

**SASB Standards Council**

**Procedural Review**

**Health Care Industry Working Groups**

January 25, 2013

To the Director of Standards Development of SASB,

This Procedural 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 this day we conducted an independent review of the process and procedures to develop the Disclosure Protocol proposed for Health Care Industries. For this review, we relied primarily on documentation provided by SASB staff titled SASB Industry Working Groups: Process and Outcomes Reports – Healthcare Q4 2012, which was prepared by SASB staff.

Based on our review, the recommendation of the Standards Council is as follows:

We find that the process and procedures followed by the Healthcare Industry Working Group in formulating its standards was satisfactory with respect to the SASB standard for Industry Working Groups and ANSI guidance.

The following section summarizes comments from the Council members and SASB's response regarding three key aspects of the process followed to develop the Sustainability Disclosure Standard for Healthcare:

- 1) Industry Working Group Composition
- 2) Industry Working Group Survey
- 3) Results of Industry Working Group Survey



## **Summary of Council Members' Comments and SASB's Responses**

### **1. SC Comment**

Working group participants need to be able to rank and/overweight the importance of the KPIs they identify.

#### **SASB Response**

In the last survey, responders ranked the importance of KPIs against eight principles. In upcoming surveys, to help make the survey a more manageable length, responders will rank the importance of KPIs against five principles.

### **2. SC Comment**

There should be an appropriate balance within the Investors group of responders between mainstream and SRI investors.

#### **SASB Response**

Our experience with Healthcare was that mainstream investors were adequately represented and SRI investors didn't dominate.

### **3. SC Comment**

In analyzing industry responses, does SASB account for the different levels of representation from the different groups of responders for the different industries or account for likely biases in from the three different responding interest groups?

#### **SASB Response**

We look for patterns of response from each interest group. For example, investors tend to rank all issues as high priority KPIs while corporations rank far fewer as of high importance. We take these patterns into account. We make concerted efforts to get adequate representation from all three interest groups, and we were reasonably satisfied with the results for Healthcare.

### **4. SC Comment**

The survey should have easily useable navigation tools.

#### **SASB Response**

We are making a number of changes in the on-line survey set up to facilitate responding to fix the glitches that we encountered. These include improved navigation (responders need to be able to go back and edit comments previously entered), a preview feature (so responders know how far through the survey they are at any given time), a shorter survey (the Healthcare survey was too long), instructions to responders to work from home if a firewall at work blocks access to the survey, an even more aggressive stance in handholding for responders who are having difficulty for one reason or another in completing the survey, and more careful planning and an improved format for the orientation call that responders may participate in. We will report to you on improvements made.



**5. SC Comment**

SASB should set a goal for itself of what constitutes success for the percentage of responders who complete the survey. The 57% completing rate sounds low, but what is a reasonable completion percentage?

SASB Response

We agree the completion rate should be higher. We will think about and get back to you with our goals.

**6. SC Comment**

For new potential KPIs suggested by the responders, it would be useful to know from what groups the specific new suggestions came.

SASB Response

We are tracking that and will report out on it to you in the future.

**7. SC Comment**

SASB should be careful to screen investors who submit requests to participate in the Industry Working Group to be certain they have appropriate industry-specific expertise.

SASB Response

Those applying to join the IWG must submit a resume. We look for 5 years of industry experience. Occasionally, if we have independent means of verification, such as independent credible recommendations, we will make exceptions.

**8. SC Comment**

SASB should consider more direct interactions with responders beyond the survey, They have great depth of expertise that might not be fully tapped through the survey. Also SASB should think about how to keep these people involved.

SASB Response

We have decided to experiment with holding an IWG convening shortly after the survey, which will give participants in the IWGS a chance to get together in person and discuss the proposed KPIs in greater detail. This will ultimately take place between the survey period and when the draft KPIs go out for public comment. We'll be doing a dry run of this working group convening approach in February for the Healthcare IWG and try a more robust version for the Financial Industry as we start that up next quarter. We will give you an update report on these initiatives.

**9. SC Comment**

It is concerning that responders may not have the proper context for answering the survey when it comes to the importance of identifying *material* KPIs. It can be a confusing concept with various interpretations, as SASB is well aware.

SASB Response

We have provided a backgrounder on materiality with the orientation materials and ask the responders to confirm that they have read it. We're not sure what else to do.

**10. SC Comment**



Perhaps SASB should think about making the initial orientation call mandatory, not voluntary.

SASB Response

We'll think about it, but there is a real danger that would substantially reduce the number of responders who end up taking the survey. We're already asking for a substantial commitment of their time.

**11. SC Comment**

Perhaps there should be "quiz" or a list of 5 key points to remember included at the beginning of the survey.

SASB Response

Including 5 key things to remember sounds like a good idea. We will look into doing that and report back to you.

**12. SC Comment**

SASB should be cautious about being too "democratic" when altering the KPIs in response to the IWG responses and suggestions. Not all ideas are good ideas. In addition, we don't want people thinking they can game the system, particularly in the public comment period, by coordinating a campaign to up the number of responses pushing for a particular KPI.

