

21 December 2020

Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111
USA
By email only: comments@sasb.org

Ladies and Gentlemen

Proposed Changes to the SASB Conceptual Framework and Rules of Procedure

Deloitte Touche Tohmatsu Limited is pleased to respond to the Sustainability Accounting Standards Board's ('the SASB's') exposure draft *Proposed Changes to the SASB Conceptual Framework and Rules of Procedure*.

We support the Board's initiative to review these two documents to ensure that they describe clearly the concepts on which SASB Standards are based and the procedures that the organisation follows when developing, issuing and maintaining a SASB Standard. This review is especially timely in light of the ground-breaking developments that have taken place since the consultation was published. This includes the consultation by the IFRS Foundation on whether to establish a Sustainability Standards Board, and the related possibility of global sustainability standards. SASB has contributed to a vision for a comprehensive corporate reporting system in a *Joint Statement of Intent to Work Together Towards Comprehensive Corporate Reporting* (11 September 2020) and an Open Letter to Eric Thedéen, *Working together to meet the needs of the capital markets* (30 September 2020). These include support both for the proposals of the IFRS Foundation and a commitment to work towards the vision set out in the Statement of Intent.

SASB is also co-publisher of *Reporting on Enterprise Value: Illustrated with a prototype climate-related financial disclosure standard* (18 December 2020)¹ The paper explicitly acknowledges that **standard-setting for sustainability-related financial disclosure is a natural extension of the IFRS Foundation's current role and provides insight into how such an ambition can be achieved by building on content that already exists**. In particular, the paper sets out how the International Accounting Standards Board's *Conceptual Framework for Financial Reporting* can form the conceptual basis for sustainability standard-setting, allowing for adaptations that are needed for financial-related sustainability disclosures. We welcome the

¹ CDP, CDSB, GRI, IIRC and SASB: [Reporting on Enterprise Value: Illustrated with a prototype climate-related financial disclosure standard](#)
[Hereafter referred to as *Reporting on Enterprise Value*.]

joint paper as an important contribution to the establishment of global standards and which can accelerate the work of a new Sustainability Standards Board under the umbrella of the IFRS Foundation.

As a result of these developments, we believe it is important that SASB take this opportunity to ensure maximum alignment of both the SASB Conceptual Framework and the Rules of Procedure with global best practice (in particular the corresponding documents of the IFRS Foundation), in order to facilitate moves towards global sustainability standard setting. We therefore recommend that SASB now moves to adopt the approach set out in the joint paper.

Further, the global developments since the Exposure Draft was issued will increase the international profile of the organisation, especially as SASB joins with the IIRC to create the Value Reporting Foundation. This may also affect the concepts and procedures over time, although we note that SASB Standards will continue to be developed based on these documents.

Just as the “disclosure standards and frameworks help create a foundational layer of high-quality, company reported information which the rest of the eco-system can rely on to support more efficient markets and more effective decision-makings”, so the conceptual foundations underlying the development and maintenance of those standards and the related processes and safeguards surrounding that development become of increasing importance to all stakeholders.

Our experience with the IASB and the Financial Accounting Standards Board is that the Conceptual Framework stands alone and has a distinct purpose: it aims to explain the concepts underlying standards and it should not attempt to cover due process or other topics. Similarly, the Rules of Procedure provide a clear and concise description of how SASB Standards are developed and maintained, and how the integrity of the standard-setting process is protected by the oversight of the SASB Foundation. Both documents are important, but they have different roles to play and should not be conflated or confused.

We have provided more detailed comments in response to the questions in the Invitation to Comment in the appendix to this letter.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884, or Kristen Sullivan in Stamford, Connecticut at +1 203 708 4593.

