

31<sup>st</sup> January 2018

## CDSB response to Sustainability Accounting Standards Board (SASB) Exposure Draft Standards

*To Whom It May Concern,*

The Climate Disclosure Standards Board (CDSB) welcomes the opportunity to offer our written comments on the SASB Exposure Draft Standards.

We recognise the importance of SASB's standards development activity in providing sustainability accounting standards that meet the needs of investors by fostering high-quality disclosure of material sustainability information and were pleased to welcome SASB to CDSB's Board last year.

CDSB is an international consortium of business and environmental NGOs. We are committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. We do this by offering companies a framework for reporting environmental information<sup>1</sup> (the CDSB Framework) with the same rigour as financial information. In turn, this helps companies to provide investors with decision-useful environmental information via the mainstream corporate report, enhancing the efficient allocation of capital. Regulators also benefit from compliance-ready materials. Recognising that information about natural capital and financial capital is equally essential for an understanding of corporate performance, our work builds the trust and transparency needed to foster resilient capital markets.

In general, we welcome the iteration of the standards, based on feedback from investors and issuers alike and commend the measures taken to align metrics with the recommendations of the Task Force on Climate-related Financial Disclosures. Our specific comments on the consultation follow in the appendix below. Please do not hesitate to contact us if you have any further queries.

Kind regards,

**Simon Messenger**  
Managing Director  
Climate Disclosure Standards Board

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<sup>1</sup> Climate Disclosure Standards Board (2015) Framework for reporting environmental information & natural capital. Available at <http://cdsb.net/framework>

## Appendix I – comments on exposure drafts

### Healthcare Sector

#### Proposed Update #1-18

The SASB proposes revising provisional metric HC0301-14 from

- Description of the strategy to address the effects of climate change on business operations, physical infrastructure, and facility design
- Discussion of specific risks (such as physical risks) presented by changes in the frequency and intensity of extreme weather events and changes to the morbidity and mortality of illnesses and diseases

to the following:

- Discussion of policies and practices to address changes in (1) the frequency and intensity of extreme weather events, and (2) the morbidity and mortality rates of illnesses and diseases, associated with climate change

And SASB proposes adding a new metric as well:

- Percentage of health care facilities that comply with CMS's Emergency Preparedness Rule

**CDSB response:** It appears that simplifying this metric would remove important information relating to the impact of climate change on the operations of the business and would only leave information relating to the impact of this climate change on patients' health. Given the need for the facilities of the organisation to be climate-resilient to treat patients, removing this aspect would remove potentially material information to investors, unless this information is a requirement elsewhere within the SASB standards.

### Financials Sector

#### Proposed Update #2-11

SASB is evaluating the revision of metric FN0101-1825 to ensure the relevance and decision-usefulness of the metrics associated with the topic.

Summary of Change – Revise Metric

The SASB proposes revising provisional metric FN0101-18 from “Total loans to companies in the following sectors/industries: Energy/Oil & Gas, Materials/Basic Materials, Industrials, and Utilities” to “Commercial and industrial credit exposure by industry.”

**CDSB response:** While we agree with the rationale of this change, given that sustainability-related credit risk does not only stem from climate change, however simplifying this metric to make it more general is not an effective way to widen this. Our experience is that, given the current lack of understanding of sustainability impacts on credit and other risks, these issues are often not considered, unless they are explicitly stated. This is particularly true with quantitative metrics. Instead, this metric should be clarified by outlining areas of potential credit risk related to climate change **and** other matters that should be considered (but may not necessarily be material to all organisations). More specific metric requirements would also support more comparable information between reporting entities.

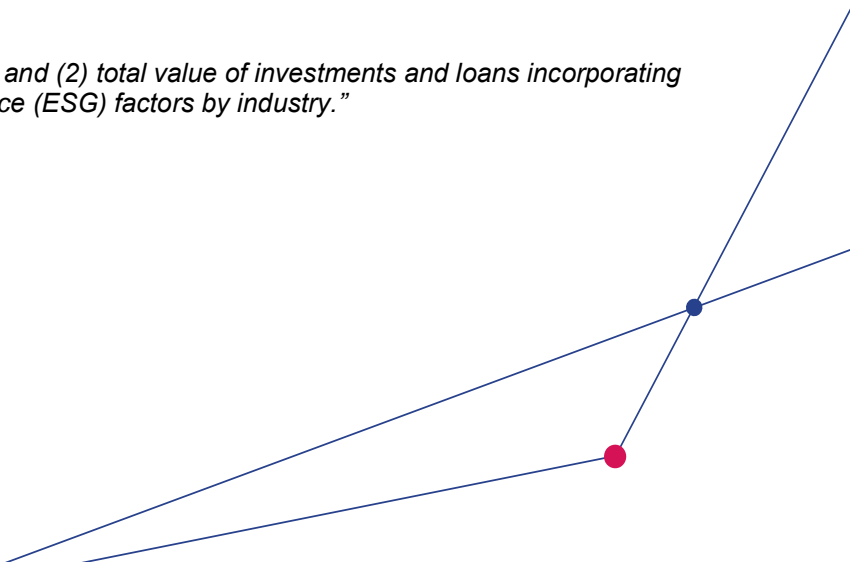
#### 2017 Technical Agenda Item #2-24

Summary of Change – Add Metric

The SASB proposes adding a metric: “(1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors by industry.”

