Proposed:

RULES OF PROCEDURE

The Sustainability Accounting Standards Board

The SASB issued this Exposure Draft to solicit public comment on the Rules of Procedure that will guide its post-provisional standard-setting activities. Individuals can submit written comments, in the form of a letter on official letterhead, to comments@sasb.org.
SUMMARY AND QUESTIONS FOR RESPONDENTS

Introduction
The SASB Rules of Procedure are designed to establish the processes and practices to be followed by the SASB in its future standards-setting activities. This Rules of Procedure document is intended to serve as a companion to the SASB Conceptual Framework, an updated version of which will outline the principles guiding SASB’s work.

The SASB Board of Directors plans to review and discuss comments received on this Exposure Draft and, subject to modification based on comments received, adopt these Rules of Procedure, pursuant to the Bylaws of the SASB, which provide that the Board has exclusive authority to adopt, alter, amend, supplement, or repeal the SASB Rules of Procedure or to adopt new Rules of Procedure.

Rationale
Since 2012, the SASB has gone through an exercise of standard setting that resulted in the creation of provisional sustainability accounting standards in 10 sectors and 79 industries. This work was guided by the SASB Conceptual Framework, which set forth the organization’s principles and its provisional standard-setting process. As the SASB embarks on the codification and maintenance of the Standards, it is proposing to implement a set of governance and due-process changes to improve the credibility, transparency, and quality of its standards-setting process.

This includes an enhanced role for the SASB Standards Council in the approval of Standards, under due process oversight of a new Committee of the SASB Board of Directors (the Standards Oversight Committee), and a reorganization of the SASB’s standards-setting organization (SSO) activities around industry sectors to maximize stakeholder consultation and the relevance of the Standards.

Overview of Key Provisions
As described in this Exposure Draft, the primary processes covered by the Rules of Procedure include:

- the initial adoption of the Provisional Standards by the Standards Council, followed by a period of implementation review and stakeholder consultation on these Standards to identify the needs for any updates or modifications;
- the review and approval of the resulting revised Standards by the Standards Council, which are then codified as the authoritative SASB “Code” of Standards; and
- the ongoing review and maintenance of the Standards through Updates to the Code, as approved by the Standards Council.

Within each of these activities, all proposed revisions of the Provisional Standards and all subsequent proposed Updates to the Code are subject to a defined due process procedure. This includes the review and approval by vote of the Standards Council at public meetings of:
(i.) the public notification of the SASB’s proposed technical agendas,

(ii.) the initiation of a public comment period on proposed revisions to the Standards, and

(iii.) all revisions to the Standards (i.e., Updates to the Code).

The document does not constitute the procedures that governed development of the Provisional SASB standards. That process is referenced in the document and is described in the Appendix for the sole purpose of providing a historical background to ongoing standards-setting activities.

Question(s) for Respondents

1. Does the process described reflect an approach to standard-setting that is transparent, market-informed, and balanced?

2. Will the process described ensure outcomes that facilitate material, decision-useful, and cost-effective disclosures?

3. Is the governance structure clear and appropriate? Is it likely to ensure quality outcomes?
RULES OF PROCEDURE
OF THE SUSTAINABILITY ACCOUNTING STANDARDS BOARD

April 2016
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EXECUTIVE SUMMARY

The proposed SASB Rules of Procedure (hereafter “the Rules”) establish the due process and practices to be followed by the Sustainability Accounting Standards Board (hereafter “the SASB”) in its standards-setting activities and the governance and oversight of these processes and practices. The Rules cover the processes for reviewing, modifying, and adopting the SASB’s Provisional Standards as the initial Sustainability Accounting Code (hereafter “the SASB Code” or “the Code”) and the processes for ongoing review and maintenance of SASB standards through Updates to the Code (hereafter “Updates”).

