

Jeffrey Hales
Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA94111

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SASB Conceptual Framework Exposure Draft

We support the aims of the SASB's revisions to its Conceptual Framework to enable it to be more suitable for global application. We set out below our views on how the SASB framework and standards could be adapted further to make them more mainstream.

Globally applicable sustainability accounting standards

Principles-based vs Industry-specific

Many global financial reporting frameworks and standards are principles-based. Therefore, we consider that it is important for the SASB to demonstrate how its industry specific standards could be used within principles-based reporting frameworks.

For use outside the US, we suggest presenting the Sustainability Dimensions first followed by the sector specific standards. For example, the Strategic Report in the UK requires companies to provide information on 'environmental matters', when material. We can see that the metrics set out in the SASB standards would give further guidance to companies on how to report on these matters in a comparable and consistent manner. Similar requirements also exist in the EU Non-Financial Reporting Directive which will be the basis on which Europe will develop its standards on non-financial reporting.

We consider there is scope to provide an internationally applicable version of Figure 4: *Structure of the SASB Standards*. For this purpose, we suggest the following structure - Sustainability Dimensions, followed by the General Issue Categories (GIC) that are industry agnostic. The figure could then show how these could be applied to specific industries – Disclosure Topics and Metrics. Ideally it would be helpful for those that are not familiar with the application of the SASB standards to understand if and how the metrics map directly to the Sustainability Dimensions and GIC.

We note the recently published IFRS Foundation consultation proposing the introduction of a Sustainability Standards Board. We support global standards for sustainability over the longer term and see the SASB framework as a step towards that aim to improve the quality and consistency of reporting in the interim. We therefore recommend that the SASB considers how it might work with the IFRS Foundation to determine how SASB standards could converge with standards set by any new international standard setting board.

Mapping to national reporting frameworks

We also believe that it would be helpful for the SASB to work with the national standard setters that are encouraging the use of SASB standards to demonstrate how these can be applied at a local level. We believe that these could be developed as case studies and could assist those countries not currently engaged with the SASB's work to see how SASB standards could work in their jurisdiction.

Five dimensions of sustainability

We believe that the five dimensions of sustainability are attempting to cover different themes which could benefit from separation and expansion in some areas.

Environment, social capital, human capital - These cover sustainability topics which meet the definition of sustainability reporting as set out by the SASB. These could evolve over time to incorporate new topics that become relevant in the future.

Business model – We support the idea that environmental, social and human capital matters should be considered in the context of a company's business model. However, we believe that this dimension needs to be more comprehensive and linked to information in the MD&A or management commentary e.g. strategy, risks.

Governance – Good governance underpins good reporting. However, we believe that governance relating to environmental, social and human capital should be excluded from the dimensions to avoid potential overlap with local requirements. As noted in the Questions for Stakeholders many countries, including the UK, have established Corporate Governance Codes and SASB standards could potentially conflict with these.

Definition of financial materiality

We support the SASB's focus on financial materiality and the efforts to align the definition of materiality with international standards. That said, we are unclear on the meaning of the term 'enterprise value' and 'enterprise value creation' used elsewhere in the document and believe that there would be benefit in defining these in the glossary. If the intention is to refer to 'value creation for the company', using those terms may be clearer.

Characteristics of topic and metric selection

Metric characteristics

We are not convinced that the metric characteristics are exclusive to reporting of metrics. The metrics that the SASB has set out are similar to the qualitative characteristics of financial reporting in the IASB's *Conceptual Framework*. We therefore recommend that these are elevated to being characteristics that apply across the SASB standards.

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

The Conceptual Framework ED includes the fundamental tenants of SASB's approach to standard setting and a summary of the SASB's approach to standard setting. We consider that these would be better placed as part of the Rules of Procedure rather than in the Conceptual Framework as they set out the SASB's due process.

Additional comments

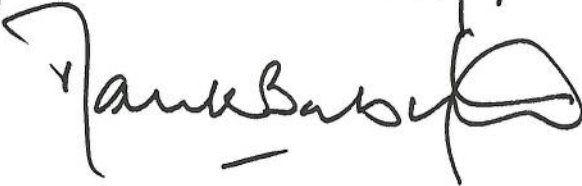
Board membership

As SASB develops its global reach, we recommend, that members of its Foundation Board and Standards Board include those with expertise in standard setting at a national and international level.

FRC's standard setting role and collaboration

The UK Financial Reporting Council has extensive experience in standard setting and the development of frameworks for narrative reporting. We are responsible for the FRC's Guidance on the Strategic Report¹ which provides an overarching framework for reporting financial and non-financial information. As you are aware, we also recently published our thought leadership paper on the Future of Corporate Reporting² which includes some ideas for a principles-based framework for corporate reporting as a whole which includes sustainability reporting. We would welcome further opportunities to collaborate with you and share our experiences of developing standards and guidance.

If you would like to discuss these comments, please contact Deepa Raval on d.raval@frc.org.uk.

Yours sincerely,


Mark Babington
Executive Director, Regulatory Standards
DDI: 020 7492 2323
Email: m.babington@frc.org.uk

¹ The Guidance is available at <https://www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf>

² The paper is available at <https://www.frc.org.uk/getattachment/cf85af97-4bd2-4780-a1ec-dc03b6b91fbf/Future-of-Corporate-Reporting-FINAL.pdf>