Yours sincerely,



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Appendix

SASB Conceptual Framework

Question 1 – Globally applicable sustainability accounting standards

When SASB was founded, many of the definitions referenced in its Conceptual Framework were based on U.S. regulation and context, and SASB's initial focus was on developing standards for U.S. public companies. Prior to codifying its standards in 2018, SASB's engagement with companies and investors, many of whom operate in a global context, resulted in SASB recognizing that its Standards would best fulfill global companies' and investors' missions by reflecting the global nature of capital markets. As a result, the mission of SASB officially changed in 2018 to say that the organization's mission is "to establish industry-specific disclosure standards across environmental, social and governance topics that facilitate communication between companies and investors about financially material, decision-useful information. Such information should be relevant, reliable and comparable across companies on a global basis." (See Conceptual Framework exposure draft, paragraph 5).

While the Standards Board believes that the fundamental concepts as discussed in the 2017 Conceptual Framework were consistent with standards that are intended to be used on a global basis, the Conceptual Framework exposure draft further articulates and emphasizes this aspect of SASB's approach standard setting.

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?

Yes. We think that the concepts described in the SASB Conceptual Framework exposure draft are appropriate for a global sustainability standard-setting organisation.

However, we think that SASB should take the opportunity afforded by the revision to achieve greater alignment with the concepts relating to international financial reporting standards. The rationale for this has been set out in *Reporting on Enterprise Value* that SASB has co-published in December 2020. That paper notes: 'our experience suggests that the IASB's existing *Conceptual Framework for Financial Reporting* shares many common components with sustainability-related financial disclosures but would need to be adapted to fully capture the additional information set that is intended to provide insight into all of the drivers of long-term enterprise value.'

We therefore believe that SASB should consider the potential to align the structure of its Conceptual Framework more closely with the IASB Conceptual Framework. Those parts which are consistent with SASB's approach could be adopted or aligned. Those areas that are necessary to the concepts relating to sustainability standards material in the context of enterprise value creation could be expanded, particularly those addressing the connectivity between sustainability and financial information.

In relation to the current draft the SASB Conceptual Framework, SASB should clarify the role of the SASB Conceptual Framework in its approach to standard-setting. Applying the purpose of the IFRS Conceptual Framework for Financial Reporting would mean the purpose of the SASB Conceptual Framework would be as follows:

- a) assist [or guide] the SASB Standards Board and technical staff to develop SASB Standards that are based on consistent concepts;
- b) assist preparers to develop consistent metrics when no SASB Standard applies to a particular phenomenon that the reporting entity wishes to report; and
- c) assist all parties to understand and interpret the SASB Standards.

We would encourage the attributes of financially material, decision-useful information described in the SASB Mission Statement to be included and discussed in the SASB Conceptual Framework. We see

relevance, reliability and comparability across companies and over time as fundamental qualitative characteristics of decision-useful information, and as such should be discussed in the SASB Conceptual Framework.

However, whilst we think it important that the SASB Conceptual Framework should explain how the Standards Board uses it in practice, care is needed to avoid confusing standard-setting (processes and activities) with the foundational concepts that the Standards Board uses when developing SASB Standards. We explain our concerns in greater detail in the responses to Questions 5 and 7, below.

We think for example that close alignment exists already in matters such as:

- the purpose of the conceptual framework
- the objective of standards
- the users that the standards are designed to serve
- characteristics of useful information.

We think additional elaboration for sustainability standards will be needed to cover matters such as:

- definition of sustainability as applied by SASB
- materiality as it applies to sustainability standards in the context of enterprise value creation (see Q3 below)
- certain aspects of characteristics of useful information (see Q4 below).

Question 2 – Approach to governance

The SASB Standards do not include traditional corporate governance topics and metrics, such as board composition, board structure, shareholder rights, and executive compensation. Such corporate governance topics, while widely viewed as value-relevant, are not included within the scope of SASB's standard-setting activities because:

- The SASB Standards are intended to be globally applicable, and corporate governance requirements are often determined by laws and norms that vary significantly across regions.
- Corporate governance codes have been established for many regions of the world, and investor expectations regarding disclosure and corporate governance practices have been clearly established by global and regional investor networks. The Standards Board does not wish to duplicate the work of these investor networks as such efforts would not aid the SASB mission in furthering decision-useful information for investors, in the Board's view.
- SASB has previously consulted informally on whether to include board governance metrics in the standards, and received feedback that SASB's highest value is focusing on outcomes of environmental, social and human capital issues that may be indicators of poor governance (e.g. safety issues, regulatory fines).

