



Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111
(415) 830-9220
sasb.org

30 April 2020

Olivier Boutellis-Taft, CEO
Accountancy Europe
Avenue d'Auderghem, 22-28/8
B-1040 Brussels

Dear Mr. Boutellis-Taft:

The Sustainability Accounting Standards Board (“SASB”) respectfully submits this letter to express its views on the Accountancy Europe Cogito paper, “Interconnected Standard Setting for Corporate Reporting” (December 2019). Thank you for the opportunity to comment on the paper, and thank you to Accountancy Europe for providing thought leadership on this important topic.

1. As a preliminary matter, we want to describe SASB’s interest in the matters addressed in the paper. SASB’s mission is to establish industry-specific disclosure standards that facilitate communication between companies and investors about performance on financially material sustainability issues. SASB envisions an investment universe where a shared understanding of companies’ sustainability performance enables companies and investors to make informed decisions that drive improved sustainability outcomes and create long-term value.

SASB standards are intended to capture sustainability matters that are financially material — meaning reasonably likely to impact financial performance or condition. Standard-setting is accomplished through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation. SASB believes that standards are an important tool to ensure that companies and investors have access to comparable, consistent and reliable information to inform decision making.

SASB was founded in 2011. Although initially focused on the US, over the course of its work SASB found that there was significant demand by both non-US investors and US investors for the type of standards that SASB was developing, reflecting the fact that investors – regardless of domicile – often manage global portfolios and want globally consistent information. We received similar feedback from multi-national companies with global operations that benefit from globally consistent standards. Thus, the SASB governing board determined to globalize SASB’s standards-setting process and outreach.

In a short time, the results have been substantial. In 2019, 62% of SASB references were made by companies domiciled outside of the United States, representing 42 different countries, including Canada, Japan, France, South Korea and Spain. Further, of the 416,000 downloads of the SASB standards between 2013-2020, 52% were from outside of the US and 24% originated

from Europe. 38% of the members in SASB's Investor Advisory Group are domiciled outside the US, with members from Denmark, France, Japan, The Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. Thus, our own experience has demonstrated the need for a global system of standards to guide disclosure of ESG information, and we strongly support the development of such a system that would meet the needs of investors and all stakeholders. We are working with our colleagues on the Corporate Reporting Dialogue and the Impact Management Project to help design such a system.

2. We agree with the rationale for and premises of the Cogito paper. ESG disclosures currently lack consistency and comparability, and hence there is a need for an "interconnected standard setting for corporate reporting," that is, a "global framework and/or standard" that connects ESG information to financial information. We also agree that the promotion of "high-quality measurement and disclosure" of ESG information is a "key role" role for the accounting profession, especially given that ESG information increasingly informs decision making in the global capital markets.

3. While SASB's standards address topics that are reasonably likely to be financially-material, we agree with the Cogito paper that materiality determinations in this area are difficult to make and that "the impacts that the company has on society and the environment can also affect the ability to create long-term value." Indeed, materiality in this context is fluid and dynamic. The concept of materiality is also significantly influenced by the time horizon of the decision maker. Thus, many investors and other stakeholders are interested in matters that evolve over long time horizons, including information relating to a company's broader environmental or societal impacts.

Establishing standards for sustainability disclosure is challenging because of the broad array of stakeholders who are interested in the information and the wide variety of use cases for the information. Accordingly, we believe that the concept of "double materiality" – a phrase used by the EU in its consultation on the NFRD Directive -- is useful in this context. A global system of standards could be developed using a "building block" approach, acknowledging that a system of standards is needed to meet the needs of multiple users and multiple regulatory jurisdictions around the world. SASB and GRI standards, built with independent oversight, due process and market input, are core building blocks of such a system, with the SASB standards meeting the need for financially material information and the GRI standards meeting the need for information about environmental and social impacts. Further, the recommendations developed by the Task Force on Climate Related Financial Disclosure (TCFD) provide important guidance regarding disclosure of governance, strategy, risk management, and targets/metrics related to climate risk, and we believe that companies could make similar disclosures regarding oversight of all financially material sustainability issues. Similarly, we believe the framework developed by the Climate Disclosure Standards Board (CDSB) provides important principles to ensure high quality reporting on climate risk, and many of these principles can be applied to a broader set of sustainability issues. The concepts set forth in the Integrated Reporting (IR) framework provide the connectivity between traditional financial accounting and sustainability disclosure. Therefore, the "building blocks" of a cohesive solution that meets the needs of all stakeholders exists today. What is needed is:

- a clear articulation of how the pieces fit together,
- harmonization of structural "architecture", so that similar concepts are expressed using the same language and any duplication eliminated,

- global “legitimacy” for such a system, as has been established for financial accounting standards through the work of the IFRS Foundation and the Financial Accounting Foundation.

4. We appreciate the EU’s desire for public sector oversight and governance of the process for setting sustainability disclosure standards. In many standards-setting processes there is a tension between regional control and international consistency. We believe it is possible to achieve both of these objectives by building upon the SASB and GRI standards, along with the work of the TCFD, CDSB, and IR frameworks.. These are recognized internationally and provide a foundation for international consistency. Specific countries and/or regions could adopt or amend these standards with a process and governance similar to that used for international financial accounting standards, and could also prescribe incremental disclosure requirements that are tailored to regional policy objectives.

Thank you again for the opportunity to submit comments. If you have any additional questions or comments, please contact me at Janine.guillot@sasb.org

Sincerely,

A handwritten signature in black ink, appearing to read "Janine Guillot". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Janine Guillot, CEO
Sustainability Accounting Standards Board