SASB Industry Working Groups Due Process Report

TRANSPORTATION SECTOR

March 18, 2014

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Introduction

SASB develops and disseminates industry-specific accounting standards for material sustainability issues for use by U.S. publicly-listed corporations and their investors, such that sustainability performance can be evaluated alongside financial performance. SASB standards identify, prioritize, and describe material non-financial risks and opportunities and provide decision-useful information for the benefit of companies, investors, and the public.

SASB was accredited by the American National Standards Institute (ANSI) as a national standard developer in December 2012, and follows ANSI best practices for standards development, summarized below:

- Consensus on a proposed standard by a group or "consensus body" that includes representatives from materially affected and interested parties
- Broad-based public review and comment on draft standards
- Consideration of and response to comments submitted by voting members of the relevant consensus body and by public review commenters
- Incorporation of approved changes into a draft standard
- The right to appeal by any participant that believes that due process principles were not sufficiently respected during the standards development in accordance with the ANSI-accredited procedures of the standards developer[1]

SASB Industry Working Group Overview

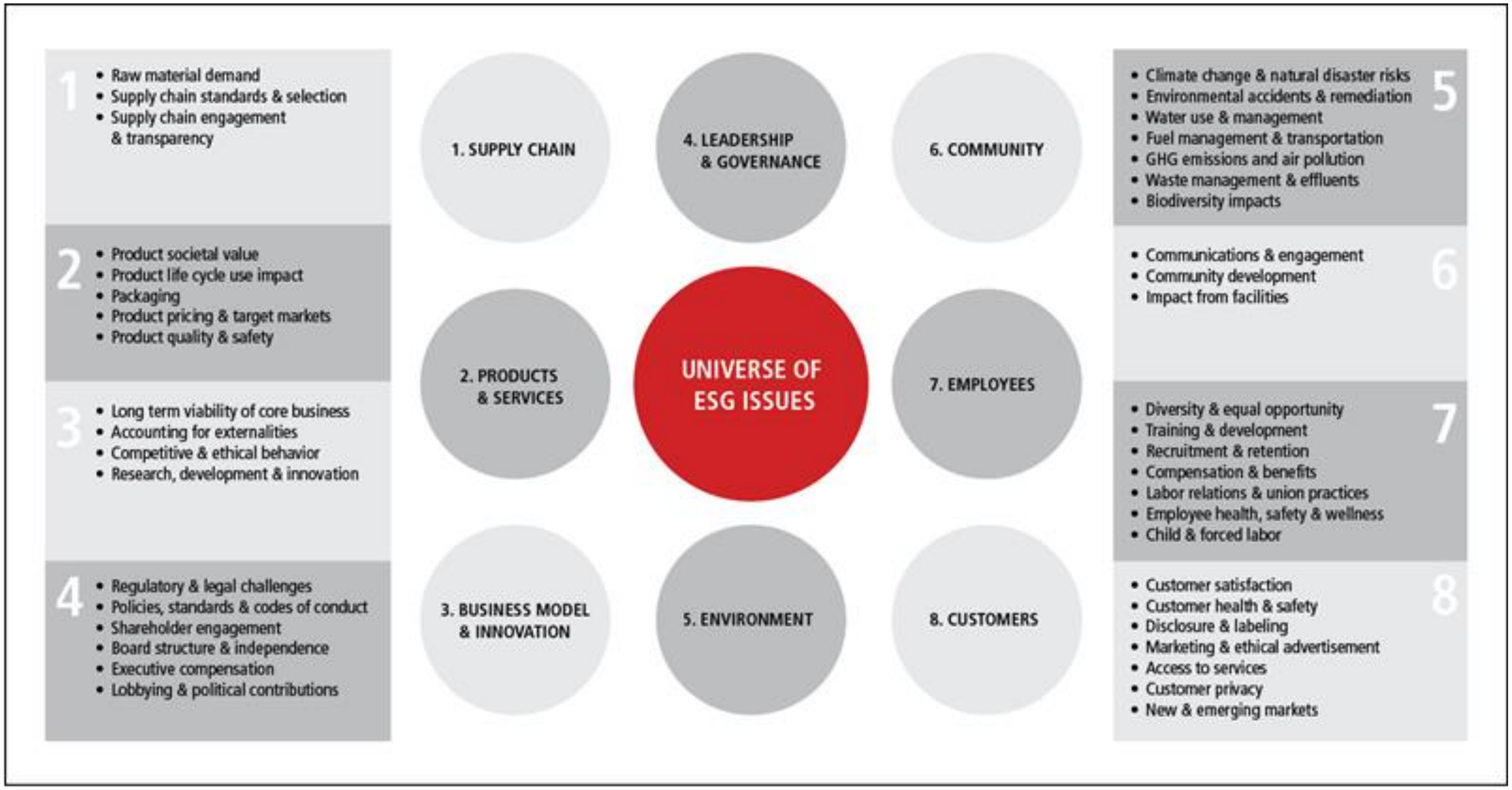
SASB Industry Working Groups (IWGs) play a critical role in helping achieve SASB's mission. IWG members are industry experts with at least five years of experience in the industry for which they are reviewing SASB Standards. They are recruited across the following interest groups: reporting entities (corporations); market participants (investors and analysts), and; public interest/intermediaries (NGOs, academics, government officials, NGOs, etc.). IWGs convene to review SASB's evidence-based research of ESG factors that are determined to be material for their industry and accounting metrics for the disclosure of those issues. IWGs provide important feedback on these material issues and metrics, providing additional evidence of financial impact and/or evidence of interest, as well as suggesting others for which they have evidence of interest and/or financial impact.

[1] http://www.ansi.org/standards_activities/domestic_programs/overview.aspx?menuid=3

OBJECTIVE & APPROACH

SASB Standards refine the set of Environmental, Social and Governance (ESG) issues (shown in Exhibit A) into a minimum set of ESG issues that are material to each industry through evidence-based research focused on evidence of financial impact and evidence of interest. Simply stated, SASB IWG objectives are to solicit technical feedback on material ESG issues identified by SASB for the industry in question – as well as suggested accounting metrics for the disclosure of those issues – from interest groups that will be affected by the standards (issuers), and those who will use the standards (market participants).

Exhibit A – Universe of ESG Issues Researched by SASB for Materiality



SASB's industry expert review through its IWGs helps ensure that draft Sustainability Accounting Standards address issues that are truly material to each industry, resulting in accounting metrics that are: applicable, auditable, complete, cost-effective, directional, useful, and relevant. In other words, SASB standards are designed to be *decision-useful to investors and market participants*.

THEMATIC SECTORS AND INDUSTRY WORKING GROUP RECRUITING

SASB categorizes industries into thematic sectors and industry working groups based on their resource intensity as well as their sustainability innovation potential. The system by which SASB groups industries into thematic sectors and IWGs is known as SASB's Sustainable Industry Classification System™ (SICS™). SICS™ ties back to standard classification systems, such as Bloomberg's Industry Classification and Global Industry Classification Systems, so users don't have to learn another system.

Following ANSI's principles of openness, balance, lack of dominance, coordination, harmonization, and a consideration of all views and objections, SASB convenes working groups comprised of industry experts to review the material ESG issues and related standards drafted by SASB's research team.

Open Enrollment

Enrollment in IWGs is open to all qualified participants and industry experts register to join IWGs via SASB's online registration form. Applicants' suitability for IWGs is screened by SASB's Stakeholder Engagement Team (SET) to ensure that they have sufficient experience and expertise in their fields and are actively involved in US capital markets. SET also monitors enrollment in IWGs to ensure that participation balanced across the following three interest groups:

1. Corporations (reporting entities)
2. Market Participants (investors, analysts and exchanges)
3. Public Interest/Intermediaries (NGOs, academics, government officials, NGOs, others not included in groups 1 and 2 above)

Active Outreach

SASB also conducts active outreach to recruit IWG participants via a variety of channels to ensure that interest groups are balanced across all industries in the thematic sector covered each quarter.

Targeted Outreach – Phase I

IWG recruiting begins with broad outreach across a variety of channels roughly two-months prior to the kick-off of each working group.

Referrals are by far the best source for recruiting IWG members. During Phase I of targeted outreach, SET leverages SASB's Board of Directors, Advisory Council, past IWG members and subscribers to SASB's newsletter through an email blast requesting referrals to industry experts in upcoming IWGs.

When referrals are not available, contact information is obtained through publicly-available channels. SET reaches out to professionals in the top fifteen publicly-traded companies in each of the industries covered in the sector through LinkedIn, the Team's personal networks and contacts identified through the Hoover's database. (See Appendix I for a list of companies targeted in Phase I outreach for the Transportation IWGs).

Ads and articles are also placed through SASB media partners (including Bloomberg, Responsible Investor, and GreenBiz), as well as through channels relevant to the industries being covered that quarter.