Although detailed board governance metrics are outside of the scope of the SASB Standards, governance and risk oversight related to environmental, social capital, and human capital topics are not. The Board views disclosures related to the oversight of environmental, social capital, and human capital topics as indicators of effectiveness in the management of such topics. As a result, disclosure topics and sustainability accounting metrics related to this form of governance and risk oversight appear in certain SASB Standards, as appropriate. Commonly, such disclosure topics fall within the Leadership & Governance sustainability dimension (see part 5 under paragraph 17 for a description of this sustainability dimension). Furthermore, SASB's Standards Application Guidance suggests that, for disclosure topics in the in Standards, companies disclose (Section 5.0):

- a. The entity's governance around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.
- b. The entity's strategic approach regarding actual and potential impacts of topic-related risks and opportunities on the organization's businesses, strategy, and financial planning, over the short, medium, and long term.
- c. The entity's process to identify, assess, and manage topic-related risks, and how these risks are integrated into the entity's overall risk management process.
- d. The entity's use of metrics or targets to assess and manage topic-related risks and opportunities

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

We believe that the approach to governance (as set out in Section 5.0 of SASB's Standards Application Guidance) is appropriate in its direction and sufficiently clear. We agree that entities should disclose how sustainability topics are integrated into governance, risk, strategy and performance. This is consistent, for example, with the approach adopted by the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI). Users also expect this information to be disclosed in order to assess the extent to which sustainability information is embedded into the organisation's overall governance and strategy, and in order to enhance confidence in the reliability and quality of the metrics and related information disclosed in accordance with SASB Standards.

We do not think that this approach needs to be set out in the Conceptual Framework. However, we agree that it is important that expectations are set in regard to disclosures on governance in application guidance. Consequently, we encourage SASB to consider expanding its guidance on this matter. TCFD, for example, includes disclosures that could be incorporated into guidance. Consideration could be given to including disclosures such as:

- The processes and frequency by which the board and/or board committees are informed about sustainability issues;

- Whether and how the board considers sustainability issues when reviewing and guiding strategy, risk management policies, annual budgets and business plans, as well as in setting performance objectives, monitoring implementation and performance, and overseeing major capital expenditures and transactions;
- How the board monitors and oversees progress against goals and targets for addressing sustainability issues;
- The means by which management reports to the board on sustainability issues and performance;
- A description of the organisational structures in relation to sustainability issues, including what responsibilities for sustainability issues have been assigned within the entity;
- The processes through which management is informed on and monitors sustainability issues; and
- The extent to which material sustainability topics are incorporated into remuneration policy and related metrics and targets form part of incentive plans.

Further, while we accept the basis of the rationale as to why corporate governance topics and metrics are not included in SASB standards, we nonetheless believe there are aspects of corporate governance that have the potential to be financially material. Companies are increasingly making a public commitment to create value for their stakeholders. In connection with creating long-term value, it is essential that boards have the right composition and establish a culture that is consistent with those commitments. Relevant topics for disclosure may therefore include:

- Board composition, including competencies on sustainability topics, and diversity and inclusion;
- Director training on culture, values and ethics and the board's oversight of implementation and compliance throughout the entity; and
- Director remuneration policies in relation to sustainability issues.

SASB could refer to section 4B of the International Integrated Reporting Framework or the section in the WEF/IBC project Measuring Stakeholder Capitalism on principles of governance in considering this matter further.

Question 3 – Definition of financial materiality

The Standards Board is seeking to improve and clarify the definition of financial materiality using language that is reflective of standards that are intended to be globally applicable (see above in the “Basis for Conclusions” for further discussion on the Board’s rationale for the proposed revision). The Standards Board is not seeking to change the intended scope of its definition, but rather to align, where possible, with the language used by other standard setters who, like SASB, are focused on the information needs of capital providers. The revised definition of financial materiality reads as follows (see Conceptual Framework exposure draft, paragraph 23):

“For the purpose of SASB’s standard-setting process, information is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short-, medium- and long-term financial performance and enterprise value.”

