

SASB Conceptual Framework – CDSB Consultation Response

We welcome the opportunity to respond to your consultation on the SASB Conceptual Framework. We would like to first express our strong support for your vision and mission, and congratulate you on reaching an important milestone issuing provisional sustainability accounting standards for all 79 SICs industries. We also recognise our complementary collective efforts facilitating the disclosure of decision-useful information to investors, supporting sustainable value creation and the development of transparent, resilient capital markets.

Questions

Do you find this Conceptual Framework understandable? If not, which particular section(s) of this document do you find difficult to understand? Do you have suggestions on how to make those sections clearer?

The Conceptual Framework overall provides a clear and considered introduction to the objectives, principles and fundamental tenets of SASB's work. One area however that may need further clarification is the opportunity for companies to include forward-looking statements. We currently have a financial system that focuses on past events and known liabilities, is rules based, with quarterly information and a legal boundary focus. But the emerging non-financial system is focussed on future events, risks, through a mix of qualitative and quantitative information, across the value chain. In the Conceptual Framework scenario-planning and opportunities are introduced but given the importance of forward-looking information further clarification could be provided as to how risks and opportunities related to scenarios, resilience or transitions are considered in the criteria for topic selection and then the process defining metrics. We noticed in the October 2013 version of your draft Conceptual Framework that "emerging issues" were introduced as a way of distinguishing matters that are material for the purposes of annual reporting from those that might become material over time. We thought that this was a useful idea that reflects some of the thinking in the Task Force for Climate Related Financial Disclosures Phase 1 report, which suggests that, even where not material, companies will be encouraged to make disclosures about particular risks or issues that have attracted investor or market attention (presumably including transition risk), if only to explain that they have considered the risk and not just ignored or overlooked it.

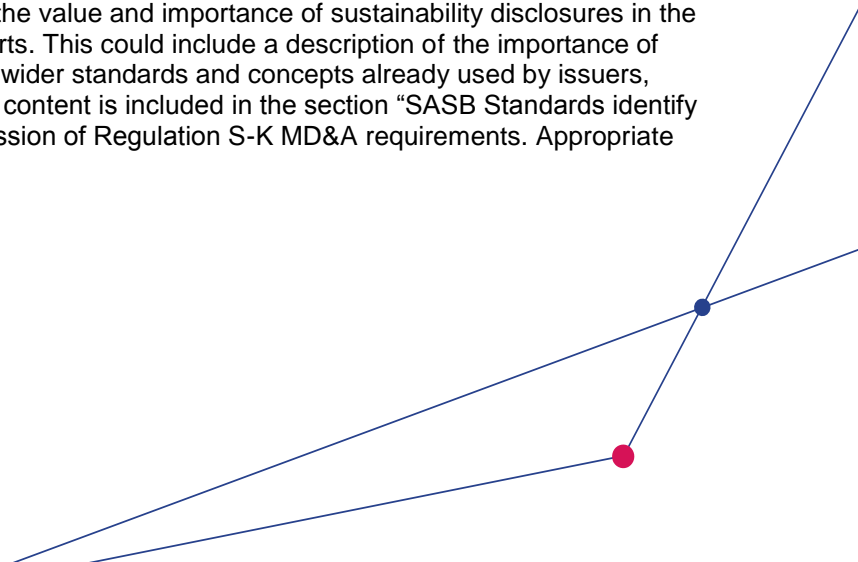
Does the discussion in Section 1 of this Conceptual Framework appropriately and clearly answer each of the five fundamental questions? If not, why not? Are there any other fundamental questions you believe need to be discussed in this section?

We commend SASB for the clear and concise overview of sustainability accounting and disclosure, the questions presented and discussed offer an appropriate context for the overall Conceptual Framework. A valuable introduction to the Conceptual Framework and the work of SASB is provided by identifying and defining users and beneficiaries, the relationship to core investment activities, sustainability accounting and the universe of sustainability issues.

