December 21, 2020

Janine Guillot, CEO
SASB
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Re: Invitation to comment: Proposed changes to the SASB Conceptual Framework & Rules of Procedure

Dear Ms. Guillot:

We appreciate the opportunity to comment on the SASB’s Conceptual Framework and Rules of Procedure exposure drafts. We support the SASB’s efforts to further clarify and explain its existing approach to standard setting and its related processes and procedures. We understand that the proposed changes in the exposure documents are not intended to fundamentally change the SASB’s approach to sustainability accounting or to its standard setting, but are intended to help the SASB further clarify its approach to standard setting for external stakeholders and to clearly describe key aspects of its current process.

Given the significant and increasing emphasis by stakeholders globally (including the investor community, preparers, regulators, data aggregators, and other service providers) on sustainability reporting and disclosure, we appreciate the SASB’s efforts to clarify its role, particularly from a global perspective.

While we agree with the SASB’s objectives of clarifying its approach to standard setting and describing key aspects of its process, we believe there are additional changes that will create further alignment with existing principles commonly understood by financial statement preparers, investors, and other stakeholders. The SASB describes the purpose of its standards in terms of providing decision-useful information to investors. This is fundamentally the same as the purpose of accounting standards the IASB and FASB describe in their converged conceptual frameworks. As described more fully in the Appendix, we believe the SASB should align its description of the characteristics of decision-useful information with that used by the IASB/FASB. We believe having different descriptions of the same term creates unnecessary confusion.

We also believe it was appropriate for the SASB to reconsider the separate objectives of its Conceptual Framework and Rules of Procedure. These documents should work together, but each serves its own purpose. The Conceptual Framework describes the characteristics and objectives of the standards the SASB hopes to develop, while the Rules of Procedure describe the manner in which those standards are developed. We believe that in the SASB’s efforts to streamline these documents, some guidance necessary to meeting their respective objectives was lost. For example, “transparency” is more appropriately retained in the Rules of Procedure as it is a characteristic of the SASB’s process, rather than a descriptor of the standards themselves.

We also recommend that going forward, a black-lined version of proposed edits to the SASB’s documents would facilitate stakeholder review and may encourage additional responses.
Other matters

We support the September 2020 *Statement of Intent to Work Together Towards Comprehensive Corporate Reporting*, which was issued collectively by the SASB, the Climate Disclosure Project, the Climate Disclosure Standards Board, the Global Reporting Initiative, and the International Integrated Reporting Council. It is this degree of collaboration and commitment that is necessary to develop a comprehensive corporate reporting system.

We are also aware of the IFRS Foundation’s *Consultancy Paper on Sustainability Reporting*. If the IFRS Foundation proceeds with the development of a Sustainability Standards Board (SSB) aligned with the IASB, it would appear to be an effective step towards the development of a globally-accepted comprehensive corporate reporting system. Establishing such a system would be responsive to investor and other stakeholders’ calls for decision-useful, comparable, and reliable information about sustainability performance in corporate disclosures. Questions would still need to be addressed about the continued role of the SASB and other sustainability organizations, as well as more granular matters such as how industry differences might be recognized, how narrow or broad the scope of the SSB should be, and the level of funding required. The vision for the SSB aligns with the ultimate stated goal of the SASB and its Statement of Intent collaborators. As such, we encourage the SASB to evaluate how it could support an SSB and leverage the considerable progress it has already made to best effect.

The Appendix includes our detailed suggestions and responses to the specific questions asked in the exposure drafts.

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We would be pleased to discuss our comments or answer any questions. Please contact Heather Horn at heather.horn@pwc.com or Valerie Wieman at valerie.wieman@pwc.com regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Appendix

Questions for Stakeholders - Conceptual Framework

1. 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?

   While we believe the concepts described in the Conceptual Framework exposure draft are generally appropriate for a global standard-setting organization, we do not agree with adding "transparent" as a fourth fundamental tenet. We suggest it be retained in the Rules of Procedure.