The SASB Rules of Procedure provide that:

- The SASB Code will represent the authoritative source of SASB standards.
- Responsibility for and authority for initial adoption of the Code and all subsequent Updates will rest with the SASB Standards Council.
- The Codification of the standards will be initiated with official adoption of the Provisional Standards by the Standards Council.
- Following a period of implementation review and stakeholder engagement to identify proposed modifications to the Provisional Standards and a public comment and review period, the Standards Council will vote to approve initial revisions to the Provisional Standards and adopt them as the initial Code.
- Subsequent changes to the Code will be effected through Updates, as and when necessary based on agenda-setting resulting from ongoing monitoring of implementation of standards, stakeholder engagement, and the evolving landscape by the SASB standards-setting organization (SSO) staff, issuance of Exposure Drafts of proposed changes to standards for public comment, and review and approval by the Standards Council of all Updates.
- The Council will actively solicit and consider market input on the materiality, decision-usefulness and cost-effectiveness of the standards.
- A majority vote of the Standards Council will be required to approve Updates.
- Exposure Drafts of proposed changes to the Provisional Standards and subsequent Updates will be subject to public comment periods of 90 days (unless under exception by the Standards Council).
- The Standards Council will be composed of nine members appointed by the SASB Board of Directors, including a Chair, with equal representation of corporate issuers, investors, and a third category of other stakeholders such as accountants, lawyers, public servants, non-governmental organizations.
- The Standards Oversight Committee—a committee of the SASB Board—will oversee due process of standards-setting activities, including receiving and reviewing appeals and complaints. However, the Standards Oversight Committee will not play a role in technical agenda and standards-setting decisions.

- The SASB standards-setting organization (SSO) staff will prepare its recommendations for Updates to the Provisional Standards, initial adoption of the Code, and subsequent Updates based on ongoing research, regular consultations with corporate issuers, investors, and other stakeholders, implementation reviews, and public comment periods.

Figures 1-3 below depict the proposed standards-setting process and governance of that process.

*Figures 1 & 2. SASB Standards-setting Process for Codification and Updates*
Figure 3. SASB Standards-setting Governance

* SOC role includes oversight of standards-development process, complaints and appeals
** Public meetings
INTRODUCTION

These Rules of Procedure establish the processes and practices to be followed by the SASB in developing, issuing, and modifying its sustainability accounting standards. The Rules also describe the SASB structure, including the roles, composition, and operating procedures of the various entities involved in the standards-setting process. The Rules also provide an overview of the SASB’s standards-development process, which will include stakeholder consultation, exposure of proposed standards for public comment, and evaluation of input received and the types of pronouncements and documents issued by the SASB. The Rules of Procedure are complementary with the SASB Conceptual Framework (available on the SASB website, www.sasb.org), which sets forth the essential concepts of sustainability accounting.
THE MISSION OF THE SUSTAINABILITY ACCOUNTING STANDARDS BOARD

Mission Statement

The SASB was founded in 2011 as an independent 501(c)(3) nonprofit organization and is an American National Standards Institute-accredited standards developer. The SASB’s mission is to develop and disseminate industry-specific sustainability accounting standards to assist public corporations in disclosing material, decision-useful information to investors in statutory filings such as Form 10-K and Form 20-F. That mission is accomplished through a process that includes evidence-based research and broad, balanced stakeholder input.

The SASB’s objective is to enable the standardized measurement and disclosure of material sustainability factors to better inform the decisions made by corporations and their investors. To ensure their decision-usefulness, the SASB standards are industry-specific, focused on material information, and comprised predominantly of quantitative metrics. As a result, information disclosed in conformity with SASB standards is expected to be relevant, cost-effective, and readily incorporated into financial analysis, as well as strategic decision making within companies.

SASB standards are aligned with existing U.S. securities law. Regulation S-K, which mandates specific disclosure requirements for SEC registrants, requires companies to disclose known trends, uncertainties, and events that are reasonably likely to have a material impact on the company’s financial condition or results of operations. Such disclosures are to be made in Management’s Discussion and Analysis of Financial Condition and the Results of Operations (MD&A). By incorporating the U.S. Supreme Court’s definition of “materiality” into its process for setting standards and its guidance for their use, the SASB helps companies fulfill an existing regulatory requirement in a standardized format that is useful to investors, financial analysts, and corporate decision-makers.

How the Mission Is Accomplished

To achieve its mission, the SASB:

1. Creates, develops, and refines industry-specific standards for material disclosures in a format that is decision-useful and cost-effective;

2. Facilitates a shared understanding of the relationship between sustainability accounting, disclosure, and corporate performance through open due process, outreach and consultation, disclosure guidance, implementation tools and resources, and education programs;

3. Maintains the currency of its standards, so that they reflect the changing market, economic, and sustainability landscape; and

4. Promotes the alignment of global sustainability accounting and reporting initiatives and frameworks to reduce the reporting burden on corporate issuers.