SET also utilized LinkedIn Ads for Transportation IWG recruiting. These ads generated 200,000 impressions (a measure of the number of times an ad is seen, whether it is clicked on or not). The "click through rate" on the ads was low however – a mere 02%. Of the 40 individuals who did click through on the ads, only one individual registered for a Transportation working group. This poor conversion rate has resulted in the cancelation of the LinkedIn Ad recruiting experiment.

SET also utilized the Bloomberg terminal to identify analysts and portfolio managers to participate in the investor interest groups of the Transportation IWGs. Starmine was also used to identify top sell-side analysts covering the industries in the Transportation sector.

Targeted Outreach – Phase II

As registrants begin to populate SASB IWGs, more narrowly-focused outreach becomes necessary. This targeted approach focuses on areas in which open enrollment and Phase I Outreach results are "thin" and vulnerable to imbalance.

Targeted outreach to attract participants in specific industry AND interest group levels involves: a second approach to Board and Advisory Council members seeking referrals in the specified areas of need; highly targeted media outreach; LinkedIn, industry/trade association outreach; seeking referrals from IWG registrants.

Industry associations are also important vehicles through which SASB conducts outreach. SET recruited through the following industry groups:

- Association of American Rails
- Alliance of Automobile Manufacturers
- American Industry Action Group (AIAG)
- Original Equipment Suppliers Association (OESA)

- Airlines for America (A4A)
- Clean Cargo
- Supplier Partnerships for the Environment.

Outreach and Advertising Channels

SASB's media partners are Responsible Industries (RI), Sustainable Industries Journal (SIJ), and GreenBiz. Although not an official media partner, Bloomberg Sustainability continues to be a tremendous media resource for SASB. These media partners helped publicize IWG recruiting for the Transportation sector through the placement of banner ads on their sites. They also provide coverage of general developments at SASB from time to time. GreenBiz continues to feature a quarterly article on SASB, recapping the sector just covered, and announcing the sector for which we are recruiting. The Stakeholder Engagement Team also benefits from SASB's growing notoriety and related media coverage.

IWG PROCESS, TOOLS AND MATERIALS

IWG participants provide vital feedback on proposed SASB Standards during a one-month period of structured engagement. During this time, IWG participants review SASB Industry Briefs for their industry and are encouraged to contribute evidence supporting or refuting the financial impact of and/or interest in material issues and related KPIs drafted by SASB.

IWGs commence with an introductory webinar through which IWG participants become familiar with SASB and the IWG work flow (shown in Exhibit B). Participants are provided with the following tools and materials through which to conduct their work:

- Orientation materials outlining SASB's evidence-based standards-setting approach and the SEC's "lens of materiality"
- An optional orientation webinar (of which a recording is distributed to IWG members who cannot participate in the live broadcast)
- A SASB Industry Brief for their industry
- Access to a LinkedIn Group for their sector, through which industry experts are able to share evidence related to issues material to their industry and can communicate through an open forum with other group members and SASB
- A self-paced, electronic survey designed to capture detailed feedback on SASB Standards
- A mid-point "check-in" webinar during which members of the Research Team are made available to answer questions from IWG members

Minimum levels of participation in SASB's IWGs require that participants: 1) read the SASB Industry Brief for the industry in which they are enrolled, and; 2) complete the online survey providing feedback on the material issues and accounting metrics.

Participation in online discussions via IWG fora and attendance of webinars and follow up conferences are optional.

Survey results, as well as comments made via LinkedIn and through email, are compiled by SASB’S research team for review for consideration. All IWG communication with SASB is retained by SASB to document the standards development process. IWG members may also suggest other issues for which they have evidence of materiality, and issues they believe should be included in SASB Standards.

Industry Working Groups for the Transportation Sector

SASB's working groups (IWGs) covering the Transportation sector were convened for a period of structured engagement from November 5th through December 10th, 2013[2]. Industries covered in this sector are as follows:

Thematic Sectors		Industry Working Groups		Industries	
TR0000	Transportation	TR0100	Automobiles	TR0101	Automobiles
				TR0102	Auto Parts
				TR0103	Car Rental & Leasing
		TR0200	Air Transportation	TR0201	Airlines
				TR0202	Air Freight & Logistics
		TR0300	Marine Transportation	TR0301	Marine Transportation
		TR0400	Land Transportation	TR0401	Rail Transportation
				TR0402	Road Transportation

[2] Periods of Structured Engagement for SASB Industry Working Groups generally span a 1-month period. Transportation Sector IWGs were extended through December 30th to encourage higher survey completion rates.

TRANSPORTATION SECTOR IWG COMPOSITION

Recruiting – Planned vs. Actual

Minimum target levels are ordinarily set for participation in SASB IWGs as follows: twelve experts per interest group per industry. With eight industries in this sector, use of the above-mentioned methodology would have resulted in a gross target of 288 working group survey registrants. Achieving these targets for certain industries in this sector was impossible due to the low pool of publicly-traded companies in them – Automobiles (seven exchange-traded public companies), Car Rentals & Leasing (two publicly-traded companies), and Rail Transportation (seven exchange-traded companies). Analyst coverage of Car Rentals & Leasing is thin, for example, given that there are only two companies to cover. Similarly, there are fewer audit professionals and others covering such an industry. Targets for IWGs were adjusted downward to reflect the shallower pools of professionals from which to recruit. The adjusted total was 216.

In total, 230 survey commitments were received for SASB Transportation working groups. As was the case with SASB working groups to date, many registrants committed to complete more than one survey. Exhibit C shows SASB's targeted vs. actual IWG survey commitments based on interest group. Exhibit D provides details on Transportation industry working group participants.

Exhibit C: Composition of Transportation Working Groups – Targeted vs. Actual Survey Commitments

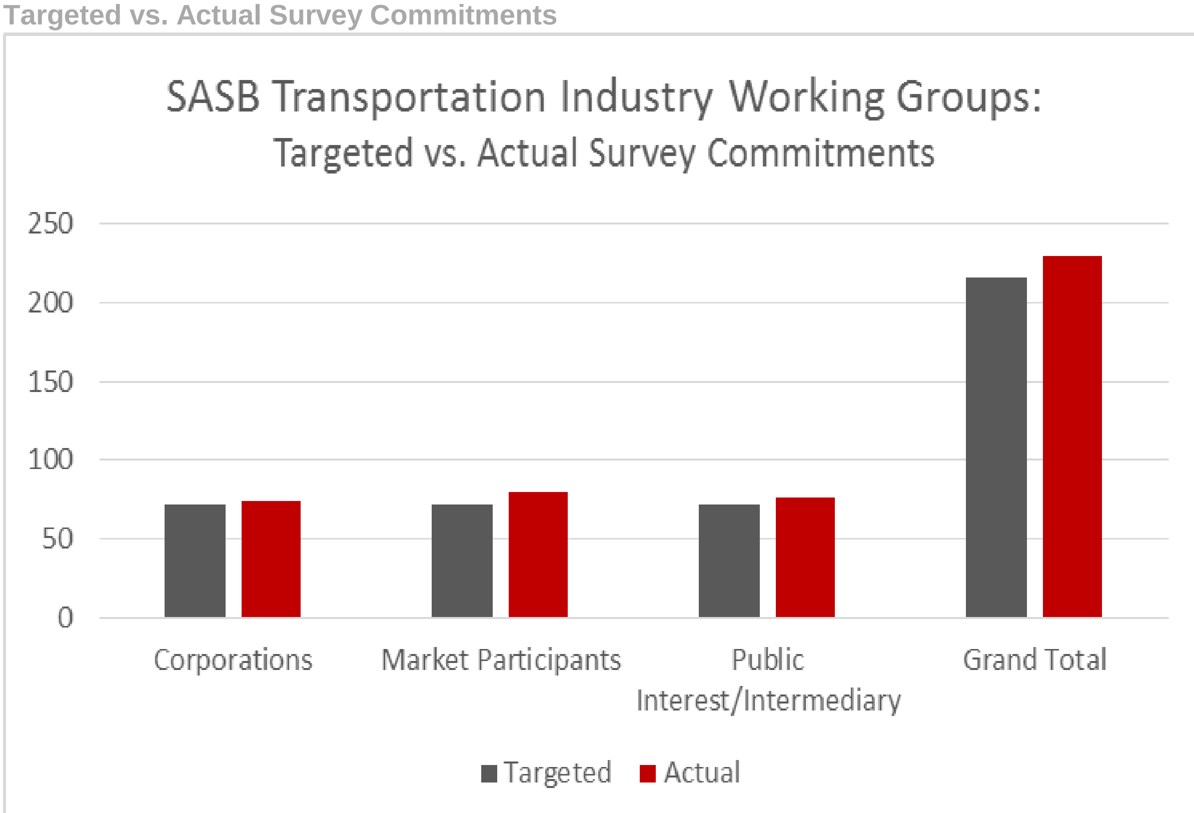
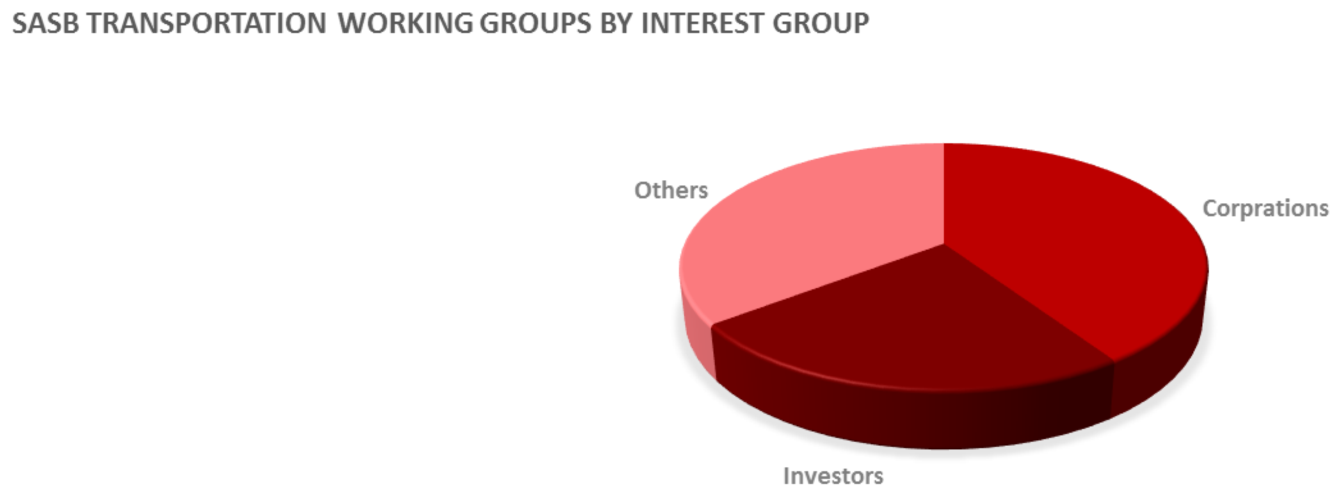


