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Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA 94111

6 January 2021

Re: Request for comment on proposed changes to the SASB Conceptual Framework and SASB Rules of Procedure

Dear Board members:

Ernst & Young LLP is pleased to provide comments to the Sustainability Accounting Standards Board (SASB or Board) on the proposed changes to its Conceptual Framework. We support the Board's efforts to clarify and explain its approach to standard setting and its processes and practices.

We believe that sustainability reporting is an important element of corporate reporting. Accordingly, high-quality sustainability reporting standards can support quality corporate reporting for the benefit of our capital markets. In addition, a conceptual framework and rules of procedure that are thoughtful and complete are one element in the development of high-quality standards.

Overall, we believe the proposed changes would help clarify the SASB's approach to standard setting, but we encourage the Board to consider the following observations and recommendations.

A global perspective

The SASB has said that the proposed changes are intended to better reflect the global nature of its standard-setting efforts. We observe that there are several sustainability standard-setting efforts going on around the globe, and, therefore, we believe that updating the SASB Conceptual Framework to reflect a global perspective is appropriate. However, we believe that the Conceptual Framework and any related standards should provide flexibility to accommodate the rules and regulations of local jurisdictions so that local regulators could more easily recognize, integrate or endorse SASB standards as part of their disclosure requirements.

Definition of financial materiality

We note that the Board proposed changing the concept of financial materiality to make it more global in nature. We observe that while definitions of materiality are established and understood across jurisdictions today, they also vary across jurisdictions. Additionally, materiality is evaluated based on an entity's individual facts and circumstances. The inclusion of a new materiality concept in the Conceptual Framework that would be used broadly for the standard-setting process could be confusing to entities applying SASB standards and the users of their disclosures. It also could lead a user to presume that the topic included in a standard is material for disclosure, regardless of any entity-specific or jurisdictional evaluation of materiality.

It also appears that a stated objective of financial materiality may not be necessary, given that the decision-useful objective already contemplates that a disclosure topic must be financially impactful for purposes of standard setting as stated in paragraph 35. Therefore, a financial materiality concept may not provide an additional benefit for the objectives. If the Board decides to proceed with including a materiality concept in the Conceptual Framework, we suggest that it state that entities should apply the definition of materiality that is required in their respective jurisdictions for disclosure purposes notwithstanding the definition of financial materiality used for purposes of setting standards. We believe that this approach could obviate the need for the disclaimer in paragraph 26.

Definition of users

We recommend that the Board clearly define the primary intended users of SASB standards in the Conceptual Framework and apply that definition consistently. The proposal would define users differently throughout the document. Specifically, the definition of primary users in the Glossary would differ from the definition of users referenced in paragraphs 2, 5 and 19 (2). The Board notes that the primary external stakeholders for the SASB's standard-setting process are capital market participants, and we believe the definition should refer to such participants as users consistently throughout the Conceptual Framework.

It also may be useful to include general assumptions about those users in the definition to help the Board evaluate whether the disclosure requirements it proposes would be consistent with the characteristics of decision-useful information included in Section 3 of the Conceptual Framework. The assumptions could include, for example, whether users have a reasonable knowledge of the information and/or a willingness to study it with reasonable diligence and can make reasonable judgments based on the subject matter.

Approach to governance

We believe that the SASB should include an approach to disclosures related to corporate governance in the Conceptual Framework and consider whether it should take on standard setting in this area. We believe the SASB's standards would be more comprehensive if they included metrics related to governance that are indicative of long-term value. Paragraph 13 of the Conceptual Framework indicates that the SASB is focused on disclosure standards that are "connected to long-term enterprise value creation."

We observe that investors are interested in how companies are creating long-term value.¹ Many companies are disclosing sustainability information because they believe it is indicative of long-term value creation.² We believe that corporate governance topics and metrics can be drivers of long-term value, and, therefore, the SASB may want to consider whether it should take on standard setting in this area. We believe that any standards on governance should also be flexible to accommodate the rules and regulations across jurisdictions (e.g., disclosures required by the proxy rules of the Securities and Exchange Commission), consistent with the approach for sustainability standards as noted above.

¹ [Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation.](#)

² [Embankment Project for Inclusive Capitalism.](#)

Other comments

Finally, we recommend that the SASB collaborate with other organizations developing sustainability standards when it develops new standards. For example, the Board could collaborate with those organizations to conduct roundtables to seek investor feedback. This would allow the Board to consider and leverage disclosures and metrics from other organizations developing sustainability standards, frameworks and industry associations that may already be available and in use in the marketplace. This also could drive consistency in reporting by industry and help reduce costs for companies that are already reporting or managing their performance against relevant metrics.

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We would be pleased to discuss our comments with the Board or its staff at its convenience.

Very truly yours,

Ernst & Young LLP