



Summary of Consultation with Key Stakeholders

Transportation Sector

Automobiles Industry

Auto Parts Industry

Car Rental & Leasing Industry

Airlines Industry

Air Freight & Logistics Industry

Marine Transportation Industry

Cruise Lines Industry

Rail Transportation Industry

Road Transportation Industry

Contents

INTRODUCTION.....	2
SASB CONSULTATION PERIOD OVERVIEW	2
OBJECTIVE & APPROACH	2
RECRUITING	3
CONSULTATION CLASSIFICATION.....	3
AUTOMOBILES INDUSTRY.....	4
AUTO PARTS INDUSTRY.....	5
CAR RENTAL & LEASING INDUSTRY.....	6
AIRLINES INDUSTRY	7
AIR FREIGHT & LOGISTICS INDUSTRY	8
MARINE TRANSPORTATION INDUSTRY	9
CRUISE LINES INDUSTRY.....	10
RAIL TRANSPORTATION INDUSTRY	11
ROAD TRANSPORTATION INDUSTRY.....	12

Introduction

Although evidence-based research provides a foundation for the Sustainability Accounting Standards Board’s (SASB’s) standard-setting process, its outcomes are shaped in large part by feedback from participants in the capital markets—primarily corporate issuers and mainstream investors. By providing ongoing and meaningful opportunities for communication and input, the SASB leverages the expertise of its stakeholders and facilitates a collaborative approach to establishing a market standard that more effectively responds to the needs of market participants.

The SASB actively solicits input and carefully weighs all stakeholder perspectives in considering which aspects of a sustainability topic warrant standardized disclosure and in determining how to frame, describe, and measure those aspects for the purposes of standardization. This market feedback helps the SASB better meet its core objectives of delivering material, decision-useful, cost-effective disclosures to the users and providers of financial capital. Furthermore, as changes occur in an industry’s competitive context, in the broader sustainability landscape, or in the interests of the reasonable investor, this bottom-up, market-informed approach is key to ensuring that the SASB standards evolve to support market needs.

Such stakeholder engagement was instrumental not only to the development of the SASB’s provisional standards, but also to its work to update and codify the standards, which will culminate in 2018. This document details how market feedback informed the latter effort, through deep, focused consultation with key issuers, investors, and other market participants.

SASB Consultation Period Overview

In April 2016, the SASB marked a pivotal point in its standard-setting work when it issued the last of its provisional sustainability accounting standards for all 79 [Sustainable Industry Classification System \(SICS™\)](#) industries. Having completed its provisional standards development, the SASB turned its attention to updating the standards for codification, thereby establishing the first complete authoritative set of sustainability accounting standards for use in the capital markets. In service of this objective, the SASB began a period of consultation and stakeholder engagement in Q4 2016 to gather additional input regarding the materiality of its disclosure topics and the usefulness of the associated performance metrics. This consultation period continued through the end of Q1 2017. Following this period, the SASB revised its standards and has since opened them for public comment before they are codified in 2018.

Codification Timeline

2016	2017				2018	
Q4	Q1	Q2	Q3	Q4	Q1	Q2
Consultation		SASB Research	Public Comment		Codification	

Objective & Approach

The goal of the consultation phase was to elicit and gather feedback on the provisional standards for each industry and the accompanying “hypothesis for change” developed by the SASB’s sector analysts. The hypothesis for change put forth initial proposals for modifications to the standards; and stakeholders were then invited to

respond to these proposals, provide comments on other disclosure topics and metrics in the provisional standards but not specified in the hypothesis for change, or to suggest additional topics not yet considered by the SASB. The SASB staff incorporated the responses from this consultation process and proposed changes for each industry standard, which will receive additional input during a 90-day public comment period (with 30-day extension), ending on January 31, 2018. Comments received during this period will inform the deliberations of the SASB when the updated standards are put to a vote in 2018. Upon approval by the SASB, the updated standards will form the SASB Code.

Recruiting

Prior to engaging in consultation, the SASB's sector analysts developed consultation plans targeting companies, analysts, industry associations, and subject matter experts from whom they would seek feedback during the period. The SASB actively recruited consultation participants through a variety of channels, including:

- Referrals from previous individuals who had engaged with the SASB
- Outreach through the SASB's Investor Advisory Group (IAG)
- Presentation to and participation in conferences, panels, and industry events
- Michael Bloomberg and Mary Schapiro's outreach to the CEOs and CFOs of Fortune 500 companies
- Use of the Bloomberg Professional terminal to identify the leading publicly traded companies by market capitalization
- Use of the Thomson Reuters platform to identify analysts and portfolio managers
- Sector-specific webinars
- The general SASB email list and sector-specific email lists
- Announcements on the SASB website
- Other means, such as cold calls and emails, Twitter, and LinkedIn

Consultation Classification

The SASB classified engagements during consultation according to three categories. These categories and associated statistics apply within the context of the consultation phase only and do not include prior engagement, such as participation in an Industry Working Group (IWG) or Public Comment Period (PCP) prior to the release of the provisional standards.