Exhibit D: Composition SASB Transportation IWG Members*



**The list below excludes people who wish to remain anonymous. Organizations are listed for affiliation purposes only.*

Name		Title	Organization Name
Sterling	Adlakha	Corporate Finance Manager	Kirby Corporation
Riaz	Ahmed	Sr. Vice President	TRC, Inc
Basili	Alukos	Equity Analyst	Morningstar
Thomas	Gosselin	Sustainability Director	DNV KEMA
Robert	Arnot	Senior Manager, Energy Technology Policy	Natural Resources Canada
Alfhild	Aspelin	Sustainability Consultant, Marine Expert	DNV
Gail	Avery	Senior Financial Analyst	Department of HUD
Arnold	Barlow	Sr Manager, Sustainability Solutions	UPS

Scott	Barone	President	IL MONDO LLC
John	Barrows	Vice President, Communications	AvisBudget
Stefan	Barthelmes	Senior Manager	Ernst & Young
David	Beard	Managing Director	Iberia Capital Partners
Tim	Bent	Director, Environmental Affairs	Bridgestone Americas
Bruno	Bertocci	Head of Sustainable Equities	UBS Securities
Rajiv	Bhatia	Director, Environmental Health	San Francisco Department of Public Health
Julie	Bogas	Director	PwC
Tanya	Bolden	Program Manager - Corporate Social Responsibility	Automotive Industry Action Group
Kimberly	Bowden	Sustainability Manager	Delphi
Millicent	Budhai-Robinson	Director of Corporate Governance	New Office of NYC Comptroller
Steven	Bullock	Head of Research	Trucost
Ariane	Burwell	Sustainability & Climate Change Consulta	ERM
Michael	Busche	Senior Associate Analyst	Wells Fargo
Joshua	Chuang	Senior Research Associate	Sanford Bernstein
Cecile	Churet	Senior Analyst	RobecoSAM
Ben	Cokelet	Founder & Executive Director	PODER
Robert	Collie	Chief Research Strategist, Americas Inst	Russell Investments
Rick	Comrie	Global Manager Sustainability	Cooper-Standard Automotive
Luke	Contos	Director, Global Sustainability	Chassix

Ticiano	Costa Jordão	Faculty of Economics and Administration	University of Pardubice, Czech Republic
James	Davis	Director, Sustainable Enterprise	KPMG
George	Davis	Managing Director	G. H. Davis LLC
Thomas	Day	Chief Sustainability Officer	United States Postal Service
Jacqueline	Drumheller	Sustainability Manager	Alaska Airlines
Lindsay	Dutch	Research Associate	Bloomberg LP
Emil	Dzuray	Director, Strategic Planning	US Postal Service
Paul	Ellis	Owner	Paul Ellis
Brandon	Fang	Managing Partner	Brandon Fang CPA
Angie	Farrag-Thibault	Associate Director, Transport & Logistic	BSR Clean Cargo Group
Alan	Faver	Partner	Deloitte & Touche LLP
Matt	Ferguson	Principal	Cohn Reznick
Robert	Fernandez	VP	Breckinridge Capital Advisors
Nicholas	Fleming	Chief Sustainability Officer	SKM
Shin	Furuya	VP, Responsible Investment Research	Domini Social Investments, LLC
Jeff	Garrison	President	Garrison + Company
Russell	Gentry	Portfolio Manager	Walden Asset Management / Boston Trust
Joerg	Germann	Chief Technology Officer	Offsetters
Liz	Golden	Analyst	JP Morgan
Jared	Goodman	Analyst	Colorado PERA

Marta	Gorska	Senior Research Analyst	CSR Network
Julie	Gorte	SVP for Sustainable Investing	Pax World Investments
Chris	Guenther	Research Director	SustainAbility
William	Hall	Director -- Sustainability	Chrysler
Gretchen	Hancock	Manager, Resource Optimization	General Electric
Karen	Hays	Safety Quality & Environment Advisor	Alaska Tanker Company
Rebecca	Henson	Senior Sustainability Analyst	Calvert Investments
Bill	Hindelang	President	Global Validators International Consulting
Eric	Hiser	Owner/Partner	Jorden Bischoff & Hiser, PLC
Sig	Huber	Director - Head of Supplier Relations	Chrysler Group LLC
Matt	Hummer	Senior Analyst	Bloomberg Gov
Rodney	Irwin	Director of Reporting and Investment	World Business Council on Sustainable Developm
Stella	Karnis	Sr. Manager Environmental Affairs	Canadian National Railway
Jeffrey	Kauffman	Managing Director, Equity Research	Buckingham Research Group
Steve	Keller	Senior VP and General Counsel	Affinia Group Inc
Roger	King	Sr. Director, Corporate Safety & Environ	Crowley Maritime
Lee	Klaskow	Sr Analyst - Freight Transportation	Bloomberg LP
Maureen	Kline	Public Affairs and Sustainability	Pirelli
Arne	Klug	Associate Analyst, Research Products	Sustainalytics
Dave	Knight	Founding Director,Two Tomorrows	Two Tomorrows

Joseph	Kott	Principal	Kott Planning Consultants
Henrike	Kulmann	ESG Anlayst	Allianz Global Investors
Esteban	Lecumberri	Manager of Business Valuation	KPMG
Hanchang	Lee	Equity Analyst	Bloomberg LP
Steve	Leffin	Director Global Sustainability	UPS
Joy	Lehman	Global Sustainability Manager	Hertz
Elizabeth	Levy	Portfolio Manager	Trillium Asset Management
Curt	Lindeman	Principal	Lindeman
Thomas	Loftus	Sr. Railway Financial Expert	Padeco
Mike	Lombardo	Sr. Sustainability Analyst and Manager	Calvert Investments
Michael	Lucente	Managing Member	Lucente Family Properties
Jan	Ludolf Heeres	Director Sustainable Business Solutions	PwC
Phillip	Ludvigsen	Director, Carbon Advisory	KPMG
Crista	Luna	Corporate Affairs	Agroamerica
Marwan	Madi	Program and Account Manager	Booz Allen Hamilton
Kellen	Mahoney	Program Manager	Suppliers Partnership for the Environment
Maureen	Malia	Sustainability Manager	BDP International
Gerry	Mansey	Manager	EY
Sam	Margolin	Director - Equity Research	Cowen and Company
Joseph	Martin	Director, Clean Energy , Sustainability	Ernst & Young

