



ICGN

International Corporate Governance Network

Attention of: Dr Jean Rogers

Sustainability Accounting Standards Board (SASB)
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Date: 6th August 2013

Dear Dr Rogers

RE: SASB's Conceptual Framework consultation

The International Corporate Governance Network (ICGN) is a global membership organization of over 600 institutional and private investors, corporations and advisors from 50 countries. Our investor members are responsible for global assets of US\$18 trillion. Our mission is to raise corporate governance standards worldwide and we do this through three core areas of activity:

- Influencing policy by providing a reliable source of practical knowledge and experiences on corporate governance issues, thereby contributing to a sound regulatory framework and a mutual understanding of interests between market participants;
- Connecting peers and facilitating cross-border communication among a broad constituency of market participants at international conferences and events, virtual networking and through other media; and
- Informing dialogue around sound corporate governance practices and principles through the publication of materials, exchange of knowledge and advancement of education world-wide.

Information about the ICGN, its members, and its activities is available on our website:
<https://www.icgn.org>.

Promoting better corporate reporting has been a long standing activity for ICGN with the establishment of its Non-Financial Business Reporting Committee in 2004 (renamed Integrated Business Reporting Committee in 2010) and the publication of its Statement and Guidance on Non-financial Business Reporting in 2008. We believe that taking into account broader non-financial issues will help investors to appreciate broader risks and to make better investment decisions.

ICGN is a founding participant of the International Integrated Reporting Council (IIRC) and supports the concept of integrated reporting (IR). We welcome this opportunity to comment on the SASB draft framework from an investor perspective.

Investors such as ICGN members welcome integrated reporting and the greater insight it provides, (compared with that which can be obtained from financial accounts alone), in bringing together different elements to provide a fuller understanding of the business model, the underlying strategy and how value is created. As we emphasized in our response to the IIRC consultation (attached), ICGN also considers that there should be – over time - a greater emphasis on the quantitative aspects of integrated reporting. Qualitative narrative explanation, although helpful, needs to be reinforced where possible with rigorous metrics. Where currently the proposed IR principles are silent on the need for quantitative information as distinct from qualitative narrative, we have suggested that the IIRC elevate the reference to metrics in their guidelines to the level of a principle, and encourage others to develop suitable metrics and KPIs. In this context we particularly value the work of SASB, and other initiatives like the work of DVFA/ EFFAs, Project Delphi, and the GRI.

Specifically, SASB would like comments to address the following question: *Does the Conceptual Framework provide a clear and complete understanding of the concepts and definitions relevant to SASB's standards-setting process?"*

We welcome SASB's focus on materiality. Working within existing (SEC) regulation should enable swift adoption once the SASB standards are developed and provide sufficient scope for developing quantitative KPIS and qualitative disclosure points on issues considered to be potentially material to investors.

In summary, in our view, the overall conceptual framework (CF hereafter) does not yet provide a clear, complete, and consistent description of the concepts and definitions relevant to SASB's standards setting process.

We wish to focus on four main points:

1. Audience:

Clearly, Integrated Reporting needs the support of investors if it is to succeed, and it follows that investors, as providers of financial capital, should be the primary audience for integrated reports and also for SASB's work. The ability to assess sustainability risks and opportunities and compare these across companies will help investors to make better informed investment decisions. In our view, if the focus on drafting disclosure standards for the benefit of companies making disclosures and for one clearly defined audience, namely investors, were diluted, any reporting would likely be significantly less valuable to all stakeholders.

In our view, the CF is not sufficiently clear on this investor focus – a matter that we encourage SASB to address. In particular, SASB needs to be clear whether materiality will be determined from the public's or the investor's perspective when developing its standards, as the CF currently stipulates both. Focusing on both will likely dilute the value of the outcome, as discussed above.

We would strongly recommend that SASB be consistent with the IIRC framework and specify investors as the primary audience. In our view, large institutional investors are a relevant starting point for SASB's disclosure framework given the long-term nature of their investment approach and inherent interest in the continuity of investee companies. Such disclosures will be relevant for other investors and stakeholders too.

2. Clear definitions:

In order to develop a coherent framework SASB needs to establish its point of departure upfront by setting out what it means by the term "sustainability". Given that the same terms can mean very different things to different stakeholders, we consider it essential that SASB develop a glossary that clearly defines sustainability and related terms used in the document and their inter-linkages for the purpose of the SASB standards.

This includes terms used in the CF such as

- environmental, social and governance factors,
- natural, human and social capitals,
- management of corporate governance issues associated with sustainability,
- sustainability impacts,
- sustainability fundamentals,
- material sustainability issues,
- sustainability accounting,
- ESG risks, opportunities and factors.

3. Connection with the IIRC framework – the Capitals

As highlighted above we consider it important that SASB's conceptual and definitional approach be consistent with that taken by the IIRC.

The various references to "Other forms of Capitals" throughout the document could be read as the bridge to the IIRC's draft Reporting Framework. However, the CF only references some but not all Capitals of the IR Framework. While we acknowledge that the latter is itself still work in progress, we consider it important that SASB aligns itself conceptually to the IIRC framework as closely as possible. This dovetails with our view that initiatives like SASB provide essential quantitative underpinning for the principles-based IIRC IR Framework.

4. Quantitative and narrative disclosures

SASB focusses on measurable criteria whereas many environmental, governance and social issues, though potentially material, defy quantification. We recommend SASB address how it would deal with these factors, and what it considers the role of narrative disclosures to be. In our view the latter, if meaningful, can be of great value, too.

We look forward to SASB's revised Conceptual Framework and should you wish to discuss any of the above points in more detail, please do not hesitate in contacting Kerrie Waring, ICGN's

Acting Head of Secretariat, by phone at +44 207 612 7079 or by email at:
kerrie.waring@icgn.org.

Yours sincerely,



Michelle Edkins
Chairman of ICGN Board of Governors



Claudia Kruse
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Cc: ICGN Board Members
ICGN Integrated Business Reporting Committee