- **Contacted:** The SASB sent a personalized invitation to participate in the consultation process to a company, investor, industry association, or subject matter expert (SME).
- **Briefing Held:** The SASB had a briefing meeting with a company, investor, industry association, or SME.
- **Consultation Feedback Received:** The SASB received consultative feedback (through a meeting, email, or other form of communication) from a company, investor, industry association, or SME.

Automobiles Industry

Feedback was received from two investors but no issuers on the Automobiles industry provisional standard. The investors who engaged with the SASB provided detailed feedback on the proposed changes for both Automobiles & Auto Parts industries.

Consultation Feedback Received for the Automobiles Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	7	1	n/a	8
# of Briefings Held	n/a	3	0	n/a	3
# of Feedback	2	0	0	0	2

Feedback was provided by stakeholders on the specific topics below.

- **Fuel Economy and Use-phase Emissions** – Investors highlighted concerns around accurate reporting on both fuel economy and air pollution metrics, including how several manufacturers of both diesel and non-diesel vehicles were found to be misreporting fuel economy and emissions to meet stringent regulations. Both analysts agreed with the proposal to add a qualitative metric on internal controls around emissions reporting.
- **Paint Emissions** – An analyst mentioned the lack of metrics related to paint emissions since painting is a capital-intensive process for automakers. They also mentioned that there is the possibility of ground water contamination at factories.
- **Worker Safety** – One analyst expressed that both Automobiles and Auto Parts standards were missing work place safety metrics. However, they agreed that it was difficult to find evidence in support of materiality of the topic.

Auto Parts Industry

Feedback was received from two investors and an industry association on the Auto Parts industry provisional standard. Both investors who provided feedback agreed with most of the changes the SASB is proposing to the Auto Parts standard.

Consultation Feedback Received for the Auto Parts Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	21	1	n/a	22
# of Briefings Held	n/a	0	1	n/a	1
# of Feedback	2	0	1	0	3

Feedback was provided by stakeholders on the specific topics below.

- Energy Management** – Both analysts and the industry association agreed that energy management is not a financially material topic for the Auto Parts industry.
- Product Safety** – There was consensus among the three respondents that a proposed metric on safety performance of auto parts would not be reportable by the industry as there is no analogous program, like there is for safety ratings for cars, and no quantitative metric on safety-rating that would be applicable to even half of the auto parts issuers.
- Product Lifecycle Management** – There was wide agreement on replacement of a metric that would require manufacturers to track end-of-life management with another that captures manufacturers’ use of non-virgin content. One stakeholder stated that it would be difficult for tire manufacturers to raise the amount of recycled content in manufacturing due to quality differences between recycled and virgin input materials.
- Worker Safety & Labor Management** – One analyst expressed that both Automobiles and Auto Parts standards were missing work place safety metrics. However, they agreed that it was difficult to find evidence in support of materiality of the topic. Another analyst noted that labor management differs between automakers and auto parts suppliers. Automakers and their major suppliers have similar labor standards; however, quality of labor management can vary greatly among smaller auto parts suppliers. There was acknowledgement that data on worker safety is not widely available for the industry, which is essential to determine whether safety is a concern in the industry.

Car Rental & Leasing Industry

Feedback was received from one issuer in the Car Rental & Leasing industry.

Consultation Feedback Received for the Car Rental & Leasing Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	2	n/a	n/a	2
# of Briefings Held	n/a	1	n/a	n/a	1
# of Feedback	0	1	0	0	1

The issuer provided feedback that acknowledged that the topics in the provisional standard are important and expressed that they already communicate about them to investors through various means, including their Form 10-K, quarterly earnings release calls, and investor presentations. The company indicated that reporting on the additional SASB metrics would be costly without providing additional value. They also stated that because there are only two publicly-traded companies in the U.S., they did not feel that SASB Standards would promote standardized, comparable information for the industry.

Airlines Industry

Feedback was received from four stakeholders during consultation on the Airlines industry, as shown in the table below categorized by stakeholder type. The industry association that provided feedback represents several airlines and air freight companies, thus it submitted detailed comments on the standard on behalf of its members. Generally, the feedback was favorable.

Consultation Feedback Received for the Airlines Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	4	1	n/a	5
# of Briefings Held	n/a	3	1	n/a	4
# of Feedback	1	2	1	0	4

The industry association indicated that its members are unlikely to refer to SASB Standards in their SEC filings, unless mandated to do so. They cited operational challenges such as timing, cost of reporting, reputational concerns, and the cost-benefit of implementing metrics. For example, on timing, they stated that current processes would not allow for some metrics to be aggregated in time to include in Form 10-K.