Gaeneen	Martinez	global Logistics Sourcing Manager	Havi Global Solutions
Lisa	Martinez	Chief Archtiect	Northbound Transportation and Infra.
Jason	Mathers	Senior Manager	Environmental Defense Fund
Maia	Matshikiza	Manager, Business Transformation	Deloitte
Donald	McLee	Equity Research Analyst	Wells Fargo
Sophia	Mendelsohn	Head of Sustainability	JetBlue Airlines
Stephanie	Miller	Managing Director, Accounting	FedEx Services
Yeshwant	Mudaliar	Senior Advisor Environment (Strategy)	Aurizon
Marcy	Murninghan	Co-Founder, Editor and Writer	The Murninghan Post
Gerald	Murphy	Partner	Crowell & Moring
Conor	Murphy	Head of Credit	ITF Suisse
Dermot	Murray		FedEx
Yuko	Nakanishi	Principal	Nakanishi Research and Consulting LLC
Shuhei	Nakano	Manager	Honda Motor Co., Ltd.
Bill	Newman	Managing Principal	Newport Consulting Group
Jeremy	Newman	Consultant	Newman Consulting
Jonathan	Newton	Global Lead- Supply Chain Sustainability	Ford Motor Company
Bill	Noel	Specialist Leader	Deloitte
Geoff	Noonan	Principal	The Middle Way Pty Ltd
Tom	Opderbeck	Manager, Corporate Environmental	AMR

Yannick	OUAKNINE	Senior ESG Analyst	Société Générale CIB
Brian	Parks	Senior Analyst	CalPERS
Rick	Paterson	Transportation Analyst	NA
Kimberly	Pena	Principal	REDW LLC
Timo	Punkari	Senior Partner	Lawrence William
Sudud	Qubtan	Corporate Senior Sustainability Leader	Aramex
Carol Lee	Rawn	Director, Transportation	CERES
Brian	Rice	Portfolio Manager	CalSTRS
Victoria	Rose	Director	Sustinable Hotels Association
Malcolm	Ryerse		Columbia Management Investment Advisers, LLC
Marissa	Saretsky	Senior Consultant | Climate Change and S	EY
Rachel	Schneider	Dir, Sustainability & Strategic Planning	Harley-Davidson
Keith	Schoonmaker	Director, Industrials Research	Morningstar
Daniel	Schuster	Equity Research Analyst	Credit-Suisse
Kristin	Seay	Manager Corporate Communications	CSX
Debroop	Sengupta	Consultant	Cognizant Business Consulting
Susan	Shaheen	Director, Innovative Mobility Research	UC Berkeley
Dr. Aarti	Sharma	Founder & Managing Director	Sustainable Value Alliance
Ashton	Shaw	Sr. Sustainability Engineer / Lean Coord	Menlo Worldwide
Cynthia	Simon	ESG Integration Specialist	New York State Common Retirement Fund

Joseph	Spak	Analyst	RBC Capital Markets
Matthew	Stover	Director	Guggenheim Partners
Coro	Strandberg	Principal	Strandberg Consulting
Lisa	Swanson	Director, Environmental Affairs	Matson
Mohammad	Tabarra		Arup
Steven	Taber	Owner/Attorney	Taber Law Group
Vivek	Tanneeru	Research Analyst	Matthews International Capital Mgmt
Eric	Tarmy	Sr. Consultant	Deloitte & Touche LLC
Susan	Todd	Principal	Solstice Sustainability Works Inc.
David	Tulauskas	Director, Public Policy	General Motors Corporation
Kevin	Tynan	Senior Analyst	Bloomberg LLC
Karen	Ubelhart	Senior Analyst, Bloomberg	Bloomberg LP
Margot	Uszakiewicz	IPC Mbr/Proxy Solicitation/IR Consultant	Independent Consultant
Jan	van der Kaaij	Partner	Between Us
Hernan	Vargas	Budget Manager	AC Transit
John	Viera	Director, Sustainability & Vehicle Envir	Ford Motor Company
Ron	Wezel	Director, Global HSE	CEVA Logistics
Gary	Whicker	SVP, Engineering Services	JB Hunt
John	Wilkerson	Vice President	Bellwether Services
Chris	Williams	Environmental Coordinator	CSL International

Nancy	Young	VP Environmental Affairs	Airlines for America
Maria	Zarate	Corporate Audit Manager	Ryder Systems Corp
Stephanie	Zhu	Program Manager - Climate Change & Sustainability	Delta Airlines
Jamie	Zhu	Investment Officer	CalPERS

TRANSPORTATION IWG SURVEYS

Survey Composition & Administration

Composition

Transportation IWGs were structured to solicit feedback on the ESG issues identified by SASB as likely being material for industries in this sector, and the proposed accounting metrics for disclosure of these issues in the Forms 10-K and 20-F. Material issues identified by SASB's research team for industries in the Transportation sector are shown by industry in Exhibit E.

Surveys were dynamic; responses provided early in the surveys determined questions that follow. All Transportation industry Surveys followed the same general format:

- Section 1: Material ESG Issues (10 – 15 minutes)
- Section 2: Accounting Metrics (15 – 20 minutes)
- Section 3: Comments on Industry Brief (5 minutes)

Section 1: Material Issues

Material Issue Evaluation and Ranking
Respondents were asked to review the material issues identified by SASB and answer the question, "is this a material issue" by checking a box to indicate, "Yes. It is material", "No. It is not material" or "I don't know."

Importance of Disclosure
The survey also asked participants to force rank the importance the material issues identified for their industries.

Additional Material Issues
Respondents were also given the opportunity to identify up to three issues they believed were material to their industry but that had not been included in SASB's minimum set. For every material issue suggested for inclusion, participants were prompted to provide a contextual explanation of why the issue should be added to the minimum set. They were also prompted to upload documents as evidence to support the inclusion of the new issue and/or provide URLs linking to evidence to support the inclusion of the issue.

Exhibit E: SASB Material Issues Table – Transportation Sector

	Automobiles	Auto Parts	Car Rental & Leasing	Airlines	Air Freight & Logistics	Marine Transportation	Rail Transportation	Road Transportation
Environment	▪ Greenhouse gas emissions & energy management ▪ Waste management ▪ Water management	▪ Energy management ▪ Waste management ▪ Water management	▪ Waste management ▪ Water management	▪ Air quality & fuel management	▪ Air quality & fuel management	▪ Air quality & fuel management ▪ Ecological impacts	▪ Air quality & fuel management ▪ Ecological impacts	▪ Air quality & fuel management
Social Capital	▪ Local community engagement		▪ Passenger safety ▪ Transparent Information & advice	▪ Passenger safety ▪ Customer experience & transparent information			▪ Community relations	
Human Capital	▪ Employee health, safety & well-being ▪ Labor relations	▪ Employee health, safety & well-being ▪ Labor relations		▪ Labor relations ▪ Talent & diversity	▪ Employee health, safety & well-being ▪ Labor relations	▪ Employee health, safety & well-being	▪ Labor relations	▪ Employee health, safety & well-being ▪ Employee recruitment & retention
B. Model & Innovation	▪ Product quality & safety ▪ Fuel economy & use-phase emissions ▪ Product end-of-life	▪ Product quality & safety ▪ Product stewardship ▪ Product end-of-life	▪ Fleet fuel efficiency					
Leadership & Governance	▪ Supply chain management ▪ Competitive behavior ▪ Fair lending	▪ Supply chain management ▪ Competitive behavior		▪ Competitive behavior	▪ Business ethics & transparency of payments ▪ Competitive behavior ▪ Accidents & safety management	▪ Business ethics & competitive behavior ▪ Accidents & safety management	▪ Competitive behavior ▪ Accidents & safety management	▪ Accidents & safety management
Emerging				▪ Regulatory capture & political influence	▪ Contractor management	▪ Climate change risks ▪ End-of-life	▪ Climate change risks	▪ Climate change risks

Section 2: Accounting Metrics
The second section of each industry survey sought feedback on the accounting metrics delineated in the SASB Briefs for disclosure of material ESG issues in that industry. Participants were asked to first comment on the individual accounting metrics based on the following criteria:

- Relevance – Does the accounting metric adequately describe performance related to the material issue, or is it a proxy for performance?
- Usefulness – Does it provide decision-useful information to companies? To investors?
- Cost-effectiveness – Is the data already collected by most companies or can it be collected in a timely manner and at a reasonable cost?
- Comparability – Will the data allow for peer-to-peer benchmarking within the industry?
- Auditability – Can the data underlying this accounting metric be verified?

Respondents were provided an opportunity to discuss the accounting metrics, to suggest alternatives, and to provide input on how each accounting metric is presented (units, aggregated and/or normalized). Respondents were also asked if they would like to suggest content for the Disclosure Notes (technical guidance) that will accompany accounting metrics for each material issue.

Section 3 – Comments

The surveys also provided participants the opportunity to inform SASB of errors and omissions, as well as to provide general comments on the industry briefs

Administration
IWG members received links to unique, user-specific URLs to launch digital surveys hosted via FluidSurveys. URLs were associated with participant email addresses which allowed us to monitor which participants were actively engaged in the surveys and follow up with others who were not.

Survey Participation
In total, 68% of Transportation IWG surveys were completed. The completion rates by industry are shown in Exhibit F.

This showing is comparable with working group survey completion from previously-convened IWGs, though on the light side, having been frustrated by a number of factors – only one of them new. We experience the phenomena of over-commitment and the “free rider syndrome” in all IWGs. The Thanksgiving holiday also frustrated survey completion.

