Conceptual Framework and Rules of Procedure
SASB Standards Board
30th December 2020

Thank you for the opportunity to comment.

Background

Quit Nukes is currently working with Australian financial institutions, starting with superannuation funds, to cut their ties with companies involved in the production of nuclear weapons. We estimate that superannuation funds currently have over A$15 billion invested in these companies and that Australian banks have about A$6 billion in loans to these companies. We have no estimate yet for insurance companies and other investors such as not for profit entities and other investment houses.

There are currently almost 14,000 nuclear missiles worldwide. These are held by 9 nations, with the vast majority in the USA and Russian arsenals.

There have been at least seven near misses in the last six decades.

There is strong evidence that even a limited nuclear war, using less than 1% of the global stockpile, will kill tens/hundreds of millions of civilians in the initial strikes.

The International Red Cross Red Crescent movement has declared no meaningful response is possible.

Even this “small-scale” use of some 100 nuclear weapons against urban targets would, in addition to spreading radiation around the world, lead to a cooling of the atmosphere, shorter growing seasons, food shortages and a global famine, putting up to 2 billion lives at risk.
The scale of destruction and contamination after a nuclear detonation in or near populated areas would cause profound social and political disruption as it would take several decades to reconstruct infrastructure and regenerate economic activities, trade, communications, health-care facilities and schools.

Nuclear weapons are the ultimate weapon of mass destruction and yet the majority of financial institutions do not consider them to be a "controversial weapon" and continue to profit by investing or lending to nuclear weapons companies.

The United Nations Treaty on the Prohibition of Nuclear Weapons (TPNW) will become international law on January 22nd 2021. Nuclear weapons will be illegal - just like chemical and biological weapons, cluster munitions, and landmines.

When the TPNW enters into force, international law will prohibit any assistance whatsoever to anyone producing nuclear weapons. The Treaty has so far been ratified by 51 nations and signed by 86 nations.

As illustrated by Covid-19, predicted low frequency, catastrophic events do occur. A nuclear event is an accident waiting to happen - be it by human or technical error, extremists, hackers or erratic leadership.

We strongly recommend an exclusion from sustainability metrics of companies manufacturing or involved in deploying inherently harmful products banned under international treaty or convention.

Overview
Re: Conceptual Framework
P6
Paragraph 2
In this framework, one objective is to “update assumptions, definitions and data.”

“SASB defines sustainability as, “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.
Use of nuclear weapons will be catastrophic and “significantly compromise the ability of future generations to meet their own needs” as outlined above (Background section).

There needs to be a mechanism/criterion in either the definition or the core principles to exclude companies where the product is the antithesis of sustainability.

Furthermore, the use of nuclear weapons is contrary to a number of the UN Sustainable Development Goals as outlined by ICAN.

Even if a company has the best leadership, diversity and governance, the major product harms mean it has no place in the sustainable investing universe.

Re: SASB Conceptual Framework Exposure Draft:

P26
No. 2 Social Capital.
Impacts on stakeholders need to include death and impact on human rights as a metric. The United Nations Human Rights Committee has since 2018 concluded that the threat or use of nuclear weapons violates the Right to Life.

No. 4 Business Model Innovation.
The impacts of nuclear weapons in the “use” phase illustrates the need for an exclusion mechanism/minimum standard for sustainable classification. This will be applied to companies with business models creating inherently lethal products with indiscriminate impacts on large civilian populations.

The term “Controversial Weapons” which is widely used in the financial sector requires a standard international definition. It needs to include all weapons banned under an international instrument.

P27
No. 5 Leadership and Governance
“Issues captured in this dimension include, anticompetitive practices, ethical conduct of business, and engagement with regulators on environmental, social, and human impacts.”
Ethical conduct and engagement with regulators mean United Nations treaties and the international laws they create need to be included in this dimension.

Re: Fundamental Tenets of SASB’s Approach to Standard Setting

P 28
No. 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.”

Health experts, environmental experts and evidence-based research outputs need to be recognised and prioritised over vested industry advocacy.

P 30
Item 26
A few large aerospace and defence companies are involved in the production of nuclear weapons. It is not transparent as to what percentage of each companies’ assets are allocated to nuclear weapons production and sustainment and what percentage of revenues they derive from nuclear weapon production activities.

It would be useful to establish an audit provision to ensure companies provide accurate reporting of such activities for investors and financiers.

P32
Item 36
When considering which sustainability disclosure topics to include in an industry standard, “Prevalence” and “Actionable” are not sufficient. Currently there are only 25 companies globally involved in nuclear weapons production, yet the impact of use of their products is extremely large.
Quit Nukes recommends a third category “Global impact” for industries where there is a small number of companies whose products have major adverse global impacts on mortality and human rights.

**Re: SASB RULES OF PROCEDURE Exposure Draft**

P41

Items 9 & 10

Health experts, environmental experts and evidence-based research outputs need to be recognised, consulted and prioritised over industry advocacy.

Currently index setters are based in nuclear armed nations and it is unknown to what extent nuclear weapons companies currently influence index setters to include their companies in the various indexes. These indexes of course have a huge impact on passive investors.

P42

Items 12 & 13

As above.

**Question 1 Global applicability**

Sustainability has global impacts and most large companies operate globally. It is entirely appropriate that information should be relevant, reliable and comparable across companies on a global basis.

However, the lethal and indiscriminate impacts of product use and illegality under international law are also financially material in sustainability accounting as noted.

**Question 2 Approach to governance**

Approach to governance is clear. Assessment of governance criteria regarding actual and potential risk to environment, society and human capital is key to evaluation of sustainability. Actual humanitarian and health impacts must be included. International law and UN treaties also need to be incorporated into the governance criteria.

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

The goal of these standards is to provide greater transparency and comparability.
There needs to be a minimum standard before a company can be considered for sustainability accounting.

The draft discusses five dimensions of sustainability. (Paragraph 17) Both “Social capital” and “Business model and innovation” are relevant in the rating of companies making inherently harmful products, such as nuclear weapons.

Companies that produce nuclear weapons and other indiscriminately harmful products warrant a standard setting update and creation of a category where the inherent lack of sustainability is transparent and they are excluded from sustainability credentialling.

Good performance on every other metric does not make use of products any less catastrophic, and may mislead investors.

Question 6.
Additional comments
Companies involved with massively harmful products have no place in an accounting framework used to identify sustainability for investors and others.

For nuclear weapons, even a very limited nuclear event (<1% of current stockpiles) would indiscriminately kill tens of millions of civilians and cause a subsequent decade long nuclear winter.

The effects on financial market volatility and company valuations could be expected to be extreme.