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 agree that SASB should develop standards that provide information that is relevant to enterprise value creation, and therefore important to investors and others making financial and economic decisions. As we noted in our comment letter to the IFRS Foundation Trustees’ *Consultation Paper on Sustainability Standards*, ‘sustainability reporting standards viewed through the lens of investors and capital market participants (i.e., materiality focused on enterprise value/financial materiality) will attract the broadest range of global support and promote the international consistency needed by global capital markets.’ This approach would also facilitate achieving better connectivity between financial and sustainability information, to which we referred in our response to Question 1, above.

We support this definition of materiality, and note that it is consistent with the concept of nested and dynamic materiality (explained in the Joint Statement of 11 September 2020)². We think this is a useful way of explaining how financial materiality relates to sustainability topics that are material to enterprise value creation and the interconnection with wider sustainability topics.

Question 4 – Characteristics of topic and metric selection

The Standards Board is seeking to clarify the concepts that guide its development and selection of disclosure topics and sustainability accounting metrics in the Conceptual Framework exposure draft. These proposed changes to “Characteristics of Decision-useful Information” are primarily focused on revising the characteristics to improve their clarity and connection with the core objectives, reduce redundancies, and address any perceived gaps. See above in the “Basis for Conclusions” for further discussion on the Board’s rationale for the proposed revisions and the Conceptual Framework exposure draft, paragraphs 33-41, for the proposed characteristics.

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?

The discussion of the Characteristics of Decision-useful Information is well-focused and appropriate. We would, however, strongly encourage adopting as far as possible the IASB’s Conceptual Framework. This will enable stakeholders and other interested parties to assess the alignment (which is already strong), and will lead to greater confidence in the underpinning of the SASB Standards. For example, we see considerable alignment already on the fundamental concepts of relevance, materiality, faithful representation, completeness, comparability and verifiability. Additional characteristics in the context of

² CDP, CDSB, GRI, IIRC and SASB: [Statement of Intent to Work Together Towards Comprehensive Corporate Reporting](#), 11 September 2020

sustainability reporting would address, for example, the tendency of sustainability topics to impact enterprise value creation over extended time horizons, and take into account risks and sustainability matters in the supply/value chain. We note that these adaptations are set out in *Reporting on value creation*.

In pursuit of adoption and alignment with the IASB Conceptual Framework, we note that concepts that are fundamentally the same in both frameworks and consistent with SASB's approach (e.g., objectives and limitations, fundamental characteristics, materiality, etc.) could readily be addressed in the same or similar manner and in the same order (expanding on those areas that are necessary to the concepts relating to sustainability standards material in the context of enterprise value creation), so that users of the SASB Conceptual Framework can understand the alignment between the two where that alignment is intended to exist.

Finally, we think that Figure 4 would benefit from better explanation and its purpose as part of a section addressing the dimensions of sustainability made clearer, or else deleted. In the exposure draft it has little connection to the material that precedes it and none to the chapter that follows.

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

The Conceptual Framework exposure draft articulates the Standards Board's conceptual approach to sustainability accounting and standard setting. The Rules of Procedure exposure draft translates aspects of SASB's approach that are outlined in the Conceptual Framework into specific operating procedures and due process practices. As such, the documents are complementary and are intended to be used together to depict SASB's approach to standard setting.

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?

Our experience with the IFRS Foundation (and the Financial Accounting Foundation) is that the Conceptual Framework stands alone and has a distinct purpose (as we noted in our response to Q1, above) that is unrelated to due process. A conceptual framework aims to explain the concepts underlying standards and it should not attempt to cover due process or other topics. Consequently, we suggest Section 4 of the SASB Conceptual Framework be removed.

Question 6 – Additional comments

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

We see the SASB Conceptual Framework (as we do the IASB Conceptual Framework) as a living document that will be developed over time. This will allow consideration to be given to progressive adoption of the IASB Conceptual Framework, for example. In addition, a significant amount of conceptual thinking may take place during the development of a Standard, and it is appropriate to incorporate concepts developed in a Standards-level project into the Conceptual Framework. We encourage the SASB to adopt a similar approach.