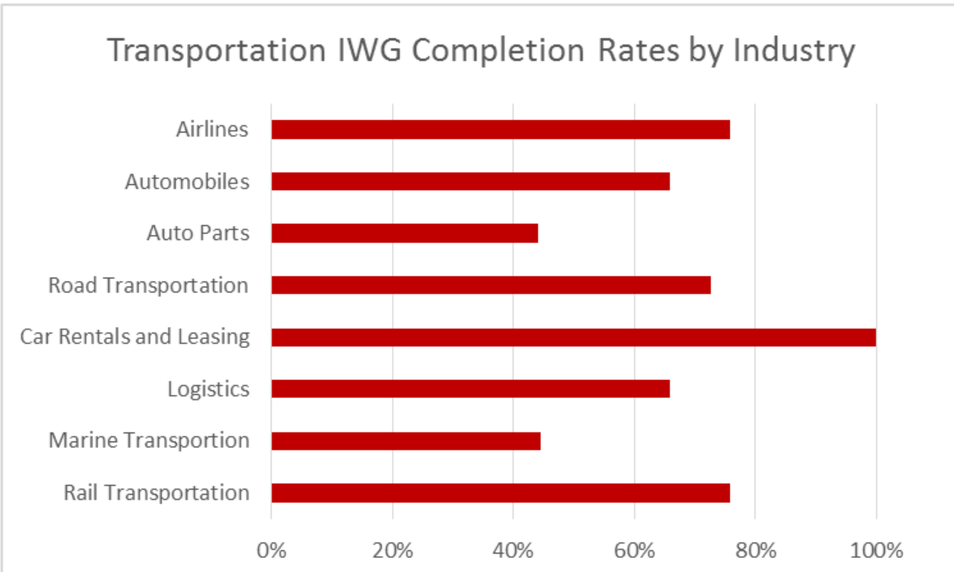
The new factor in reducing survey completion rates in these IWGs, was the boycott by the US corporate rail industry working group members despite herculean efforts on the part of the SET to keep them engaged – on an individual basis as well as through the

Association of American Rails (AAR). Only Canadian rail companies completed their surveys out of a total of seven total corporate working group members recruited. Investor and Public Interest/Intermediary response rates on the Rails survey were high.

Extension of the initial IWG deadline from early December to December 30th improved survey completion rates in most IWGs, but did not result in the US rail companies completing their surveys despite having specifically requested an extension through that date via AAR.

Please refer to Appendix II for copies of correspondence between SASB and AAR.

Exhibit F: Transportation Survey Completion Rates by Industry



Survey Results

Please see the *Standards Outcome Review* report, presented to the Standards Council by the Standards Development Team, for analysis of working group feedback.

APPENDIX I – Top Companies in Transportation Sector by Revenue

TOP 15 COMPANIES LISTED IN US EXCHANGES BY 2012 REVENUE - TRANSPORTATION SECTOR

Automobiles		Auto Parts		Car Rental & Leasing		Airlines		Logistics		Marine Transp.		Rail Transp.		Road Transp.	
Company		Company		Company		Company		Company		Company		Company		Company	
Toyota	JP	Johnson Controls	US	Hertz	US	China Southern	CN	UPS	US	AEGEAN Marine	GR	Union Pacific	US	YRC Worldwide	US
Honda	JP	Goodyear	US	Avis Budget	US	China Eastern	CN	Fedex	US	Teekay Corp	BM	Guangshen Rail	CN	Con-Way	US
Tata Motors	IN	TRW Automotive	US			United Continental	US	CH Robinson	US	Kirby Corp	US	CSX Corp	US	Swift Transport.	US
General Motors	US	Delphi Automotive	GB			Delta Airlines	US	Expeditors Intl	US	Matson Inc	US	Norfolk Southern	US	Landstar System	US
Ford Motor Company	US	LEAR Corp	US			Southwest Airlines	US	UTI Worldwide	US	Teekay Offfshore	BM	Kansas City Southern	US	Old Dominion	US
Harley Davidson	US	Autoliv Inc	SE			US Airways	US	Hunt (JB) Trans	US	Frontline	BM	Genesee & Wyoming	US	Arkansas Best	US
Tesla Motors	US	Tenneco	US			Latam Airlines ADR	CL	Ryder System	US	Seaspan	HK	Providence & Worcester	US	Werner Enterprises	US
		Borgwarner	US			Gol ADR	BR	Con-Way	US	Navios Maritime	GR			Hunt (JB) Trans	US
		Federal Mogul	US			JetBlue	US	Atlas Air	US	Seacor Holdings	US			Ryder System	US
		Visteon Corp	US			Alaska Airlines	US	Pacer Intl	US	Danaos Corp	GR			SAIA Inc	US
		ICAHN Enterprises	US			RyanAir ADR	IE	Echo Global	US	Hornbeck Offshore	US			Universal Trucking	US
		Cooper Tire	US			Skywest	US	RoadRunner Trans	US	Golar Lng	BM			Knight Transport	US
		Dana Holdings	US			Republic Airways	US	Forward Air	US	Tsakos Energy	GR			Quality Distribution	US
		China Zenix ADR	CN			Copa	PA	Air Transport Svcs	US	Teekay LNG	BM			Celadon Group	US
		American Axle	US			Hawaiian Holdings	US	Matson	US	Gulfmark Offshore	US			Covenant Trans	US

OTHER NOTABLE COMPANIES TRADED ELSEWHERE OR ONLY IN US OTC MARKETS

Automobiles		Auto Parts		Car Rental & Leasing		Airlines		Logistics		Marine Transp.		Rail Transp.		Road Transp.	
Company		Company		Company		Company		Company		Company		Company		Company	
Volkswagen	DE	Denso	JP			Lufthansa	DE			AP Moeller-Maersk	DK	Canadian National Railw	CA		
Nissan	JP	Continental AG	DE			Air France	FR			Mitsui Osk Lines	JP	Canadian Pacific Railway	CA		
Fiat	IT	Bridgestone	JP			American Airlines	US			Nippon Yusen	JP				
Daimler AG	DE	Aisin Seiki	JP			IAG (British, Iberia)	GB			Kawasaki Kisen	JP				
Bayer Motoren	DE	Magna Intl	CN			Qantas	AU			China COSCO	HK				
Hyundai	KR	Michelin	FR			Air China	CN			Hanjin Shipping	KR				
SAIC Motor	CN	Hyundai Mobis	KR			ANA Holdings	JP			Neptune Orient	SP				
Audi	DE	Faurecia	FR			Air Canada	CA								
Renault	FR	Valeo	FR			Japan Airlines	JP								
Peugot	FR					Korean Airlines	KR								

Company's country of domicile

Australia	AU	India	IN
Bermuda	BM	Ireland	IE
Brazil	BR	Italy	IT
Canada	CA	Japan	JP
Chile	CL	Mexico	MX
China	CN	Panama	PA
Denmark	DK	Singapore	SP
Germany	DE	South Korea	KR
Great Britain	GB	Sweden	SE
Greece	GR	United States	US
Hong Kong	HK		

Industry is not company's primary industry in Ticker App
(This means company will be asked to report on different standards)

APPENDIX II – AMERICAN ASSOCIATION OF RAILS/SASB CORRESPONDENCE

https://sasb.sharefile.com/d/sc6a08410c3b4dfd8

ASSOCIATION OF
AMERICAN RAILROADS

December 30, 2013

Dr. Jean Rogers
Executive Director
Sustainability Accounting Standards Board
75 Broadway, Suite 202
San Francisco, California 94111

Dear Dr. Rogers:

The Association of American Railroads ("AAR") appreciates this opportunity to provide comments on the Rail Transportation Research briefing prepared by the Sustainability Accounting Standards Board ("SASB") (Draft for Industry Working Group Version 1.0), issued November 5, 2013 (hereinafter referred to as the "Rail Transportation Briefing").

AAR is a trade association whose membership includes freight railroads (including all seven Class I railroads, as well as Class II and regional railroads) that operate 82 percent of the line-haul mileage, employ 95 percent of the workers, and account for 97 percent of the freight revenues of all railroads in the United States; and passenger railroads that operate intercity passenger trains and provide commuter rail service.

Railroads are the most sustainable form of land freight transport. Railroads are on average four times more fuel-efficient than trucks with 75 percent lower emissions. Railroads are proud of their fuel efficiency track record, and the industry has improved efficiency almost 100 percent in the last 30 years.

The railroad industry has actively supported sustainability transparency efforts. Required reporting includes Securities and Exchange Commission ("SEC") reporting and annual reports of fuel usage and carbon emissions to the Surface Transportation Board. The railroads have collaborated with the Environmental Protection Agency on the development of the railroad SmartWay program. And many of the Class I railroads voluntarily report on carbon and other sustainability factors through the Carbon Disclosure Project and/or the Global Reporting Initiative.

As described further below, AAR offers a number of corrections to factual misstatements included in the Rail Transportation Briefing, and offers comments on certain SASB rail standards. Moreover, AAR discusses why industry-wide standards for the railroad industry are inappropriate, and AAR urges SASB to reconsider its effort to issue such standards.