Nota bene: At time of publication, SASB has not formed a Consensus Body or declared its intent to develop an American National Standard through the ANSI Project Initiation Notification System (PINS). These Rules of Procedure are not intended to be considered Standards Development Procedures in compliance with ANSI Essential Requirements.
SASB standards are rooted in evidence-based research and shaped by market feedback. The SASB develops its standards based on in-depth research into the materiality of sustainability impacts in specific industries, assessment of the decision-usefulness of metrics to capture performance, and consideration of the cost-effectiveness of their measurement and disclosure. The SASB also actively solicits input from a range of stakeholders in its standards-setting process to build consensus on the materiality, decision-usefulness, and cost-effectiveness of its standards. This document describes the SASB’s proposed operating procedures, including those designed to ensure due process meetings open to public participation or observation, thus providing transparency into the standards-setting process.

Producing outcomes that are market-informed is a governing tenet of the SASB’s approach to developing and maintaining sustainability accounting standards. Therefore, the SASB will regularly consult with relevant stakeholders for input on its standards-development process with the goal of producing sustainability accounting standards that facilitate the disclosure of material information in a way that is decision-useful to investors and cost-effective for issuers. Generally the SASB will focus stakeholder consultations on corporate issuers, investors, analysts, and other market participants and intermediaries. The SASB Standards Setting Organization (SSO) is comprised of a team of sector analysts who act as the primary points of contact for stakeholder consultation for the standards-setting activities and facilitate ongoing dialogue with stakeholders.

The SASB’s proposed standards-development process is market-informed as a result of the following processes:

1. Implementation review: As part of implementation review, the SASB staff will conduct systematic consultation with corporate issuers, focusing on the feasibility of implementation of the Standards and their cost-effectiveness. In addition, the SASB staff at its own discretion or upon recommendation from the Council may form ad hoc working groups to consult with key stakeholders on specific thematic or technical issues. (See Page 13.)

2. Public comment periods: Periods for public comment will be conducted at various stages of standards development to gather feedback from the broadest base of stakeholders. The SASB will solicit and encourage comments and participation from each stakeholder group, including a focus on ensuring investor and corporate issuer input. (See Page 14.)

3. Advisory Groups: SASB’s research staff may be advised by Advisory Groups comprised of from one or more of its key stakeholder groups (i.e., investors, issuers, and/or intermediaries) and/or subject matter experts (e.g., scientists, academics, etc.) on various aspects of the quality of the standards and the treatment of sustainability topics, including whether the SASB should add topics to the Code, modify topics currently in the Code, or withdraw topics from the Code. (See Page 14.)

4. Standards Council Membership: The SASB’s Standards Council (see Page 9), which ultimately votes to ratify any changes to the SASB Code, will be comprised of balanced representation from each of the SASB’s key stakeholder groups. These members will be selected to represent the views and interests of the stakeholder category to which they
belong. This composition will ensure that decisions relating to the SASB Code are not dominated by any stakeholder group.

Guiding Principles

The following principles will guide the SASB’s governance and decision making. These principles also will guide external stakeholders overseeing the SASB’s work, as well as the SASB Standards Council (the Council) and the Standards Oversight Committee (SOC or Committee) of the SASB Board of Directors.

- **Accountability** refers to governance structures and mechanisms in place to ensure compliance with due process and the exercise of responsibility in the approval or rejection of proposed standards.

- **Credibility** refers to each standard’s technical adequacy in the specific industry or subject area and is provided through staff expertise, technical review, and stakeholder consultation.

- **Transparency** refers to an inclusive and open process that engages broad stakeholder input, addresses all comments and input in a transparent way, and is open to public participation and/or observation.

- **Stakeholder consultation** refers to a systematic outreach process for involving a balanced group of representative stakeholders in the standards-development process.

- **Quality** refers to developing a standard that represents best practice. Specifically for the SASB standards, quality refers to their materiality, decision-usefulness, and cost-effectiveness.

- **Timeliness** refers to how well each standard responds to stakeholder demand and changing market conditions, and the SASB’s ability to incorporate revisions, amendments, or replacements on a timely basis as warranted.
GOVERNANCE STRUCTURE

This section summarizes the key elements of governance associated with the SASB’s proposed standards-setting process. It defines the roles and responsibilities of the various parties that will be involved, including the SASB and its Standards Setting Organization, the SASB Board of Directors and its Standards Oversight Committee, and the Standards Council.

