

December 31, 2020  
Dr. Jeffrey Hales  
Chair  
Sustainability Accounting Standards Board  
1045 Sansome Street  
San Francisco, CA 94111  
Submitted via email: <https://www.sasb.org/public-comment-form/>

***Re: Invitation to Comment:  
Proposed Changes to the SASB Conceptual Framework and Rules of Procedure***

Dear Mr. Hales:

CFA Institute appreciates the opportunity to comment on the Invitation to Comment, [\*Proposed Changes to the SASB Conceptual Framework and Rules of Procedure\*](#) (the Invitation to Comment or ITC). CFA Institute<sup>1</sup> is providing comments consistent with our objective of promoting fair and transparent global capital markets and advocating for investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate reporting and disclosures – and the related audits – provided to investors and other end users are of high quality. Our advocacy position is informed by our global membership who invest both locally and globally and in consultation with Corporate Disclosure Policy Council (“CDPC”).<sup>2</sup>

### **OVERARCHING OBSERVATIONS**

CFA Institute welcomes the updates to the Invitation to Comment as these updates help to better serve shareowners and all stakeholders. We agree that SASB should focus itself more on becoming a global facing ESG standard setter focused on financial materiality. This focus has served SASB well to this point as they are recognized as a leader in setting financially material ESG disclosure standards.

We expect that the upcoming merger between SASB and the International Integrated Reporting Council (IIRC) to form the Value Reporting Foundation will require CFA Institute and other stakeholders to revisit this Conceptual Framework soon. The Value Reporting Foundation will have to combine the SASB Conceptual Framework and Rules of Procedure with the appropriate

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<sup>1</sup> CFA Institute is a global, not-for-profit professional association of nearly 171,400 investment analysts, advisers, portfolio managers, and other investment professionals in 165 countries, of whom more than 164,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 154-member societies in 77 countries and territories.

<sup>2</sup> The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners’ perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

IIRC frameworks to arrive at system that works best for all stakeholders. One of the challenges of the combined entity will be to articulate how the integrated reporting framework and the SASB standards work together, and to streamline the standards of both entities so that they best serve shareowners and all stakeholders.

## RESPONSE TO SPECIFIC QUESTIONS

### CONCEPTUAL FRAMEWORK

1. ***Global Perspective of Conceptual Framework – 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?***

To its credit, SASB has already increased its international outreach. In recent years, and months, we have seen increasing use of SASB standards around the world, increased interest from investors outside the United States to incorporate SASB standards in their investment process and the incorporation of SASB standards in various global reporting initiatives and regulatory requirements. As such, we see the concepts described in the Conceptual Framework of the ITC as appropriate – and a natural progression – for a global standard-setting organization.

2. ***Governance (the “G” in “ESG”) within Conceptual Framework – Should SASB describe its approach to governance in the Conceptual Framework? Is SASB’s approach to governance, as described above, sufficiently clear?***

We agree that corporate governance is often dictated by local laws and norms, which makes it difficult for a standard-setting organization to produce global governance standards that will be applicable to all companies and jurisdictions. That said, there are certain metrics such as: a) board independence, c) board diversity, d) separation of chair and CEO, e) shareowner rights to call a special meeting or to vote cumulatively, f) divergence between cash flow rights and ownership rights (e.g. dual class, loyalty shares), g) majority voting in uncontested election of directors, and h) other governance issues that are looked at by investors in most markets as signs of good governance. SASB should consult with investors to ascertain whether a handful of these most prevalent and common metrics of governance are useful to include in the SASB standards. If investors already believe they have sufficient disclosure of/access to this data from other sources and do not wish for SASB to include it, then SASB could pass including such information in their standards, but the appropriate due diligence and outreach should inform this decision-making.

3. **Materiality** – *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 believe that the definition of materiality proposed by SASB is clear and understandable. We agree that every effort should be made to coordinate with other standard setters in order to align the concept of materiality globally as much as possible – when the materiality being discussed is financial materiality as assessed from an investor perspective.

We also suggest that SASB address the definition of “double materiality” in their explanation of the final materiality definition as the concept of double materiality is currently discussed a great deal in the European sustainability standard-setting process and many stakeholders inexperienced in the concept of financial materiality do not understand the positional nature of the definition of materiality (i.e. investors versus others), how to assess materiality and how challenging measuring the impact materiality (e.g. the second leg of double materiality) is assessed.

4. **Characteristics of Topic and Metric Selection** – *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 believe that the characteristics of topic and metric selection are supportive in establishing standards that produce financially material, decision-useful and cost-effective information.

5. **Rules of Procedure & Conceptual Framework Interaction** – *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 do not believe that there are any material inconsistencies between the Conceptual Framework and Rules of Procedures in the ITC.

6. **Additional Comments** – The recently announced merger between SASB and the International Integrated Reporting Council to create the Value Reporting Foundation will likely necessitate the Conceptual Framework in the ITC be revisited to articulate the conceptual basis for sustainability disclosures in the context of the integrated reporting framework. One of the challenges of the combined entity will be to articulate how the integrated reporting framework and the SASB standards work together.

## **RULES OF PROCEDURE**

7. ***Operating Procedures Description – 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 that the Rules of Procedure in the ITC provide a clear description of SASB’s operating procedures. It is clear through the Rules of Procedure in the ITC how stakeholders can engage in the standard setting process if they desire to do so. We do not see any areas that need further clarification.

8. ***Activities of SASB and Technical Staff – 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 believe that the Invitation to Comment clearly explains the activities of SASB and the activities the SASB technical staff must engage in to determine the necessity of standard-setting.

9. ***Stakeholder Participation – 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 that SASB has made it clear how stakeholders can participate in the standard setting process. However, as SASB grows and its standards are adopted in more global markets, SASB will have to expand its outreach to stakeholders and policymakers to a much greater extent than is currently done by SASB. We encourage SASB to leverage its relationships with institutional investors globally to facilitate these efforts, and to invest in greater outreach going forward.

10. ***SASB Governance Structure – 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 SASB lays out its governance structure in a clear manner.

**11. *Rules of Procedure & Conceptual Framework Interaction* – 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*?**

No, we do not feel that any material information is missing from the Rules of Procedure with the ITC. See comment in response to Question 12.

**12. *Additional Comments*** – As noted above, the recently announced merger between SASB and the International Integrated Reporting Council to create the Value Reporting Foundation will likely necessitate the Rules of Procedure with the ITC be revisited to articulate how the Integrated Reporting Council and SASB will operate as a joint entity. Said differently, joint Rules of Procedure may be necessary.

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Thank you again for the opportunity to provide our input on the Invitation to Comment. If you or your staff have questions or seek further elaboration of our views, please contact Matt Orsagh at 434.951.4829 or by email at [matt.orsagh@cfainstitute.org](mailto:matt.orsagh@cfainstitute.org) or Sandra Peters at 212.754.8350 or by email at [sandra.peters@cfainstitute.org](mailto:sandra.peters@cfainstitute.org).

Sincerely,

/s/ Sandra J. Peters

Sandra J. Peters, CPA, CFA  
Senior Head, Global Financial Reporting Policy  
CFA Institute