SASB Rules of Procedure

Question 7 – Operating procedures, standards updates

A primary objective of the Rules of Procedure exposure draft is to articulate, at a high level, how the SASB Standards are updated or revised. A clear description of this process was viewed by the Standards Board as important in enabling stakeholders to understand the standard-setting process, including how they can engage in the process. The “Operating Procedures” section of the document (paragraphs 7-36) is designed to define the process, including the objectives and requirements of each step of the process.

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 think that the proposed Rules of Procedure should provide a clear and complete description of the Standards Board’s operating procedures. We think that the Rules of Procedure should complement the SASB Bylaws (which provide the ‘minimum safeguards’ of due process), and detail how SASB Standards are developed and maintained, and how the integrity of the standard-setting process is overseen and maintained. However, in our view, the SASB Bylaws, Rules of Procedure and the SASB Conceptual Framework should each serve a unique purpose and not be confused or conflated.

In our view:

- SASB Foundation Bylaws (the equivalent of the IFRS Foundation Constitution) provide the legal and operational structure for both standard-setting and oversight, and provides *minimum safeguards* to preserve the integrity of the standard-setting process. These minimum safeguards are the fundamental elements of due process. The Bylaws also define the role of the SASB Foundation Board of Directors (SASB Foundation Board) and describe how they exercise oversight of the Standards Board.
- Rules of Procedure should explain clearly how a SASB Standard is developed, issued and maintained. They describe in greater detail the due process adopted in practice, sufficient to enable a constituent to understand the mandatory and optional steps throughout the standard-setting lifecycle.
- The Conceptual Framework contains the fundamental concepts underpinning the standards.

Consistently with our comments on the SASB Conceptual Framework, we disagree with the Standards Board’s approach of intermingling SASB’s Rules of Procedure with the SASB Conceptual Framework. Further, and consistently with our comments on the SASB Conceptual Framework, we suggest that the Rules of Procedure be restructured to align as far as possible with the Due Process Handbook of the IFRS Foundation.

The Rules of Procedure should be structured logically and describe:

- what happens when
- how and when decisions are made
- when advisory committees are consulted
- the points in the process at which the Oversight Committee is consulted
- when a public Invitation to Comment is required

- what activities are (or might be) undertaken during the comment period
- comment letter analysis and post-comment period outreach (where necessary)
- re-deliberation and balloting, and
- issuing the Standard.

We note that The Rules of Procedure do not mention how SASB Standards are maintained, including how issues in practice are resolved. We note the comments in the Basis for Conclusions about the lack of evidence for a fixed review cycle, and the comment that post implementation reviews are ‘not part of the formal due process’ (paragraph 37). However, we consider that post-issuance and post-implementation activities are an essential part of due process. We suggest that consideration be given to highlighting how the regular monitoring and research activities described in paragraphs 9-11 might inform the effectiveness and continued relevance of and/or revision to a Standard or SASB metric.

Oversight of the Rules of Procedure

We note that the SASB Bylaw 3.3 states that that the SASB Foundation Board “shall...provide oversight, on an ongoing basis, over the activities of the SASB [i.e., the Standards Board] and its due process practices, policies and procedures...” However, Bylaw 9.4 states “the SASB shall have exclusive authority to alter, amend, supplement, repeal and adopt SASB Rules of Procedure, with or without notice, hearings, or exposure, with the approval of a majority of its members, provided that the Rules of Procedure do not conflict with the provisions of the Corporation’s Articles of Incorporation or these Bylaws.” In a global context, the unilateral power granted or implied by Bylaw 9.4 to change the Rules of Procedure ‘without notice, hearings or exposure’ is highly problematic.

In our view, the SASB Foundation Board, and in particular the Standards Oversight Committee, should be co-developers of the organisation’s Rules of Procedure, whilst the SASB Foundation Board should be formally responsible for them. This separation is necessary for the SASB Foundation Board’s oversight of the Standards Board to be, and be seen to be, independent and effective. We recommend that consideration be given to making it explicit that the SASB Foundation Board are responsible for issuing and maintaining the Rules of Procedure, and that the Standards Board is accountable to the SASB Foundation Board for adhering to the letter and spirit of those Rules of Procedure.

