



SASB Standards Council

Standards Council Meeting Report

March 19, 2015

September 17, 2015

To the Director of Standards Development of SASB,

This Review Report summarizes the opinion of the members of the Standards Council, an independent advisory body formed by qualified professionals who participate in a voluntary manner and do not receive financial compensation from SASB.

On March 19, 2015, we conducted an independent review of the standards development activities of the SASB during the preceding quarter. This review primarily focused on activities used to develop industry Sustainability Accounting Standards for the Consumption 2 sector, but also included an update on activities in sectors covered in previous meetings. For this meeting, we relied primarily on two reports: **SASB Industry Working Groups Due Process Report – Consumption 2 Sector** and **Standards Outcome Report – Consumption 2**, which were both prepared by SASB staff. In addition, the SASB staff also prepared a third report: **Supplement to Standards Outcome Report – Consumption 2**. No report was prepared for the update of prior sectors.

Based on our review, we believe the process and procedures followed by the SASB in identifying sustainability issues and corresponding metrics for industries in this sector was satisfactory with respect to SASB-defined protocols for developing industry standards. In addition, we support the SASB's continuing activities to improve the standards being developed in sectors the Council has reviewed in previous meetings.

Notwithstanding the above conclusion, several points were raised during the Standards Council's review, which we include below.

I. Process Review for Consumption 2

- A) The Council noted that outreach and engagement activities were low, in part due to end of year activities among retailers. Two suggestions were offered:
- An industry observer suggested that SASB may be able to tap into existing sustainability working groups being conducted by other organizations.
 - Another suggestion was to avoid having IWGs and public comment periods finish during quarter ends and especially during calendar and/or fiscal year ends.
 - SASB Response: SASB will seek to engage with existing sustainability working groups for this sector to solicit feedback and will continue to review any reporting standards emerging from such groups in order to develop standards for provisional



release. SASB will also take these considerations into account for future stakeholder engagement, for example, during the finalization of standards.

II. Outcome Review for Consumption 2

- A) To better assess the degree of evidentiary support for material issues, it would be helpful when presenting heat map scores to provide more context, such as the range of heat map scores for a given industry.
 - SASB Response: Future reports will include the range of heat map scores to provide additional context.

- B) For Drug Retailers and Convenience Stores, there was some concern about whether diversity is a material issue. The view was raised that perhaps the issue on pharmacy patient care would be viewed as more material by market participants.
 - SASB Response: Upon further consideration and analysis, the Drug Retailers & Convenience Stores Standard for public comment no longer includes the topic of diversity. There is a new topic related to patient care, where one of the metrics focuses on increased diversity of staff as a means of providing quality care, especially to minorities. During the public comment period, SASB will be soliciting feedback on the diversity metric and fine tuning the metrics that will effectively capture performance on patient care.

III. Other items

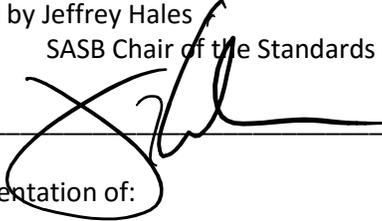
- A) While it seems that SASB is quite diligent in responding to feedback received during public comment periods, the Council noted that there may be opportunities to increase engagement with constituents. In particular, the recommendation was made to clearly acknowledge the receipt of comment letter and to notify respondents at that time that detailed feedback will be publicly available by a certain date. SASB could also again reach out to respondents when the feedback becomes available.
 - SASB Response: For the Consumption 1 public comment, SASB is acknowledging the receipt of comment letters through an automated response. SASB sent several emails, including targeted ones, to solicit feedback during the public comment period. All communications to solicit feedback for the public comment period mention that SASB will provide detailed responses to the comments. We will include an estimated date for the posting of responses in further communications. Thus far (as of April 22, 2015), we have received 17 comment letters for Consumption 1, higher than previous sectors. For future sectors, we will continue active engagement with stakeholders to improve the response rate and provide information on the availability of SASB responses to comments.



- B) It was noted that the Delta series has transitioned to web format only. While this might be a reasonable use of staff resources, it was also noted that keeping opportunities for in-person interaction will be key going forward.
- SASB Response: SASB will consider this when designing a process for stakeholder engagement during finalization of standards. In the meantime, for the Renewables sector, which has just completed the Industry Working Groups, besides the Delta Series online workshop, SASB has reached out to a number of individual IWG experts to solicit additional feedback on specific items.
- C) The question was raised as to whether SASB is getting enough engagement from the CPA firms and preparers. Possible ways to increase involvement were discussed.
- SASB Response: SASB is working with the AICPA to determine the best way to engage the accounting profession -- including the big four and big ten accounting firms -- in standards development in a meaningful and objective manner.

We acknowledge that, as an advisory body, our recommendations are not binding and that the responsibility to implement the suggested changes is at the discretion of SASB.

Prepared by Jeffrey Hales
SASB Chair of the Standards Council

Signed  , September 17, 2015

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