   We believe transparency results from companies applying the standards, rather than using it as a term to describe the nature of the standards themselves. The SASB’s standard setting process, however, requires transparency. Therefore, we believe transparency should remain as a guiding principle in the Rules of Procedure.

   We agree that the Conceptual Framework and Rules of Procedure should be complementary documents, however, we believe each serves a specific and separate purpose. Therefore, we suggest transparency and the other five guiding principles be retained as part of Rules of Procedure, as further described in our response to Question 7.

   We also note that the Invitation to Comment discusses whether “industry-specific” should remain as a fundamental tenet of the SASB. The SASB concluded that it should be retained given it “plays such a significant role in guiding the Board’s efforts and activities throughout the [standard-setting] process.” While we appreciate the intent of having comparable disclosures within an industry, there are some topics for which stakeholders may prefer to have comparable disclosures from companies with common risks, attributes, activities, or businesses, regardless of their industry classification. For example, we note that not all of the current portfolio of industry-specific requirements include quantitative metrics and qualitative analysis of labor practices, diversity, and supply chain (where applicable). Topics such as water and energy management, greenhouse gases, and others may also impact all or nearly all industries. We believe the SASB should consider if addressing some topics at an overall level would provide a more principles-based framework and enhance consistency across industries when facing similar challenges and opportunities. Industry specificity could then be reserved for when a given risk or focus area is applicable only to one or a small number of industries.

   In addition, we are aware of growing sentiment that consolidation among the diverse entities issuing sustainability-related guidance may be a productive step toward the development of a globally-accepted comprehensive corporate reporting system. We believe a global set of standards would be beneficial to further consistency and stakeholder acceptance and compliance. The SASB’s consideration of establishing some overarching principles may allow for more seamless consolidation of applicable standards and integration with accounting standards, which are largely principles based.

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

   The Invitation to Comment notes that the SASB previously consulted informally on whether to include board governance metrics in its standards, and received feedback that the SASB’s highest value is focusing
on outcomes of environmental, social, and human capital issues that may be indicators of poor governance.

We suggest the SASB consider undertaking formal consultation on this matter, as board governance metrics (e.g., board composition, the board’s oversight role) have increasingly become more important to the investor community and may be a factor that influences investment, lending, or other decisions. In addition, the proposed definition of financial materiality, as outlined in paragraph 23 of the Conceptual Framework, includes a footnote to clarify that investment decisions include decisions relating to stewardship and proxy voting. This suggests governance metrics might be appropriately included within the scope of SASB standards.

3. 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?

We suggest the SASB consider specifically indicating that its definition of materiality is not intended to redefine national legal definitions for the purposes of corporate reporting. While paragraph 26 of the Conceptual Framework indicates that the SASB’s approach is not tied to the laws or regulations of any specific country or regulatory jurisdiction, the additional clarity specific to materiality may be helpful to stakeholders.

4. 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?

We suggest the SASB consider whether the separate listing of the characteristics of sustainability disclosure topics (i.e., financially impactful, of interest to users, prevalent, and actionable) is necessary. First, the topics selected to be addressed in standards should be those identified during the SASB’s due process for standard setting activities, as detailed in the Rules of Procedure. The outreach and research conducted during that process can be presumed to have already considered these characteristics before deciding to add a standard-setting project on a given topic. Second, even if the SASB wanted these characteristics to be assessed under the Conceptual Framework, they appear to be sufficiently captured in the SASB’s existing list of fundamental tenets of standard setting. For example, “of interest to users” is adequately addressed in the tenet “market informed.” “Prevalent,” which the SASB recharacterized based on the prior criteria “relevant across an industry,” is addressed by the existing tenet “industry specific.” We do not believe it is necessary to include characteristics of topics in the Conceptual Framework. We believe this provides an opportunity to reduce redundancies in the document.