Question 8 – Operating procedures, standard-setting agenda

An important phase in the standard-setting process (as described in the “Operating Procedures”) is the point at which a project is defined and added to the standard-setting agenda by the Standards Board, as this represents the initiation of standard-setting. As described earlier in this document, the Standards Board sought to clarify the process by which standard-setting activities may be initiated through its project-based model. Standard-setting activities may ultimately result in revisions to the SASB Standards.

This process begins with research and consultation that is generally performed by the technical staff (and is overseen by the Standards Board). Such research and consultation is typically informal in nature and is intended to assess whether or not standard-setting is required and/or desirable. If such research and consultation suggest the need for standards-setting, the Standards Board may consider adding a project to the standard-setting agenda. (See the Rules of Procedure exposure draft, paragraphs 9-21).

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?

We suggest that the Rules of Procedure provide for *optional* (non-mandatory) due process documents (e.g. a Request for Views or Discussion Papers) that might be used during the early stages of a project, particularly for emerging issues for which metrics are needed but for which an appropriate approach is not evident, or where there is already diversity in practice. Other non-mandatory steps that would help the Standards Board to understand constituents’ views in a more unstructured manner should also be included in the Rules of Procedure, e.g., public hearings, user, preparer or other fora, roundtables, etc. (see also Q9).

We also suggest that SASB request formal input on its agenda and relative priorities on a periodic basis via a general, public Invitation to Comment. This will provide high quality evidence for the Standards Board that can serve to validate the Board’s assessment. The IASB and FASB’s five-yearly agenda consultations have proved useful, especially in connection with interactions between the standard-setters and regulators and policy makers.

The Rules of Procedure should state the normative comment period for due process documents, as well as the minimum period for which a proposal can be exposed. We recommend also that the Oversight Committee approve the comment period proposed for a particular due process document.

Question 9 – Stakeholder participation in standard setting

A section has been added to the end of the Rules of Procedure exposure draft to highlight the multiple times at which and ways in which stakeholder engagement is possible and encouraged. (See Rules of Procedure exposure draft, paragraphs 39-41).

As is explained in the Conceptual Framework exposure draft, the Standards Board is committed to market engagement and input. Two of SASB’s fundamental tenets are “Market-informed” and “Transparent”; the Standards Board and technical staff actively solicits input and carefully weighs the perspectives of standards users and external stakeholders and views transparency of its standard-setting processes as vital for high-quality stakeholder engagement. As a result of these beliefs, the Standards Board has included a new section in the Rules of Procedure exposure draft (titled “Summary of Sources of Market Input”) to clearly describe how the public can engage in SASB’s standard-setting process.

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?

The Rules of Procedure should be clear about when a public invitation to comment is *required* and when it is non-mandatory/ optional, and should draw on the relevant sections of the SASB Foundation Bylaws. Transparency in respect of interactions with stakeholders is critical and a matter of sensitivity in many jurisdictions.

The document should discuss in greater depth how SASB endeavours to hear from constituents in a structured way. These might be *private* (i.e., through targeted outreach with specific companies, users, preparers, regulators, etc.) or *public* (e.g., public meetings of particular constituents – preparers, users, civil society, etc.). Private meetings can never substitute for public, on-the-record, input or feedback. Public events may be considered a means of obtaining general public feedback on a proposal (see our comments on Q8, above).

The document should identify the *public* fora in which the Standards Board may solicit input to and feedback on standard-setting activities (e.g., Advisory Committee meetings, public hearings, roundtables, etc.). The document should also specify when such interactions are mandatory (e.g., when the Standards Board is required to discuss a project with the Advisory Committee or the SASB Foundation Board/Oversight Committee), and when they are optional. Formally established Advisory/ Consultative bodies should have established terms of reference, and these should be publicly available. It would also be useful to indicate the circumstances in which roundtables, public hearings, etc., might be convened, as this will aid the consistent use of such meetings.