SASB Response

Yes, that makes sense and it is generally our approach to evaluate suggestions on the basis of evidence and the potential for long-term impact of the KPI. When comments are explained but not adopted, SASB will be ready to explain the "basis for consideration."

**13. SC Comment**

SASB should be clear about its decision-making process with interested parties and the general public. The ultimate responsibility for final decisions rests with SASB and its staff, taking into appropriate consideration the input and advice of the IWGs, Standards Council, and other outside groups.

SASB Response

We believe we are already clear on this point but will review various communications to see if they can be improved in this regard.

**14. SC Comment**

When issuing the KPIs for public comment, SASB might look to FASB as a model. When FASB issues an Accounting Standards Update, it includes key questions and asks that those responding respond to at least these questions.

SASB Response

Those are interesting ideas and we will look into implementing something along those lines and report back to you on the format for the request for public comment.



**15. SC Comment**

The process of comments and getting public feedback from multiple participants can go on indefinitely. Be prepared to “draw the line” and declare this phase of the project done for the moment, subject to later modifications and improvements.

SASB Response

We are prepared to do so. Our review schedule is aggressive and we hope to keep to our schedule, while assuring the highest quality work along the way. We understand, however, that many of the issues we are looking at are subject to continuous debate and can change rapidly over time. Part of the mandate of the Standards Council is to help SASB assure that it is “drawing the line” in a timely manner but only after a credible research and public comment process.

**16. SC Comments**

It’s not clear at the moment how you decide what level of participation from the various responder groups in the surveys is adequate for your purposes. Also, SASB should be clear that a definition of success should be linked primarily to the number of participants who actually complete the survey.

SASB Response

We will develop some clearer guidelines and report back to you.

**17. SC Comment**

SASB should develop a Twitter strategy.

SASB Response

We are working on the best way to use various social media now and will report back to you on these strategies as they progress.

**18. SC Comment**

SASB should consider hosting a webinar specifically for UN PRI asset owners and managers. It would be a great recruitment platform, could be posted permanently on the PRI’s website, and would be a great way to get investors to participate in the IWGs.

SASB Response

That sounds like a good idea and we will look into it and report back to you.

**19. SC Comment**

Once SASB gets to the “piloting” phase of testing the KPIs out in practice, it might have a webinar or panel sessions at conferences on the practicalities of KPI uptake.

SASB Response

That sounds like a good idea and we will look into it and report back to you as we progress.

**20. SC Comment**

It would be useful for the Standards Council to receive the same materials that the IWG members are receiving when they are receiving it

SASB Response



We would be glad to make that happen.

**21. SC Comment**

Are you concerned that in some industries one or another group of respondents was below the threshold of five that you set for yourselves? Will that impact the credibility of the KPIs selected?

SASB Response

For this review of the Healthcare Industries we would have been concerned if the respondents' input showed points of view about KPIs substantially different from those of the SASB researchers in their initial overview of potential KPIs for the industry. In those cases we would have felt the need to gather additional responses from others in the group. But in the few cases where we had limited participation from one or another group in the surveys of the various Healthcare industries, the responses were consistent with our initial research, which gave us a sufficient level of comfort to proceed without the need to solicit additional input at this time. In general and going forward, if SASB cannot obtain a substantial level of participation from IWG members for industries in any but possibly a few exceptional cases, it will be a matter of concern and cause for corrective action.

**22. SC Comment**

SASB should consider documenting in substantial detail its "basis for consideration" for each of the KPIs in the documents that it releases in the public comment period. This "basis for consideration" might also include a survey of the work of others in the development of KPIs for specific industries. The SC should review the "basis for consideration" going forward.

SASB Response

This is along the lines of our thinking and we will pay particular attention to documentation as we prepare to release the draft Healthcare KPIs for public comment and share those documents with you.

**23. SC Comment**

SASB should be clear about what it considers to be a successful level of recruitment for the IWGs.

SASB Response

We have set ourselves a goal of increased recruitment for the Financial Industry Working Group, but will try to come up with some clearer goals on what ideal numbers would look like and why.

**24. SC Comment**

Although the procedures used for public comment cannot be included in the Procedural Review reports, it's important for the SC to review the public comment procedures. SC comments on the public comment procedures should be added to the Recommendations and Ratification Reports.

SASB Response

We will include a section for SC feedback on public comment procedures in the Recommendations and Ratification Reports.



We understand 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 Steve Lydenber  
SASB Chair of the Standards Council (Temporary)

Signed \_\_\_\_\_ . February 8, 2013

In representation of:

- Jim Coburn, JD
- Christine Ervin
- Jeffrey Hales, PhD
- Tom Kiely
- Gayle S. Koch
- Stephen Linaweaver
- Jameela Pedicini
- Patricia Farrar-Rivas, CIMA, CIS
- C. Gregory Rogers, J.D., CPA
- Katherine Schipper, PhD
- Elizabeth Seeger
- George Serafeim, PhD
- Jeremy Shapiro
- Nigel Topping
- Steve Lydenberg, CFA
- Jean Rogers, PhD
- Shana Harbour
- Andrew Park, JD, PhD