

From: Amanda Medress
Sent: Monday, March 10, 2014 6:55 PM
To: OFM Performance and Planning
Cc: Jean Rogers; Doug Park
Subject: SASB's Comments on the SEC's Draft Strategic Plan for 2014-2018

To Whom It May Concern,

Thank you for the opportunity to comment on the SEC's Draft Strategic Plan for 2014-2018. Attached please see SASB's official comment letter, submitted by SASB CEO Dr. Jean Rogers. Please confirm receipt.

March 10, 2014

Dear Commissioners of the U.S. Securities and Exchange Commission:

I write on behalf of the Sustainability Accounting Standards Board (SASB), a 501c3 organization that develops sustainability accounting standards for publicly-listed U.S. companies. SASB designs standards for the disclosure of material sustainability issues in mandatory SEC filings, such as the Form 10-K and 20-F. SASB uses the U.S. Supreme Court's definition of materiality and is accredited by the American National Standards Institute (ANSI). More than 1,350 individuals—affiliated with companies with \$6.5T market capital and investors representing \$15T assets under management—have participated in our standards development process to date.

Thank you for the opportunity to comment on the SEC's Draft Strategic Plan for 2014-2018. SASB is invested in the SEC's mission to protect investors, maintain fair markets, and facilitate capital formation. We acknowledge that the SEC is accomplishing this mission in an increasingly complex and globally interconnected securities market, and that information needs are evolving as a result. To address the needs of changing markets, SASB is issuing standards for 80+ industries in ten sectors by 2016, an endeavor that is novel in speed and scope.

SASB supports investors by reducing the noise to signal ratio in non-financial information and elevating the information most relevant to decision-making to a form that is accessible and useful for investors. SASB's Sustainable Industry Classification System (SICS) groups industries with similar sustainability impacts. SICS helps investors see under- or over-exposure to certain types of non-financial risks and opportunities depending on their sector allocation, and make better informed investment decisions. SASB industry standards help investors compare and benchmark companies. The data that will result from ~13,000 publicly traded companies reporting with SASB accounting metrics will enable investors to perform peer-to-peer comparisons on sustainability performance and establish industry benchmarks against which all issuers can be compared. The availability of financial fundamentals alongside sustainability fundamentals provides the data needed to place existing financial data in a rigorous context and framework.

SASB's development of sustainability accounting standards supports the SEC's Strategic Goals and Objectives in the following ways.

Strategic Goal 1: Establish and maintain an effective regulatory environment.

- Strategic Objective 1.1: The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance.

SASB supports the SEC's goal to improve the quality and usefulness of disclosure. SASB

continues the tradition of high-quality disclosure by extending accounting infrastructure to material environmental, social, and governance (ESG) factors. While ESG factors increasingly affect the long-term viability of companies and thus are of interest to investors, a lack of comparable ESG data and a plethora of immaterial information have made it challenging for investors to use ESG information effectively. Obtaining comparable, material ESG data can require a substantial amount of time and expense for investors and analysts. SASB standards solve this problem by providing this information in the Form 10-K, an accessible format for investors. SASB standards use metrics that are comparable and largely quantitative, allowing investors to benchmark companies within an industry.

- Strategic Objective 1.2: The SEC promotes capital markets that operate in a fair, efficient, transparent, and competitive manner, fostering capital formation and useful innovation.

SASB standards are designed to create a race to the top for corporations on the sustainability issues most likely to impact value creation. Making sustainability data transparent to, and actionable by, investors will incentivize companies to compete and improve performance on material sustainability factors. Secondly, SASB standards help investors by providing a complete picture of the material risks and opportunities facing corporations. SASB standards build a new wing on an existing structure in a modern context.

Strategic Goal 2: Foster and enforce compliance with the federal securities laws.

- Strategic Objective 2.1: The SEC fosters compliance with the federal securities laws.

Regulation S-K requires publicly-listed companies to disclose material information in the Form 10-K. However, companies lack the accounting infrastructure to disclose non-financial material information. SASB's standards will help companies comply with Regulation S-K.

Strategic Goal 3: Facilitate access to the information investors need to make informed investment decisions.

- Strategic Objective 3.1: The SEC works to ensure that investors have access to high-quality disclosure materials that facilitate informed investment decision-making.

SASB standards are designed to be comparable, auditable, and decision-useful. Including SASB standards in the MD&A section of the Form 10-K could help management explain known trends and uncertainties that affect companies in a material way. In reporting on SASB standards, it is expected that issuers report with the same level of rigor, accuracy, and responsibility as all other information contained in their SEC filings. SASB is committed to following the PCAOB's recommendation regarding the appropriate attestation standard for non-financial information. These measures will help elevate material non-financial information to the same level of quality and credibility as financial information.

- Strategic Objective 3.2: The SEC works to understand investor needs and educate investors so they are better prepared to make informed investment decisions.

The reasonable investor of 2014 is not the same as the reasonable investor of 1973. In the

past 40 years, the world has changed. Megatrends like climate change, resource constraints, and population growth affect the ability of corporations to create financial value. Economic growth cannot be sustained if the underlying environmental, social, and human capital is depleted. However, investors do not have the information needed to determine how companies are adapting to this new reality and compare companies in the same industry with each other. SASB standards are a natural progression in the evolution of the information available to the capital markets. Accounting standards—for material non-financial data—can help investors discern which companies are better positioned to create value in a resource constrained world. They provide information of interest to today's reasonable investor.

Thank you again for the opportunity to comment on the SEC's Draft Strategic Plan for 2014-2018. We look forward to continuing to support and advance the SEC's mission.

Sincerely,

A handwritten signature in black ink, appearing to read 'JR', with a long horizontal stroke extending to the left.

Jean Rogers PhD PE
CEO
Sustainability Accounting Standards Board