Similarly, it should explain when the Staff or Standards Board members might undertake *private* outreach to inform (or receive views from) constituents or to test proposals before a SASB Standard is proposed or issued. Field testing can provide valuable evidence that a proposed standard or metric can be applied in practice and/or provides the information it is designed to do.

Question 10 – Governance structure

The governance structure of the SASB organization, including the roles and responsibilities of its Foundation Board of Directors and the Standards Board, is more clearly and succinctly articulated in the Rules of Procedure exposure draft than it is in the current Rules of Procedure. (See Rules of Procedure exposure draft, paragraphs 5-6).

The revised Rules of Procedure is largely focused on the activities of the Standard Board. As such, it only refers the governance role that the Foundation Board has in overseeing the work of the Standards Board. But the revised document no longer discussed the details of the Foundation Board or how the Foundation Board carries out its oversight duties. That information, including the Foundation Board’s membership, its committee structure, and its committees’ roles and responsibilities can be found on SASB’s website.

An effort was also made to make the Rules of Procedure more readable. As such, technical details on the Standards Board appointments, roles, responsibilities, and voting procedures can be found in the SASB Bylaws, as excerpted in the Appendix of the Rules of Procedure exposure draft, but are not repeated in detail in the main body of the document.

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?

The Rules of Procedure should be a comprehensive document describing how SASB Standards are initiated, developed, issued and maintained, the due process associated with those activities and the oversight of that due process. This is essential to maintain and enhance the credibility of the standard-setter and its standards.

Consequently, we disagree with the proposal to remove from the Rules of Procedure the discussion of how the Oversight Committee of the SASB Foundation Board carries out its duties. To discuss how the Standards Board carries out its work without describing the oversight of those activities creates a significant gap in the document and opens the organisation and its Standards to criticism from stakeholders. Independent oversight of the standard-setter is fundamental to preserving the

independence of the standard-setter and ensuring that established due process is followed in letter and in spirit, and should be addressed in the same document as the description of the standard-setting itself.

Voting procedures, particularly those of the Standards Board related to the issue of due process document and Standards, are a fundamental part of due process and should be included in the Rules of Procedure. We agree with the remainder of the proposals, that the Bylaws are the more appropriate place for the discussion of technical details on the Standards Board appointments, roles and responsibilities.

Question 11 – Complementary, holistic documents

SASB's Conceptual Framework exposure draft document articulates how the Standards Board approaches sustainability accounting and standard setting. The Rules of Procedure exposure draft then translates aspects of the Standards Board's approach that are outlined in the Conceptual Framework into specific operating procedures and due process practices. As such, the documents are complementary and, together, should holistically depict SASB's approach to standard setting.

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?

Consistently with our comments on the SASB Conceptual Framework and in this section, we think that whilst the documents should form a suite, they should nonetheless be distinct so that stakeholders can obtain clear information in one place on each of the key components – concepts, due process and constitution, without the need to refer to the other documents to get a clear picture of each element. All three are important, but they have different roles to play and should not be conflated or confused.

The 'holistic approach' proposed means that someone might need to refer to two or even three documents to understand how a SASB Standard is developed and the oversight activities that ensure the independence and rigor of that process. Conversely, someone interested only in the SASB Conceptual Framework will be distracted by elements of due process. To us, both outcomes are sub-optimal.

In our experience, constituents, especially those used to the IFRS Foundation and Financial Accounting Foundation's documentation, would find the proposed 'holistic approach' confusing and unhelpful. Consequently, we believe that each document serves a distinct purpose and should stand on its own, with minimal cross-references where necessary.

Question 12 – Additional comments

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

The operating procedures should be designed to provide assurance to those using SASB standards that they have been developed in an open and robust manner. The procedures should also be open for periodic review. The IASB treats its due process as a living body of practice and processes, and the IFRS Foundation periodically codifies processes that have proven to be helpful into its *Due Process Handbook*. We encourage the SASB to adopt a similar approach.