Feedback was provided by stakeholders on the specific topics below.

- Environmental Footprint of Fuel Use** – There was issuer feedback that the units (gigajoules) would be inaccurately interpreted by analysts. Stakeholders disagree with the definition of renewable fuel in the standards, as it currently includes examples of wind and solar, which are not 'fuel'. There was unanimous agreement regarding a proposal to remove the fuel hedging metric from the Airlines standard. The general view is that fuel hedging practices do not impact airlines' incentive to reduce fuel use and associated costs.
- Labor Relations** – An issuer recommended the SASB clarify the technical protocol for the unionization metric. The metric asks for unionization rates broken down by domestic and foreign employees, which seemed to imply that foreign workers in the U.S. would be reported separately from their U.S. national counterparts. There was additional issuer feedback on the unlikely materiality of the metric on strikes and lock outs for U.S. airlines.
- Competitive Behavior** – An issuer recommended the SASB remove the legal and regulatory fines and settlements metric since information regarding alleged anti-trust behavior may be legally privileged.
- Accidents & Safety Management** – Some issuers recommended removing the metric on the outcomes of the Safety Management System, while another mentioned that it was already reported to the appropriate authorities. There was hesitation that reporting the metric without context would result in misinterpretations.

Air Freight & Logistics Industry

One industry association, that represents both airlines and air freight companies, provided feedback on the Air Freight & Logistic standard during consultation.

Consultation Feedback Received for the Air Freight & Logistics Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	3	1	n/a	4
# of Briefings Held	n/a	3	1	n/a	4
# of Feedback	0	0	1	0	1

The industry association indicated that its members are unlikely to refer to SASB Standards in their SEC filings, unless mandated to do so. They cited operational challenges like timing, cost of reporting burden, reputational concerns, and the cost-benefit of implementing metrics.

Feedback was provided by stakeholders on the specific topics below.

- **Fair Labor Practices** – The industry association recommended the SASB remove the metric focused on the use of independent contractor-drivers as the definition of ‘independent contractor’ varies widely across states. The industry association also recommended the SASB remove the legal and regulatory fines and settlements metric since information regarding alleged anti-trust behavior may be legally privileged.
- **Accidents & Safety Management** – Industry association members suggested removing the metric on the outcomes of the Safety Management System, citing that it is outdated.

Marine Transportation Industry

One issuer provided a limited amount of feedback on the Marine Transportation industry.

Consultation Feedback Received for the Marine Transportation Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	2	n/a	n/a	2
# of Briefings Held	n/a	1	n/a	n/a	1
# of Feedback	0	1	0	0	1

The issuer suggested that the SASB clarify our definition of the Marine Transportation industry (i.e., whether we include terminal operators and entities other than ships owners who are involved in the maintenance and operations of ships).

Feedback was provided by the issuer on the specific topics below.

- **Ecological Impacts** – The issuer pointed out challenges with measuring the environmental impacts of shipping companies using a metric like “duration spent in ecologically sensitive and marine protected areas” due to that fact that companies may have little control over choice of shipping paths.
- **Accidents & Safety Management**– The issuer indicated that it would be challenging and time consuming to aggregate vessel-level data for several of the SASB’s proposed metrics due to the company’s large fleet size.

Cruise Lines Industry

No feedback was received from stakeholders during consultation for the Cruise Lines industry.

Consultation Feedback Received for the Cruise Lines Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	3	3	1	0	7
# of Briefings Held	0	1	0	0	1
# of Feedback	0	0	0	0	0

Rail Transportation Industry

One investor and no issuers provided feedback on the Rail Transportation industry.

Consultation Feedback Received for the Rail Transportation Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	3	n/a	n/a	3
# of Briefings Held	n/a	0	n/a	n/a	0
# of Feedback	1	0	0	0	1

Feedback was provided by the investor on the topic below.

- **Competitive Behavior** – The investor questioned why Competitive Behavior is considered a sustainability issue and informed the SASB of the many efficiencies, safety improvements, and cost reductions that have occurred since the rail industry consolidated in the 1980s. From a consumer welfare perspective, the investor argued that consolidation led to many benefits. When there were more players, competition meant that rail companies did not have large market share nor the resources for upkeep of tracks. The investor stated that since there are fewer players now, it is better for the consumer as rail transportation is not only cheaper, but also safer.

Road Transportation Industry

There was no feedback on the Road Transportation industry. However, feedback on the Air Freight & Logistics industry standard may apply to aspects of this standard because several topics overlap between the two.

Consultation Feedback Received for the Road Transportation Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	2	n/a	n/a	2
# of Briefings Held	n/a	0	n/a	n/a	0
# of Feedback	0	0	0	0	0