We would however encourage a more thorough discussion and exploration of the relationship between sustainability accounting and financial accounting developing the discussion outlined in "Purpose of Sustainability Accounting and Disclosure", elaborating on the role of standards for determination, preparation and presentation, structures, principles and characterization. It may be appropriate to describe in more detail why it is important to incorporate sustainability disclosures with other information related to corporate performance such as financial results, governance practices, management commentary and viability statements. This discussion could also introduce the value and importance of sustainability disclosures in the mainstream annual report over sustainability reports. This could include a description of the importance of alignment with existing regulatory structures, and wider standards and concepts already used by issuers, governments and industry associations. Relevant content is included in the section "SASB Standards identify information that is likely to be material" with discussion of Regulation S-K MD&A requirements. Appropriate

.....
T: +44 (0) 203 818 3939
www.cdsb.net
.....

3rd Floor, Quadrant House
4 Thomas More Square
Thomas More Street
London, E1W 1YW



questions that could be discussed and included as headings could be: How does it relate to financial accounting? How does it relate to existing practices and regulatory structures?

Are the principles and criteria discussed in Section 4 of this Conceptual Framework sufficient to produce outcomes that meet SASB's core objectives (i.e., disclosures that are material, decision- useful, and cost-effective)? If not, why not? Are there any other principles or criteria you believe SASB should consider when selecting topics and/or metrics?

The principles and criteria for standards development are appropriate and support outcomes that meet SASB's core objectives. We commend your efforts and commitment in seeking relevance and comparability across industries, and making the link to financial condition and performance. We also welcome your continuing efforts to align metrics with those already in use by issuers, derived from existing standards, definitions and concepts.

We would however suggest adding the principle of connectivity to the list of criteria for accounting metrics. Connectivity supports the development of a holistic picture of the interrelatedness and dependencies between financial and non-financial matters that influence corporate performance, prospects and strategy. Non-financial information is connected when it complements and supplements financial statements, management commentary and governance disclosures in order to place related financial information in context.

In addition as introduced in response to the first consultation question, we would recommend a renewed emphasis on forward-looking information and future orientation. Disclosures should look to the future as well as the past and present and should communicate trends and factors relating to non-financial information that are likely to affect the organisation's future performance, position and development. We would therefore suggest that this is sufficiently emphasised and fairly reflected in the principles for topics and criteria for accounting metrics.

We would also suggest that SASB includes some additional explanation describing the concept of value creation acknowledging the efforts of the IIRC, and the complexities of this concept beyond the results of operations and financial conditions. Financial value is relevant, but not sufficient, for assessing value creation. We would welcome a brief discussion of the complexities of context, resources, connectivity and measures related to value creation. We do however acknowledge and recognise the challenges reconciling this concept with current investment practices and legal definitions and interpretations related to materiality. Practically as this concept is introduced, the Conceptual Framework could clarify that value creation is also influenced by topics of interest to investors such as legal, regulatory and policy drivers, innovation, consumer behaviour and reputation.

Are there any other matters or issues that you believe the SASB should consider in finalizing the revisions to its Conceptual Framework?

We would encourage SASB to consider the current efforts of the Task Force for Climate Related Financial Disclosures and the criteria and principles outlined by the Task Force related to decision-useful information. We would also recommend that SASB consider lessons learnt by the Financial Stability Board's Enhanced Disclosure Task Force.

In addition we would recommend that in the Conceptual Framework SASB address some of the challenges and opportunities surrounding disclosure in the mainstream report. For example the challenges related to the consequences of not meeting disclosure obligations, proprietary information, liabilities and opportunities related to the SEC's Disclosure Effectiveness Initiative or developments in risk management and internal controls.

*Please do not hesitate to contact us to discuss any of these points further
Contact: Luke Blower - Technical Officer, CDSB - luke.blower@cdsb.net
Lois Guthrie - Founding Director, CDSB - lois.guthrie@cdsb.net*

.....
T: +44 (0) 203 818 3939
www.cdsb.net
.....

3rd Floor, Quadrant House
4 Thomas More Square
Thomas More Street
London, E1W 1YW

