



Sustainability Accounting Standards Board  
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sasb.org

July 13, 2020

**Re: Proposed Non-Authoritative Guidance: Extended External Reporting (EER) Assurance**

We write to provide our comments on the IAASB's Proposed Non-Authoritative Guidance on Extended External Reporting (EER) Assurance.

SASB is an independent non-profit organisation established in 2011 to set standards for companies across the globe to use when disclosing sustainability information to investors. SASB standards are categorised into 77 industry-specific disclosure standards, incorporating 26 issues that relate to five dimensions of sustainability: environment, social capital, human capital, business model and innovation, and leadership and governance. This work is carried about by an independent standard-setting board and overseen by the SASB Foundation Board of Directors in a governance structure similar to that adopted by other internationally recognised bodies that set standards for disclosure to investors, including the International Accounting Standards Board (IASB).

Although we are not experts in auditing and attestation standards, we have a strong interest in this project. This is because SASB's standards are designed to support independent, third-party assurance, providing a basis for "suitable criteria" for purposes of such assurance. While a limited number of companies that use the SASB standards currently obtain assurance, we have found that companies that have used the standards (in both provisional and codified form) for three years or longer are more likely to obtain assurance than are new adopters. The Guidance will facilitate such an increase in assurance and will promote the disclosure of more complete, reliable, and accurate ESG information.

The Consultation describes how EER reporting may differ in many respects from traditional financial reporting. For example, the Consultation states that EER standards "may be less quantifiable", more "inherently uncertain, and "more subjective to measure or evaluate." Also, EER standards may not have the "rigor" of financial reports and may "reflect high level principles" instead of "more detailed criteria." But SASB standards are largely quantifiable (74% of the standards), have been established with due process and rigor, and provide specific criteria "designed to serve as a basis for suitable criteria if an entity chooses to seek third-party assurance." See SASB's Standards Application Guidance at <https://www.sasb.org/wp-content/uploads/2018/11/SASB-Standards-Application-Guidance-2018-10.pdf>.

Also, the Consultation states that the "first and foremost" factor in achieving credibility in ESG disclosures is that the disclosures be made pursuant to a "strong framework," which is the case here. We respectfully refer the Board to SASB's Rules of Procedure (<https://www.sasb.org/standard-setting-process/rules-of-procedure/>) and Standard-Setting Process (<https://www.sasb.org/standard-setting-process/>) on our website for detailed information on SASB's structure and work.

There are two matters in the Guidance that we ask be addressed.

First, page 109 of the Guidance quotes a definition of materiality that is included in SASB's Conceptual Framework. As SASB's website states, SASB has received considerable feedback from investors and companies and is in the process of revising the Conceptual Framework, including the definition of materiality. The new definition, which will be included in a forthcoming [proposed update to the Conceptual Framework \(p.48\)](#), is as follows:

A topic 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 financial performance and long-term enterprise value. SASB evaluates the financial materiality of sustainability factors by assessing whether a given factor is reasonably likely to affect the financial condition, operating performance, or cash flows of companies within an industry. Assessments are based on evidence of financial impact and evidence of investor interest.

Although this new definition will not lead to changes in SASB's approach and analysis of materiality, the definition better aligns with IASB's definition of what is material, per Amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

Second, we ask that the Board correct a significant shortcoming in the examples provided in Supplement B. Three of the 12 examples refer to other widely-known and highly-regarded frameworks (GRI and IIRC), but none include reference to SASB. SASB has broad acceptance and endorsement by the investment community; among other things, SASB's Investor Advisory Group includes 53 asset owners and managers who collectively handle \$40.7 Trillion. SASB is referenced in the EU Non-Financial Reporting Directive and is one of the most referenced standards within the recommendations of the Task Force on Climate-related Financial Disclosures. Further, a rapidly growing number of companies are using the SASB standards. Accordingly, the omission of any mention of SASB in the examples strikes us as seriously out-of-step with developments in this area. We suggest that the Board add a SASB-related example (we would be pleased to work with the IAASB in doing this). Alternatively, and more easily, the Guidance could include a mention of the SASB standards in the facts set forth in Supplement B, Example 6, which involves a mining company's disclosure of its "lost time injury frequency rates." This could be done because SASB standard for the Metals & Mining industry (Technical protocol for Metric EM-MM-320a.1 - [https://www.sasb.org/wp-content/uploads/2018/11/Metals\\_Mining\\_Standard\\_2018.pdf](https://www.sasb.org/wp-content/uploads/2018/11/Metals_Mining_Standard_2018.pdf)) includes disclosure of "Nonfatal Days Lost (NFDL) cases, or occupational injuries that result in loss of one or more days from the entity's scheduled work or days of limited or restricted activity while at work." Again, we would be pleased to provide the Board with any assistance in this regard.

We thank you for the opportunity to comment on this Guidance.

If you have any additional questions or comments, please contact me at [tom.riesenberg@sasb.org](mailto:tom.riesenberg@sasb.org).

Sincerely,



Thomas L. Riesenberg  
Director, Legal and Regulatory Policy