The Rail Transportation Briefing Contains a Number of Errors or Misleading Statements about the Railroad Industry

Attached is a list of the errors/misleading statements included in the Rail Transportation Briefing (Attachment A). This attachment is not intended to point out every error and misstatement but rather focuses on those that are the most serious. As with any standard-setting process, the relevance and acceptability of any such standards depend upon the factual foundation and premises for such standards. In view of the numerous and serious errors, misstatements and misimpressions regarding the industry in the Rail Transportation Briefing, the credibility of any standards based upon such paper must be called into question.

SASB Industry-Wide Standards for the Railroad Industry Are Redundant

AAR agrees with the importance of transparency and clear, meaningful disclosures to investors. This disclosure requires identifying and discussing material issues. However, AAR believes that existing disclosure guidelines and policies are adequate and appropriate. Additional reporting schemes increase the burden both on the industry for preparation but also, more importantly, on analysts and investors for interpretation. Additional schemes will not, we believe, add to investors' understanding of risk.

AAR has included comments on the proposed rail industry standards contained within the stakeholder questionnaire, identifying the most significant redundancies and misconceptions (Attachment B). However, even if the Rail Transportation Briefing were to be cured of its errors, and the SASB rail industry standards were to be pared and modified as suggested in our comments, AAR believes that SASB industry-wide standards will continue to be inappropriate for the railroad industry for the reasons described in the following section.

SASB Industry-Wide Standards for the Railroad Industry Are Inappropriate

The Society of Corporate Secretaries & Governance Officials ("the Society") submitted comments to SASB on September 16, 2013, expressing serious concerns about its intended issuance of industry-wide standards. The Society described the burdens associated with additional standards as well as particular problems with industry-wide standards.

Speaking at the AICPA conference on December 9, 2013, the SEC staff highlighted the importance of emphasizing material matters and reconsidering potentially immaterial matters so that investors do not attach undue significance to them. Additionally, with regard to disclosure overload, SEC Chairman Mary Jo White in a recent speech said that registrants should assess materiality when considering their disclosures and clarified that the staff's comments to registrants on MD&A matters are not necessarily asking for more disclosure but for clearer more precise and more transparent disclosures about **material** (emphasis added) matters. AAR believes that the disclosures suggested by the SASB will not provide more clarity to the investor but create confusion with regard to existing SEC disclosures.

Furthermore, as the Society indicated, materiality must be defined consistently with current SEC requirements. Creating a new definition of materiality will create a risk that investors will not understand what issues are important to the financial viability of the registrant.

AAR endorses the comments of the SEC and the Society, and below notes reasons why industry-wide standards are inappropriate specifically for the railroad industry due to the unique sustainability-related risks and opportunities that result from each railroad's territory; the ownership and size differences that may modify the definition of materiality amongst railroads; and the industry's small population, which makes generalization more difficult and individual analysis more practical and useful.

As acknowledged in the Rail Transportation Briefing, railroad companies are diverse. In fact, railroad companies are even more diverse than suggested by the Rail Transportation Briefing. They range in size from small local railroads operating only a few miles of track, to national companies that transport freight across tens of thousands of miles. Moreover, there are huge differences in railroads' traffic mix, operating territories, physical plant, locomotive fleets, growth strategies and (for some key attributes) regulatory jurisdictions. As a result of these differences, what may be material to one company may be inconsequential to another.

Although railroads may share a similar history and may be regulated under the same sets of federal laws, each operates over a distinct territory. This diversity of territory brings with it a variety of state regulations, community interactions, geographic and weather conditions, and access to commodities and markets, all of which create sustainability-related risks and opportunities that are unique to each railroad.

Although federal regulations touch each of these railroads, each operates across a different set of states, adding a substantial amount of state environmental regulation to each railroad's sustainability profile. Further, sustainability-related risks and opportunities will differ between those railroads with greater exposure to rural areas and those with greater urban exposure, and each locality through which a railroad operates brings with it a community with its own concerns and goals. Thus, a railroad's territory has a substantial impact upon a railroad's obligations and abilities to mitigate its ecological impacts, upon the efforts it must take to safeguard the lands and communities it shares, and upon its ability to work with localities to achieve sustainability goals.

Each railroad's unique territory also results in differences in terrain, weather, haul distances, workforce demands, and interaction with other modes of transport (e.g. trucks, barges). These factors result in challenges and opportunities that apply only to certain subsets of the industry. Further, each railroad's territory impacts its access to customers and commodities. A review of individual railroad 2013 railroad financial statements and press releases makes apparent that their sustainability risks and opportunities are not uniform.

In addition, the ownership structures vary greatly in the railroad industry. Among the seven Class I freight railroads, two are headquartered in Canada and are subject to Canadian disclosure laws, one is held as a subsidiary of a large public company and the remaining four are publicly traded U.S. based companies. Class II and regional railroads also have various ownership structures. These different ownership structures and sizes require different analyses of materiality even before individual company circumstances are considered. Existing disclosure requirements appropriately yield different disclosures among the railroads.

There are substantial difficulties in developing new topics, standards and metrics for uniform reporting across an entire industry – particularly one as diverse as the freight railroad industry. Clearly, many rail freight companies share common technologies and operating practices. However, the differences among freight railroads are much more important in shaping risk than their commonalities. It is precisely the different combinations of those factors that shape the nature and level of potential risk.

To help investors, reporting must focus on clearly distinguishing railroads' approach to minimizing and managing potential risk. That "residual" (post-management) risk may vary even more widely from railroad to railroad. AAR strongly believes that current disclosure requirements already capture the appropriate level of information. Disclosing more information on potential risk may complicate rather than help investors' efforts to understand exposure.

AAR believes that investors are better advised to consider each railroad individually and to make their investment decisions based upon the sustainability opportunities and risks unique to each railroad.

Conclusion

For the reasons described above, AAR urges SASB to reconsider its effort to develop industry-wide standards for the railroad industry.

Respectfully submitted,

Janet Bartelmay

Louis P. Warchot
Janet L. Bartelmay

Counsel for Association of American Railroads

Attachments (2)

Attachment A

<u>Errors and/or Misleading Statements in the Rail Transportation Briefing Prepared by the Sustainability Accounting Standards Board</u>

1. On page 1, second paragraph, it is stated that "operating a train requires just two engineers". There are very few trains in the U.S. that are operated with two engineers. For example, most passenger trains have one engineer in the locomotive cab, with conductors on the trailing passenger cars. For freight railroads, one-person crews are common in yards and certain other operations. Some smaller railroads use one-person crews almost exclusively. For the large Class I railroads, trains on the main lines usually have an engineer and a conductor in the locomotive cab.

2. On page 2, first full paragraph, it is stated that certain economic "results are largely due to economies of scale". Deregulation, accomplished by the Staggers Act of 1980, is largely responsible for the economic resurgence of the railroad industry.

3. On page 3, first full paragraph, it states that "EPA established new emissions standards for and idling controls for newly manufactured locomotives". EPA also established new standards for remanufactured locomotives.

4. With respect to page 3, second full paragraph, the paragraph misrepresents the current regulatory situation. The STB licenses rail construction, consolidation, transfer of ownership, and abandonment and has jurisdiction to hear complaints regarding certain common carrier rates and railroad practices. A recent petition filed by shippers asked the STB to begin a rulemaking proceeding that would alter rules regarding when the agency would order Class I carriers to switch traffic to competitors. The STB has not proposed any regulations requiring Class I railroads to allow competitive access at this time.

5. On page 3, third full paragraph, it is stated, "The health and safety standards for railroad employee are enforced by the Occupational Health and Safety Act (OSHA)". Actually, some standards are set by OSHA, and some by FRA. Moreover, the "Administration" enforces, not the "Act". In addition, the applicability of Footnote 10 from Vulcan Materials, is unclear

   Finally, there are additional misstatements in that section. First, it is stated, "In 2008, Congress enacted the Rail Safety Improvement Act to improve collision and safety." Obviously, the Act was not intended to "improve ... collision". Secondly, it is stated, "All Class I freight railroads must implement the positive train control system (PTC) by December 31, 2015." In fact, PTC is not required on "all" lines; only on certain designated lines, and commuters/passenger lines also need to be equipped with PTC under certain conditions. It is stated, “The PTC relies on advanced technology to monitor train speeds, track switching, train separation, and rail worker safety.” PTC does not monitor “track switching”, “train separation”, and “rail worker safety”. It is also stated that “Implementation of PTC will likely cost the industry between $6.7 and $22.5 billion according to the FRA.” There is no reference to who “stated” these figures, and the wide range of likely costs are not confirmed by the industry.