The Sustainability Accounting Standards Board

The SASB standards-setting activities will be conducted by the Standards Setting Organization (SSO) within the SASB, which will carry out research and analysis, develop and maintain standards, and solicit stakeholder and public feedback to inform this work. The Standards Council, however, will have the ultimate authority to approve or reject standards proposed by the SASB staff.

The Chief Executive Officer (CEO) oversees the SASB, including the SSO. The SASB Board of Directors has a fiduciary duty to oversee the SASB organization, including the SSO, and also provides due process oversight of the standards-development activities through its Standards Oversight Committee.

The Standards Oversight Committee

The Board will oversee the due process of standards-setting activities through its Standards Oversight Committee (SOC or Committee). The SOC will be composed of a minimum of three and a maximum of five members of the Board of Directors, elected by their peers for three-year terms (or for the remaining duration of their Board term), and, consistent with the SASB Bylaws membership will be subject to a re-approval vote by the Board annually upon recommendation by the Governance & Nomination Committee. The SOC will monitor the standards-setting processes of the SASB and evaluate those processes for consistency with the SASB’s mission and governing documents (including these Rules of Procedure). In monitoring these processes, the Committee will evaluate the adequacy, comprehensiveness, effectiveness, and adherence to due process procedures through all stages of the standards-setting process. The Committee will also be able to recommend changes to the Rules of Procedure for approval by the Board of Directors. Significant changes to the Rules of Procedure will be subject to a period of public comment of 60 days or more.

In the exercise of its responsibilities, the SOC will not engage in technical standards-setting activities.

The SOC will also be responsible for receiving and handling stakeholder complaints regarding the adequacy of due process in standards-setting activities. The Committee will not hear complaints of purely technical nature, which will be heard by the Standards Council. Complaints will be accepted from any interested party who believes due process was not properly followed in the standards-development process. Complaints should be sent to the Chair of the SOC and should include a description of the alleged violation of due process and any details regarding attempts to resolve the due process concern with the Standards Council or the SASB staff, including any correspondence with these groups on the matter.
In reviewing a due process complaint, the SOC will examine all correspondence and request an initial analysis of the matter from SSO leadership and/or the Chair of the Standards Council. The SOC may also, as it deems appropriate, undertake further investigation of the matter to determine whether there was a violation of the Rules of Procedure, and recommend corrective actions for the Standards Council and/or the SASB staff. The SOC will provide an official response to complaints, detailing its activities and outcomes, including any corrective actions.

In the interest of transparency, all correspondence from interested parties to the SOC, as well as the initial analyses from the SSO and/or the Chair of the Standards Council and response from the SOC will be made publicly available. By submitting a due process complaint to the SOC, respondents agree that their correspondence will be made publicly available.

**The Standards Council**

The Standards Council will be a group of independent experts appointed by the Board to approve the Provisional SASB Standards, the Code, and Updates. The Council will be composed of nine members, including its Chair. Members are appointed by the Board of Directors, based on nominations by its Governance & Nomination Committee, for a term of three years, with a two-term limit.

The composition of the Council will reflect equal representation of the SASB’s three main stakeholder groups. It will be comprised of:

- Three corporate issuer members;
- Three investor and financial analyst members; and
- Three members from a stakeholder category comprised of accountants, lawyers, public servants, non-governmental organizations, and others.

Members of the Council will be selected for their technical expertise, availability, and objectivity.

The Chair of the Council will be compensated for his or her services on a part-time basis. The level of compensation will be determined by the Board. Other members of the Council will fulfill their duties on a voluntary basis, with stipends covering reasonable expenses associated with their Council functions.

The role of the Council will be to:

- Review and approve of agendas proposed by the SASB SSO staff on its plan to review and consult on Updates to the Provisional Standards and subsequently the Updates to the Code;
- Deliberate on the merit and due process of Updates to the Provisional Standards and subsequent Updates to the Code that are recommended by the SASB SSO staff, to ensure that the Standards:
  - Achieve decision-usefulness and cost-effectiveness; and
Fulfill other essential objectives of sustainability accounting that have been arrived upon following the fundamental tenets of SASB’s approach, as outlined in the SASB Conceptual Framework.

- With the oversight of the Standards Oversight Committee, ensure that the process to update the Code has followed the Rules of Procedure outlined in this document;
- Approve of initiation of public comment periods on Exposure Drafts of proposed Updates to the Provisional Standards and Updates to the Code;
- Approve of Updates to Provisional Standards and initial approval of the Code, and subsequent Updates to the Code; and
- Approve of interpretations of the Code.

The Chair will administer the functioning of the Council, calling and presiding over meetings of the assembled group and ensuring that meetings are accessible to the public and the minutes are published, that proper voting procedures are followed, and that the Council conducts its business in an orderly fashion. Preparatory documents and minutes of all official meetings of the Council will be made publicly available through the SASB website. Official meetings will be defined as any deliberations of a majority of serving Council members intended or expected by the Chair to involve matters related to the establishment or improvement of the Code.

A quorum of the Council for the purpose of voting will consist of two-thirds of Council members. When a quorum is constituted, the Council will vote on the following matters, which require the approval of no less than a majority of the entire Council.

1. The issuance of Updates that amend, extend, or replace an authoritative portion of the Code; and
2. Interpretations of the Standards.
3. The public notification of an agenda for review of Provisional Standards or Updates to the Code;
4. The initiation of a public comment period on Exposure Drafts of proposed modifications to the Provisional Standards and Updates to the Code;

The Council will vote on the initial codification of the Provisional Standards, which will require the approval of no less than a majority of the whole Council. Initial codification of the Provisional Standards will be a one-time, two-step process comprised of:

1. Vote to approve the Provisional Standards and
2. Vote to approve the Provisional Standards and their Updates as the SASB Code following an initial period of market validation and stakeholder consultation.

Each Update to the Provisional Standards during the initial vote to approve the SASB Code and subsequent Updates to the Code will be approved separately. However, the Council will be free to vote on multiple agenda items related to an industry or a sector at the same time. The authoritative portion of the Code will consist of the initial Code amended by the Updates approved by the Council.
Updates to the Provisional Standards and Updates to the Code will be initiated through an agenda-setting exercise in which the Council, at regular intervals, considers proposals from the SASB staff to review specific portions of the Provisional Standards or the Code that may need to be amended. The agenda for review, which will be subject to approval by the Council, will determine the initial scope of the internal review and stakeholder consultations that the SASB staff conducts as part of an implementation review. (See Page 13.)

The Standards Council will meet quarterly, with additional meetings as deemed necessary by the Chair in consultation with SSO leadership. Voting meetings will be open to the public via a web- or audio-cast. In addition, records of all meetings—voting and nonvoting—will be made public. The SASB will publicly announce the time, date, location, agenda, and any preparatory materials at least 10 days before each meeting.
OPERATING PROCEDURES FOLLOWED IN THE DEVELOPMENT OF THE SASB STANDARDS

The proposed operating procedures of the SASB’s standards-setting activities and its oversight bodies are designed to facilitate timely, thorough, and transparent research into sustainability accounting and disclosure, and to encourage broad market and public participation in the process of establishing and improving sustainability accounting standards.

Due Process

The SASB has established a transparent and systematic standards-setting process (described below in more detail) that balances the need for timely outcomes with the need for comprehensive research and broad stakeholder participation. Stakeholder consultation is an integral part of the SASB’s operation, and the organization has established communication channels to encourage timely, relevant, insightful, and well-reasoned feedback during every phase of its standards-setting process. Further, the SASB is committed to carefully considering all input received in due process and making it public along with the SASB’s responses to this input.

Approval and Codification of Provisional Standards

Starting in 2012, the SASB undertook a program to develop a comprehensive set of industry-based Provisional Standards covering 10 broad industry sectors encompassing 79 industries. The development of the Provisional Standards was conducted using a process that involved evidence-based research, technical development, vetting by balanced multi-stakeholder working groups, and public comment (see Appendix). These Provisional Standards will serve as the starting point for the SASB’s proposed Standards approval and codification processes, which are outlined here.

Standards Approval and Codification

Concurrent with the implementation review, the SASB will undertake a systematic review of the Provisional Standards, conducting further research and stakeholder consultation to recommend Updates to Provisional Standards.

- **Agenda-setting.** The Standards Council will review, approve, or modify the SSO’s agenda for proposed Updates to the Provisional Standards.
- **Revision of Provisional Standards.** Based on the outcomes of the implementation review and recommendations of the Council, the SSO staff will prepare proposed Updates to the Provisional Standards, together with a basis for conclusion, for public exposure (Exposure Drafts).
- **Vote to Initiate Public Comment Period.** The Standards Council will vote to initiate a public comment period for Exposure Drafts for proposed Updates to the Provisional Standards.
- **Public comment period.** Exposure Drafts will be exposed to a 90-day public comment period, which can be shortened or lengthened depending on the circumstances.
- **Vote to codify the Standards.** The SASB SSO staff will submit a draft of the Updates to the Provisional Standards and the basis for conclusion to the Council. The Council will vote...
to approve codification of the Provisional Standards as the SASB Code based on an assessment of both benefits and the costs of additional disclosure, and its conformance to the essential concepts of sustainability accounting described in the SASB Conceptual Framework.

This one-time process, which will be followed for each Sustainable Industry Classification System (SICS) sector, will culminate with the approval and codification of the SASB standards into the Sustainability Accounting Code (the Code).

**Sustainability Accounting Standards Updates**

Once the Provisional Standards are codified, subsequent revisions will be made through Updates to the Code (Updates), following a similar process as that proposed for the approval and codification of the Provisional Standards:

- Agenda setting;
- Implementation review, through industry consultations and internal review;
- Preparation of Exposure Drafts of Updates;
- Period of public comment of at least 60 days, depending on the circumstances; and
- Approval of Updates to the Standards.

The scope of the reviews will be limited to the industries, topics, and metrics that need to be updated, based on an agenda set by the Council at regular intervals.

**Stakeholder Consultation**

The SASB will regularly consult with relevant stakeholders for input on its standards-development process. Generally the SASB will focus stakeholder consultation on corporate issuers, investors, analysts, and other market participants and intermediaries. The SASB Standards Setting Organization (SSO) is set up with sector analysts who will act as the primary points of contact for stakeholder consultation for standards-setting activities and allow for ongoing dialogue with stakeholders.

**Implementation Review**

After a period of provisional release, the SASB will undertake an implementation review of the Provisional Standards, including the following activities:

- **Stakeholder consultations.** The SSO staff will conduct systematic consultation with corporate issuers, focusing on the feasibility of implementing the Standards and their cost-effectiveness. The SSO staff also will conduct systematic consultation with investors, focusing on the decision-usefulness of the Standards.

- **Internal review.** The SSO staff will conduct a systematic assessment of Standards to ensure (1) alignment and consistency in topics and metrics that cut across industries, and assess (2) the decision-usefulness and (3) cost-effectiveness of metrics.
Public Comment Periods

Periods for public comment will be conducted at various stages of standards development to gather feedback from the broadest base of stakeholders. During the codification phase, Exposure Drafts of proposed Updates to the Provisional Standards will be subject to a 90-day public comment period, which may be shortened or lengthened depending on the circumstances. Post-codification, Exposure Drafts of proposed Updates to the Code will be subject to a 90-day public comment period, which may be shortened or lengthened depending on the circumstances.

Through open, transparent, and widely advertised public comment periods, any interested or affected party may provide comment and input as to whether topics included in the SASB’s standards are likely to constitute material information, whether metrics fulfill the SASB’s criteria for metric selection, and whether standards are technically accurate and constitute a basis for “suitable criteria.” Survey portions of public comment will generate quantitative measures of the degree of agreement with SASB’s standardization activities against a target of 75 percent. Specific questions may include:

- Is this topic reasonably likely to constitute material information for companies in the industry?
- Will the proposed change to the Code improve the standard’s ability to achieve one or more of SASB’s objectives (materiality, decision-usefulness, and/or cost-effectiveness)?

SASB will solicit and encourage comments and participation from each stakeholder group, including a focus on ensuring input from investors and corporate issuers.

Exposure Drafts, and notices of issuance of Exposure Drafts, will specify the time and manner in which individuals and organizations may comment. Written comments received during the public comment periods will constitute a part of the SASB’s public file.

Advisory Groups

From time to time, the Chair of the Standards Council may form advisory groups to support the SSO staff and the Standards Council in producing material, decision-useful, and cost-effective standards.

These advisory groups may be focused on thematic or technical matters related to specific cross-cutting sustainability topics, industry topics, initiatives to harmonize with other standards setters, or they may be focused on providing advisory input on key objectives of the SASB Code (materiality, decision-usefulness, and cost-effectiveness).

Advisory groups will be limited-life entities, with the duration of their activities determined by the Chair. These groups will be advisory in nature and their recommendations will be non-binding, with ultimate authority to approve modifications to the SASB Code resting with the Standards Council, informed by the SASB SSO staff.

The Chair of the Standards Council will appoint a SSO staff member to act as liaison to each advisory group. Members of the advisory group will be nominated by SSO staff and the Standards Council.
Council, and approved by Standards Council vote. When appropriate, a chair of the advisory group will be nominated by other members of the group and approved by Standards Council vote.

Research Projects

In addition to the SASB’s core research, which is one component of its standards-setting process, the SSO may also take on additional projects or research needs. Research and project proposals may be submitted to SSO leadership by the Council. Such projects are expected to take a problem-solving approach to addressing issues that are related to projects already on the SASB’s agenda or that may be added to the agenda.

Research of a theoretical or conceptual nature may also be conducted as warranted. For example, research may investigate:

- The potential materiality of sustainability topics and the development of decision-useful metrics to support ongoing standards-development efforts;
- The uses of sustainability information in financial analysis;
- Industry-specific business models and resource uses; and
- Cross-cutting sustainability topics that have impacts across many or most sectors.
PRONOUNCEMENTS

The SASB Board will delegate to the Standards Council and the SSO staff full and final authority over all aspects of the authoritative portions of the Sustainability Accounting Standards, the Code, and all other official communications it issues, as detailed in these Rules of Procedure and under the oversight of the Standards Oversight Committee.

Provisional Standards and Sustainability Accounting Code

The SASB standards were first developed in provisional form, based on rigorous, evidence-based research by the SASB staff in consultation with expert investors, companies, and market participants, and they were subject to an exposure period for public comment (see Appendix).

Provisional Standards are released for a period of time and thereafter tested through implementation review to allow for meaningful market experimentation and further stakeholder feedback. At the end of the implementation review period, and based on review of the feedback received, the Provisional Standards will be modified and codified upon approval of the Standards Council.

Once the Provisional Standards are approved by the Council, they will become part of the Sustainability Accounting Code (the Code), which is the authoritative source of the SASB standards for sustainability accounting and disclosure.

This initial standards-setting activity phase was comprehensive in scope and was designed to systematically produce sustainability accounting standards for every industry in the SICS classification.

Each standard submitted for approval and codification will be accompanied by a basis for conclusion, describing the reasoning process that led to the selection of certain alternatives and the rejection of others, and providing a summary of research and significant viewpoints communicated via public comment and stakeholder consultation.

The SSO will provide the Standards Council with the following documentation:

- Relevant standard(s);
- Description of the research and stakeholder consultation conducted in the process of developing the actual or proposed standard(s);
- Basis for conclusion, documenting
  - Evidence of investor interest and financial impact for topics included in the Standards,
  - Decision-usefulness and cost effectiveness of the Standards,
  - Reasoning process that led to the choice of certain alternatives over others and a summary of significant viewpoints; and
- Other information or data as the SASB deems necessary.
All standards issued by the SASB must meet the essential concepts of sustainability accounting as described in the SASB Conceptual Framework.

**Sustainability Accounting Standards Updates**

Once the Sustainability Accounting Code is established, the SASB will make changes by issuing Sustainability Accounting Updates (Updates) that will amend or supersede the Code. Updates will not be authoritative; rather, they will show and explain how the Code has been amended or superseded.

The SASB will engage in ongoing reviews of the sustainability accounting standards, and will issue Updates as necessary. Ongoing reviews of the Standards will assess the following:

- Feedback received and technical inquiries during monitoring;
- The need to codify SASB Interpretations made in response to technical inquiries;
- The evolution of underlying sustainability issues and company best practices; and
- The results of implementation reviews.

Each Update (and Exposure Draft of a proposed Update) will include the following:

- Relevant standard(s);
- The transition method;
- Relevant background material, including a description of the research executed in the process of developing the actual or proposed Update;
- A basis for conclusion, describing the reasoning process that led to the choice of certain alternatives over others and providing a summary of significant viewpoints;
- A summary that includes:
  - The reasons for making or proposing a change to the Code, and
  - The main provisions of the change and an explanation of how they differ from existing standards; and
- Other information or data as the SASB deems necessary.

Additionally, all approved (rather than proposed) Updates will include their effective date, a list of the serving Standards Council members who voted for or against its issuance, and the dissenting opinions, if any.

The SASB will publicly announce the issuance and availability of Updates and Exposure Drafts of proposed Updates on its website and by other appropriate means determined to be necessary or desirable.
Interpretations

Interpretations will address questions related to sustainability accounting standards that have been approved and codified. Interpretations are distinct from Updates in that they will not change the content of the Standards but rather will clarify parts of the Standards that are not clear.

The SASB will consider issuing an Interpretation if there is sufficient interest from stakeholders to clarify aspects of the Standards that may be ambiguous or could lead to different interpretations. The SASB will review technical questions related to the implementation of the Standards and determine whether (1) Interpretation is needed and (2) clarification on a related question was already provided by an existing interpretation. Interpretations will become authoritative and part of the Standards and will be codified periodically, as necessary. Interpretations of the Standards will be subject to review and approval by the Standards Council, following the same rules in effect for the review and approval of Updates.

Bulletins

Bulletins will address current topics that are external to the standards-setting process. For example, technical bulletins will be issued in response to issues or questions raised by stakeholders with regard to the adoption or use of the Standards. While intended to provide additional guidance or clarification, bulletins will not impact the fundamental substance of the SASB standards, nor will they provide interpretations of the SASB standards.

PUBLIC ANNOUNCEMENTS

The SASB will make public announcements of developments in standards-setting operations and activities deemed important to the public through publication on the SASB website and by any other means deemed appropriate given the circumstances:

- The time, date, and place of each public meeting of the Standards Council and advisory committees and the agenda for the meeting;
- The agenda for review and possible changes to the Provisional Standards and the Code;
- Issuance and availability of Provisional Standards, the Code and its Updates, Interpretations, and Bulletins;
- Issuance and availability of published reports prepared by or for the SASB or any of its committees; and
- Organization of, discharge of, and appointments to an advisory committee of the SASB.

AVAILABILITY OF INFORMATION

To promote broad public participation in the process of establishing and improving sustainability accounting and reporting standards, every Exposure Draft and discussion paper will be made available to download, without charge, from the SASB’s website.
Publications of the SASB are subject to copyright restrictions. The SASB permits a limited number of copies of its publications to be made for internal or personal use, but not for resale or external distribution.

PUBLIC FILE

Documents constituting the public file of the SASB will be available for public review on the SASB website and will include the following:

- All pronouncements of the SASB and documents issued for public comment, including such as the Provisional Standards, modifications to the Provisional Standards, Updates to the Code, Interpretations, Bulletins, and any other invitations to comment;
- Notices and other materials for public meetings;
- Minutes of decision-making meetings of the Standards Council;
- Published reports of research projects, whether prepared by or for the SASB staff or any advisory committees, including written research, data, and summaries of such data;
- Written comments received by the SASB in respect to matters related to sustainability accounting and reporting from its committees and other individuals and organizations;
- The charter and membership of the Standards Council, the SOC, and each advisory committee of the SASB; and correspondence, analyses, and other materials relating to due process complaints addressed to and reviewed by the SOC;
- The SASB Conceptual Framework;
- Other significant SASB communications such as statements of policy (including these Rules of Procedure); and
- The annual reports of the SASB.
APPENDIX: PROCESS USED IN DEVELOPING THE PROVISIONAL STANDARDS

Starting in 2012, the SASB undertook a program to develop a comprehensive set of industry-based Provisional Standards covering 10 broad industry sectors encompassing 79 industries. The Provisional Standards were developed using a rigorous process that involved evidence-based research, technical development, vetting by balanced multi-stakeholder working groups, and public comment.

- **Preparation**: The first step of the provisional stage, led by the SASB technical staff, involved extensive quantitative and qualitative research, drawing from a variety of sources and using custom algorithms. The outcome of this research was the production of a research brief that identified potential disclosure topics and summarizes the underlying evidence, including evidence of investor interest and evidence for the specific value impact(s) of each topic.

- **Development**: The second step of the provisional stage involved participation by multi-stakeholder industry working groups, balanced among investors, corporate professionals, and other market participants. These stakeholders, chosen for their industry-specific expertise, helped prioritize the disclosure topics, enabling the SASB technical staff to produce an Exposure Draft of the Standards and prepare disclosure guidance.

- **Finalization**: The third step of the provisional stage involved feedback from the public and a review by the SASB’s Standards Council. After a 90-day public comment period, input was incorporated into the final Provisional Standard.

This one-time process was organized by SICS sectors and staggered over a period of time to ensure optimal quality of standards development. It culminated in the development of a full set of Provisional Standards that were adopted by the Standards Council.