Further, we suggest the characteristics of sustainability accounting metrics be re-titled under the broader heading of characteristics of decision-useful information. The IASB and FASB have ongoing long-term projects to improve their conceptual frameworks. Significant effort has been expended on the part of those staffs and on the part of stakeholders responding to several public exposure documents to fine tune what makes information decision useful. In the SASB’s exposure draft, it has refined and combined its existing “principles of metrics” and “technical protocols” to create “characteristics of metrics.” The list of characteristics largely aligns with the IASB/FASB characteristics of decision-useful information. Attributes common between the SASB and IASB/FASB conceptual frameworks are representationally faithful,
complete, neutral, comparable, verifiable, and understandable. Attributes included by the FASB/IASB but not included by the SASB’s are relevancy, timely, and free from error. We believe these three attributes should be added to the SASB’s list of characteristics. Given that the IASB, FASB, and SASB all state as their objective the provision of decision-useful information to investors, consistency in how all entities describe “decision-useful” would be beneficial for stakeholders.

5. **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?**

We agree that the documents are complementary and should be used together, but each document has its own purpose. We believe that in the SASB’s efforts to eliminate redundancy and combine certain elements, it has inadvertently blurred the boundaries of each document’s respective purpose. The Rules of Procedure should govern the manner in which the SASB operates. It speaks to the standard setting process. The Conceptual Framework serves as a guideline for the types of standards that process is intended to produce. Our comments in previous questions and in those that follow are intended to help the SASB better define the purpose of the two documents.

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

Paragraph 13 describes the SASB’s role in the sustainability ecosystem as developing disclosure standards that provide decision-useful information to investors who make decisions based on long-term enterprise value. In deliberating the definition of materiality, the SASB concluded that specifying a comprehensive timeframe was important as it served to disavow the mistaken notion that the SASB is focused on short-term financial performance. We similarly believe the SASB should not imply that it is singularly focused on long-term financial performance. We suggest paragraph 13 be revised to refer generically to enterprise value creation without specifying a time frame. Alternatively, it could refer to short-, medium-, and long-term enterprise value creation to improve consistency.

**Question for Stakeholders - Rules of Procedure**

7. **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?**

We believe the Rules of Procedure provide a clear description of the SASB’s operating procedures. We suggest, however, that the SASB not remove the six guiding principles included in its current Rules of Procedure (i.e., accountability, credibility, transparency, stakeholder consultation, quality, and timeliness). The Basis of Conclusions - Rules of Procedure suggests these principles are being removed because they are largely captured in the fundamental tenets of the Conceptual Framework. As discussed in our response to Question 5, each document has a separate purpose. It continues to be appropriate for the Rules of Procedure to delineate guiding principles to govern the SASB’s standard setting process.

We also suggest the SASB consider adding objectivity, an important consideration in how the SASB develops standards, to its list of Guiding Principles.
8. 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?

Yes, the exposure draft clearly explains the SASB’s activities. We suggest, however, that the SASB resolve an inconsistency in whether post-implementation reviews are part of its formal due process.

Paragraph 37 indicates that the SASB conducts a post-implementation review of new or amended standards to help ensure its standards are accomplishing their intended purpose, including being cost-effective relative to their benefits. It further states that post-implementation reviews are not part of formal due process. However, Figure 3 (paragraph 17) illustrates the due process for standard setting and includes the post-implementation review. We believe post-implementation reviews should be part of formal due process and that paragraph 37 should be clarified to that end. We also believe the SASB should consider establishing a targeted time frame for undertaking such review after the issuance or amendment of a standard.

9. 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?

We believe the ways in which stakeholders can participate in the SASB’s due process is sufficiently clear. However, we noted that the SASB has historically received limited responses to its proposed standards. Without increased feedback, it is difficult to gauge if a standard has met the objective intended in the eyes of the target audience. While the response rate is not entirely in the control of the SASB, we suggest that the SASB consider actions like more public forums, targeted industry roundtables, higher-profile press releases, individual outreach to constituents and industry groups, and extended response periods in order to improve the stakeholder response rate.

10. 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?

We believe the SASB’s governance structure is sufficiently and clearly articulated in the Rules of Procedure.

11. 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?

We do not believe there are any important aspects of policies and practices that are missing from the Rules of Procedure.

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

We have no additional comments.