6. On page 3, the second to the last bullet states that “Anticompetitive practices, including price fixing by some rail companies, have led to costly litigation and penalties ...”. While there have been allegations, there is no support for making such a conclusory statement, and the industry does not believe the statement to be true. Claims of anticompetitive behavior are empty rhetoric that ignores the fact that railroads face extensive intermodal, product, and geographic competitive constraints for the vast majority of their business — even in cases where a shipper is served by only one railroad. Railroads face fierce competition from trucks and barges and other railroads where shipments can be transloaded to or from those modes. The statement also gives the incorrect impression that there is widespread litigation re: price fixing and FSC manipulation and that is not the case.

7. On page 4, the last sentence of the Environmental section states, “In addition, there are ecological impacts from railroad infrastructure and operations that can pose a material risk to operators.” It is not clear what ecological impacts are implied from this statement.

8. With respect to page 4, the last full paragraph, Tier 3 is currently in effect. Tier 4 goes into effect in 2015.

9. With respect to page 5, top two lines, AAR is unaware of the referenced new emissions testing program.

10. With respect to page 5, third full sentence in the first paragraph, the EPA has mandated automatic shutdown systems for newly manufactured or remanufactured locomotives only (i.e., not “for all locomotives”).

11. With respect to page 5, first full paragraph, more than just three railroads are investing in natural gas research and development and/or pilot tests. Secondly, AAR is unaware of any support for the statement that railroads are investigating LNG because of the Tier 3 standards.

12. With respect to page 5, bottom of first column / top of second column, there are no greenhouse gas standards (GHG) standards applicable to locomotives. Thus the statement about GHG standards appears irrelevant.

13. With respect to page 5, first paragraph under ecological impacts, the

general statement that "railroads can have significant impacts on ecosystems ..." is prejudicial inasmuch as "significant" is not defined. While there have been allegations of coal dust having significant impacts, those statements are disputed. There have been issues with fuel leaks in the past, but AAR is unaware of fuel leaks being a significant current problem industry-wide. AAR also does not understand what is meant by "habitat fragmentation."

14. With respect to page 5, second full paragraph under ecological impacts, there is no industry consensus regarding the amount of coal lost; and, in fact, BNSF did not make the statement attributed to it.

    BNSF has been studying the impacts of coal dust since 2005, when two coal train derailments near the mines in the Powder River Basin (PRB) were caused in part by track structure weakness attributable to the presence of coal dust in the ballast. It was not possible to accurately calculate the amount of coal dust lost by weighing the coal cars before and after their trip. This was because the scales that weigh railcars were not accurate enough to measure small changes in weight over the course of a trip. In addition, some of the weight loss in transit results from evaporation of water content in the coal. Therefore, it was only possible to make rough approximations of the amount of coal dust lost in transit through the course of a trip. BNSF estimated the amount of coal lost by looking at the changes in the height of the coal in the loaded car before and after the trip, but these were very rough estimates and had a very high margin of error. Anti-coal interests have taken these rough estimates and extrapolated large loss numbers as part of their ongoing advocacy.

    There are two additional important aspects to these coal loss estimates. First, most of the coal dust losses occurred in and close to the Powder River Basin, which is located in Wyoming and Montana. Coal dust is an issue that is raised in areas near the mines, not far away from the mines. Second, BNSF's coal loss estimates were made several years ago before shippers began taking any measures to prevent coal dust losses. In 2011, BNSF established its current coal loading rule requiring shippers to properly load and treat coal cars with topper sprays to prevent coal dust. The rule contains a list of approved topper sprays that have been shown to effectively address releases of coal dust in transit, even in areas near the mines. The reasonableness of BNSF's current coal loading rule was recently affirmed by the Surface Transportation Board after a thorough, multi-year review.

15. With respect to page 5, third full paragraph under ecological impacts, there is no basis for the statement that "coal and minor fuel spills represent a significant ecological impact". Just because the U.S. railroad network is extensive, doesn't mean that spills have been a problem across the

network.

16. With respect to page 5, last paragraph, AAR does not agree and is unaware of “mismanagement of hazardous materials in rail yards” or dust issues leading to “penalties and fines affecting companies’ total extraordinary expenses”. The rest of this paragraph deals with hypotheticals; AAR is unaware of actual industry-wide problems that would form the basis for the paragraph’s statements.

17. With respect to page 6, under Social Capital, railroads do not have a “license to operate.”

18. With respect to page 6, second column, first full paragraph, there are incorrect, misleading, argumentative statements. The text shows a lack of understanding of the environmental analysis of the project. BNSF advises that its project, the Southern California International Gateway (SCIG), is a planned intermodal rail facility at an existing heavy industrial location in the Port of Los Angeles (POLA) not the Port of Long Beach. It is not accurate that the environmental analysis for the BNSF SCIG project concluded SCIG would have adverse environmental impacts. Although not required, the SCIG environmental analysis document did include for informational purposes a discussion of environmental justice. As clearly explained in POLA’s responses to comments on the environmental document, the analysis of environmental justice did not consider disproportionate impacts, in and of themselves, a physical impact on the environment. Under the methodology used in the environmental justice discussion, if a significant unavoidable impact for any resource area would impact low income or minority residents, it was identified as a disproportionate impact. Because the location of the planned project’s existing industrial location in the POLA has an eastern boundary close to communities with a high percentage of low income and minority population, the environmental justice discussion concluded there would be a disproportionate impact on certain resource areas. However the disproportionate impact identified as an environmental justice issue was not considered a physical environmental impact. In fact the overall project environmental analysis Health Risk Assessment showed that health impacts from the SCIG project on surrounding communities would be less than significant. Furthermore the building of the SCIG project at the proposed location would result in a decrease in Health Risk to sensitive receptors compared with not building the project at the location with its existing industrial operations. In addition, building the project results in a reduction of operational mass pollutant emissions compared to the baseline. The modelling in the environmental analysis shows a decrease in NOx impacts to sensitive receptors by building the project. In addition the sensitive receptor calculations in the environmental analysis shows that besides the residential reductions, the project results in health risk reductions of long term student impacts at schools.

As to the text statement that the environmental analysis supported a claim of significant project impacts to noise, BNSF advises that the allegation is misleading and disingenuous. The environmental analysis found all noise impacts to be less than significant or no impact, with the sole exception of nighttime operations noise in the rare case of an unusual "high activity" operation coinciding with extremely low nighttime ambient noise level.

Moreover, BNSF does not agree that the CEQA litigation filed by opponents of the SCIG project is "likely" to result in "a potential ban on the project." Quite the opposite, AAR believes, as does BNSF, that the legal analysis of the CEQA environmental document will fully vindicate and uphold the approval of the SCIG project by the POLA Board of Harbor Commissioners and the Los Angeles City Council.

19. On page 7, in the discussion of Labor Relations (in the paragraph titled "Evidence"), the brief describes reasoning for a nationwide rail job action in 1992. The report incorrectly asserts the reason for the 1992 labor disruption, as the outcome was not caused by a fear of lost business. During negotiations spanning 1988-1992, the railroads as a group participated in multi-employer ("national") bargaining with all of rail labor. The railroads had settled with everyone except the Machinists ("IAM") in 1991. In 1992, the railroads and IAM were "released" from federal mediation, allowing lawful self-help. IAM struck only one railroad, CSX, instead of all of the railroads as a tactical initiative. In response to IAM's tactic, the railroads collectively shut down in solidarity with CSX since the railroads, from the beginning, were involved in multi-employer ("national") bargaining. In multi-employer collective bargaining under the Railway Labor Act, such "concerted" action by the employers is entirely lawful. A Presidential Emergency Board soon followed. These actions set the stage for eventual peaceful resolution of the issue. The outcome had nothing to do with a fear of losing business in the short term.

□20. On page 8, the first sentence reads, "Moreover, in an industry with high injury rates, labor relations concerning safety are an important human capital issue." AAR disagrees with the reference to "high injury rates." In fact, according to data from the Bureau of Labor Statistics, railroads today have lower employee injury rates than most other major industries, including trucks, inland water transportation, airlines, agriculture, mining, manufacturing, and construction — even lower than grocery stores.

21. With respect to page 8, first paragraph, there is no agreement as to whether the referenced firings violated regulations.

22. With respect to page 8, second column, second full paragraph, AAR strongly disagrees with the statement that there have been "instances of

anti-competitive behavior" and the purported "evidence" does not bear out any such allegation.

23. With respect to page 8, second column, third full paragraph, there is no support for the conclusion that railroads have fixed prices. There is no basis for the statement that railroads have fixed prices and the railroads strongly disagree with that conclusion. The "evidence" presented are allegations that are not based on fact or upon legal findings. Accordingly, the last sentence in this paragraph is speculative and highly inflammatory.

24. With respect to page 9, carryover paragraph, the word "revealed" is a factual allegation that AAR does not agree with.

25. Page 9, first full paragraph, second sentence, reads, "Currently, railroads are allowed to essentially operate monopolies in rural areas, according to the legislation". This is a misleading statement in that the reader may interpret it as a fact.

26. Page 9, second full paragraph, second sentence, references, "perceived and actual manipulation of the market ...". There is no evidence of "actual" manipulation, and AAR strongly disagrees with this statement.

27. With respect to page 9, second column, first paragraph, the adjective "numerous" is inflammatory and misleading. There have been a few terrible accidents in recent times, but there is no support for concluding there have been "numerous" accidents.

28. With respect to the third paragraph on page 9, second column, freight rail and pipelines both have excellent safety records for transporting crude oil, although pipelines spill more of their product than railroads. See, e.g., https://www.aar.org/safety/Documents/Freight%20Railroads%20Safely%20Moving%20Crude%20Oil.pdf. Over the past decade, total railroad crude oil spills equal less than one percent of the total pipelines spills. (2002-2012, railroads spilled 2,268 barrels total vs. pipelines' 474,441 barrels total). Moreover, last year, the pipeline crude oil spill percentage was 10 times that of the railroads (Rail = 0.00006 percent vs. pipelines = 0.0005 percent in 2012). Over the past decade (2002-2012), the estimated spill rate for crude oil moving by rail was 0.38 compared with the estimated pipeline spill rate of 0.88 (measured as gallons spilled per million barrel miles moved). Freight railroads have a solid track record for minimizing impacts to the environment. Average pipeline spills are four times larger than the average rail spill, (average 65 barrels by rail vs. average 266 barrels for pipelines from 2002-2012). Three quarters of railroad crude-oil spills, or 74 percent of the 129 incidents that occurred from 2002-2012, involved spills of less than five gallons.

29. With respect to page 9, second column, second paragraph, it is not true that FRA prohibits hazardous materials trains from being "unattended."

30. With respect to the final paragraph on page 9, the Chatsworth, CA train derailment happened on September 12, 2008 not 2007.

31. With respect to page 9, second column, paragraph titled "Evidence", the statement that railroad hazmat incidents cause greater destruction than road/highway transportation is incorrect. In the United States over the last ten years (2003 to 2013) highway related hazmat incidents had 87percent more fatalities than railroads and 76 percent higher costs. https://hip.phmsa.dot.gov/analyticsSOAP/saw.dll?Dashboard

32. With respect to the discussion on page 9 regarding Accident and Safety Management, the railroads have had continuous improvement. Railroads have a strong record for safely moving hazardous materials (hazmat), with 99.9977 percent of all shipments reaching their destination without a release caused by an accident. Thanks to the railroads' commitment to safety and innovation, railroads have lowered hazmat accident rates by 91 percent since 1980, and 38 percent since 2000.

33. With respect to page 9, last paragraph, AAR questions SASB's basis for concluding that PTC would have prevented the Quebec accident. AAR knows of no findings to support that conclusion.

34. Appendices -- Overall considerations:

    Appendix II-A: It is unclear how the Heat Map percent is calculated, and in any event is not an appropriate measure.

Attachment B

Redundancies and Misconceptions in the SASB Rail Industry Questionnaire

SASB proposal	*AAR Comments*
Air Quality & Fuel Management	
Gross global Scope 1 emissions in metric tons CO2-e.	• Railroads already report carbon emissions through STB annual reports and through the EPA Smartway program, therefore we believe the proposed reporting is unnecessary and redundant with existing required and cooperative regulatory reporting.
Air emissions, in metric tons, for the following pollutants: NOX , SOX, and particulate matter (PM2.5). Description of legal and regulatory fines and settlements associated with federal, state, and local environmental protection laws covering air quality. Include dollar amount of fines and settlements, and a description of corrective actions implemented in response to events.	• Proposed standards are roughly consistent with GRI reporting (combines several GRI indicators into one question).
Total annual energy consumed (gigajoules); percentage from purchased grid electricity. Percentage of non-grid energy from (a) fossil fuels, (b) alternative fuels (e.g. biofuel) and renewables (e.g., wind, biomass, solar).	• Railroads are already required to report fuel usage annually to the STB, so this proposed reporting element is mostly redundant with existing requirements. • Consistent with GRI. CDP asks are in megawatt hours, including fuel, electricity, heat, steam and cooling
Discussion of approach to fuel management and optimization of fuel use; including any fuel and greenhouse gas emission reduction targets (both absolute and intensity targets) that were active (ongoing or reached completion) in fiscal year, and an analysis of performance against those targets.	• Intensity is not clear-cut for rail freight. Fuel efficiency varies significantly among different types of rail freight. Changes in freight mix have a significant impact on annual efficiency. Per ton, per ton-mile or per revenue dollar do not reflect these critical traffic mix issues. For example, railroads can improve fuel efficiency by moving more coal; coal trains are more aerodynamic single-height cars that move at a slower speed. On the other hand, fuel efficiency is reduced when moving more consumer products since these train often move in a less aerodynamic double stack and at higher speeds.
Weighted average fleet fuel efficiency for total train fleet (by revenue-ton-miles / gallon).	• As indicated above, this metric is potentially misleading due to variability in traffic mix. Useful as a broad indicator for public policy discussion, but does not have the level of precision or comparability across companies to be used with rigor by investors. Revenue Ton Miles (RTM)/gallon, are not appropriate as they do not include all of the activities that burn fuel.
Ecological Impacts	

SASB proposal	*AAR Comments*
Number of miles of track in high conservation values (HCV). Describe effort to manage ecological impacts in these areas. ***Technical Note:*** High Conservation Value (HCV) can be defined as: • Areas protected by the International Union for Conservation of Nature (categories I-VI); • Wetlands of international importance (according to the Ramsar convention); • Natura 2000 sites (under the European Birds Directive and Habitats Directive); • Important bird areas (defined by Birdlife International); • Biosphere reserves (under the UNESCO Man and the Biosphere Programme).	• There is no clear metric that meaningfully reflects the *potential* exposure. If there was, it would NOT be based on the kind of categories identified by SASB. For example, due to terrain railroads historically run close to a wide range of water bodies. The sensitivity of those water bodies and the *potential* risk does not vary with the criteria shown here, but rather with a large number of factors including existing water quality, water use, social and economic value of the waterway, etc.(These specific categories are not those generally in use in US railroads' service areas.) • Even if those categories were meaningful, miles of track within those categories would not accurately reflect risk. Additional information about traffic mix, physical plant, operating conditions, etc. all have major impact on potential risk. • If (hypothetically) there were meaningful categories of attributes (e.g. land and water features, habitats etc.) describing sensitive areas and if (hypothetically) there were some metric beyond track miles that meaningfully reflected attributes potentially creating risk in those areas, calculating and describing the results across railroads with 20-30,000 route miles (and substantially more track miles) would be extraordinarily burdensome for industry to report with minimal return to investors. The results, if even possible, would be extraordinarily burdensome for investors to interpret. This would create the exact opposite of providing clarity to investors.
Number and description of incidents of non-compliance with environmental regulations (e.g. noise restrictions, spills, habitat protection), indicate significant outcomes and corrective actions taken.	• Already addressed both in required SEC and voluntary GRI reporting. • Much of this information would provide no additional insight into the specific area of ecological impacts. Over time, a substantial portion of non-compliance incidents relate to reporting and procedural issues with little or no significance for outcomes.
Community Relations	
Description of outreach efforts with local communities and mitigation efforts to address impact from railroad operations, including safety along rail tracks, physical barriers in communities, local air pollution, ecological impacts and other impacts of rail road operations.	• This is a very important issue that gets substantial attention and effort from railroads. However, it is not clear what the proposed metric actually is here. • The language in the proposed "metric" covers an extraordinary range of activities. Railroad physical plants and operations are far more extensive and integrated into communities than virtually any other sector. With 20-30,000 mile-long-systems running through thousands of communities, the span of "outreach ...and mitigation efforts" covers an enormous number and type of activities. The proposed "metric" provides no clarity on what should be disclosed. • In the absence of that clarity, it will be impossible for railroads to know what would satisfy the disclosure expectation, and for investors to interpret, assess or compare disclosures.
Labor Relations	

SASB proposal	***AAR Comments***
Report the following occupational injury statistics, broken down by full-time and contract employees: • Total Recordable Injury Rate (TRIR); • Lost Time Injury Rate (LTIR); • Fatality Rate (excluding illness fatalities); • Near Miss Frequency Rate. Rate = (statistic count / total hours worked)*200,000	• Roughly consistent with metrics already part of GRI reporting
Number of retirees and dependents receiving benefits relative to active employees	The number of retirees and dependents receiving benefits relative to active employees is not relevant to sustainability. The railroads already have significant disclosures around pension liabilities and assets in the SEC documents.
Accident & Safety Management	
Number and description of accidents during transportation or at rail yards, significant outcomes including fine, spills, increase in insurance, death of employee or by-stander, etc. and corrective actions put in place. ***Technical Note:*** Types of insurance addressed here may include protection against costs associated with damage to rolling stock, environmental remediation, lost cargo, driver health and safety. "Significant outcomes" include disruption to a large number of customers or fundamental business operations in a manner that affects time to market, revenue capture, or other material parameters.	• Already included in both required SEC and voluntary GRI reporting. • Not clear what is being sought above and beyond what is already disclosed • