standards. The Advisory groups section mentions technical protocols, which remain in the standards, but have been subsumed into the term “metric”. We therefore suggest eliminating the reference to technical protocols.

**Question 10: Governance structure**

SASB’s governance structure is sufficiently and clearly articulated in the Rules of Procedure. We agree that Foundation Board oversight and Standards Board technical details should not be in this document, but on the SASB website and in SASB bylaws, respectively.

**Question 11: Complementary, holistic documents**

We agree with the Standards Board’s decision to consolidate the Rules of Procedure guiding principles and Conceptual Framework fundamental tenets into a single list of principles referenced in both documents. When read alongside the Conceptual Framework exposure draft, there are no important aspects of the policies and practices followed by the Standards Board that are missing from the Rules of Procedure exposure draft.

**Question 12: Additional comments**

We have no additional comments.