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**CDSB response:** We agree with the addition of this metric, as it provides valuable information about the issuer's integration of ESG factors across its investment and lending activities.

#### Proposed Update #2-35

*Summary of Change – Remove Metric The SASB proposes to remove metric FN0103-18, “Ratio of embedded carbon dioxide emissions of proved hydrocarbon reserves held by investees to total assets under management.”*

**CDSB response:** We do not agree that this metric “...is not indicative of the registrant’s quality of integration of ESG factors in investment management...”, given that having this information can often form a key component of an asset manager’s ESG analysis process, thus forming a basis of its asset allocation decisions. We agree, however, that this metric may not be meaningful on its own and propose the addition of a narrative requirement to explain the impact of these investments and the asset manager’s strategy associated with these. Furthermore, we do not see how the quality of such information would improve if it is not required to be disclosed.

#### Proposed Update #2-49

*Summary of Change – Revise Metric The SASB proposes revising provisional metric FN0301-01 from “Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes, by insurance segment, type of event, and type of risk insured” to “Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes.” In addition, the technical protocol would be updated to include a breakdown by the probability of occurrence for 1-in-100 and 1-in250–year return periods, a breakdown by geographic region, a breakdown by net and gross of reinsurance, and a note requiring registrants to discuss how climate change–related impacts are integrated in catastrophe modelling, scenario analysis, and calculation of PML.*

**CDSB response:** We agree with this update.

#### Proposed Update #2-50

*Summary of Change – Revise Metric and Remove Metric The SASB proposes revising provisional metric FN0301-02 from “Total annual losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes” to “Total annual losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance).” Additionally, the SASB proposes removing metric FN0301-05, “Percentage of policies in which weather-related natural catastrophe risks have been mitigated through reinsurance and/or alternative risk transfer.”*

**CDSB response:** We agree with this update.

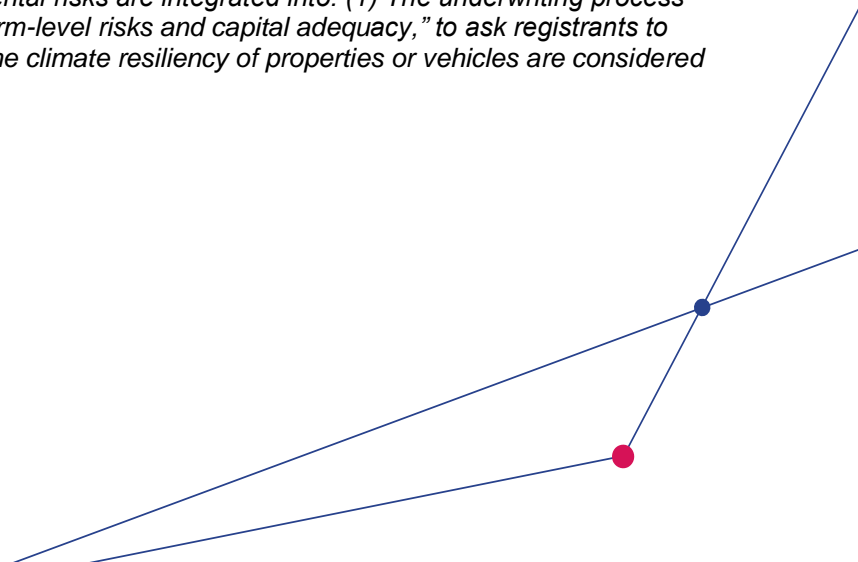
#### Proposed Update #2-51

*Summary of Change – Revise Metric The SASB proposes adding a bullet point to the technical protocol of metric FN0301-03, “Description of how environmental risks are integrated into: (1) The underwriting process for individual contracts; (2) The management of firm-level risks and capital adequacy,” to ask registrants to provide disclosure of how incentives to improve the climate resiliency of properties or vehicles are considered in the pricing of policies.*

**CDSB response:** We agree with this update.

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## Technology & Communications Sector

CDSB has no comments on this exposure draft.

## Extractives & Minerals Processing Sector

### Proposed Update #4-8

*Summary of Change – Revise Technical Protocol The SASB proposes revising the technical protocol associated with metric NR0101-22 to clarify the definition of the sensitivity analysis to be performed using the International Energy Agency’s (IEA) published scenarios. In addition, the revised protocol will provide the issuer the opportunity to consider additional scenarios defined by the company if it chooses to disclose these supplemental scenarios.*

**CDSB response:** We agree with this update to align with recent developments, such as the recommendations of the Task Force on Climate-related Financial Disclosures.

### Proposed Update #4-28

*Summary of Change – Revise Technical Protocol The SASB proposes updating the technical protocol associated with metric NR0302-05, “Total fresh water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress,” to include the disclosure of which facilities are located in areas of High or Extremely High water stress.*

**CDSB response:** Given the local nature of water stress, this would provide additional contextual information would increase its usefulness for analysis. However, it could go further and disclose the basin in which the facilities are located, which would provide greater detail, especially if several facilities are clustered within a particularly water stressed basin.

## Transportation

### Proposed Update #5-5

*Summary of Change – Revise Metric The SASB proposes revising provisional metric TR0102-04 from “Total addressable market and share of market for products aimed at improved fuel efficiency and/or reduced emissions” to “Revenue from products designed to increase fuel efficiency and/or reduce emissions”.*

**CDSB response:** This metric is also in line with the TCFD recommendations related to the financial impacts of opportunities associated with the transition to a low-carbon economy.

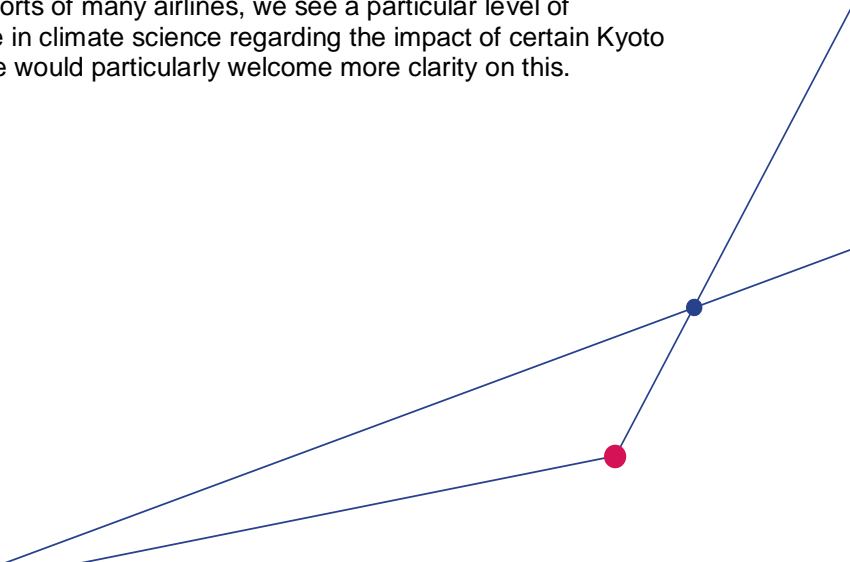
### Proposed Update #5-10

*2017 Technical Agenda Item #5-10 Description The SASB is evaluating the completeness of the metrics associated with the topic [Environmental Footprint of Fuel Use].*

**CDSB response:** Having reviewed the annual reports of many airlines, we see a particular level of inconsistency, due to some perceived incoherence in climate science regarding the impact of certain Kyoto greenhouse gases at cruising altitude. As such, we would particularly welcome more clarity on this.

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### Proposed Update #5-13

2017 Technical Agenda Item #5-13 Description The SASB is evaluating the completeness of the metrics associated with the topic *[Environmental Footprint of Fuel Use]*.

**CDSB response:** Having reviewed the annual reports of many airlines, we see a particular level of inconsistency, due to some perceived incoherence in climate science regarding the impact of certain Kyoto greenhouse gases at cruising altitude. As such, we would particularly welcome more clarity on this.

## Services Sector

### Proposed Update #6-4

#### **Rationale for No Proposed Change**

*Based upon research and approval of the SASB Standards Board, no changes related to Technical Agenda item 6-4 have been proposed to the provisional standard at this time. While the SASB considered revising the two provisional metrics from total energy and water use to energy and water intensity, no changes are recommended at this time because industry disclosures lack alignment. Of the top five U.S.- domiciled Hotel & Lodging companies by industry revenue, all report energy and water intensity and most report total energy and water use, but they use different metrics. The SASB intends to engage in further research regarding intensity metrics that align with the SASB's Criteria for Accounting Metrics.*

**CDSB response:** Given the materiality of access to water to the Hotels & Lodging Industry, we encourage SASB to call on the industry to develop consistent and high-quality metrics on this matter as soon as possible.

## Resource Transformation Sector

CDSB has no comments on this exposure draft.

## Infrastructure Sector

CDSB has no comments on this exposure draft.

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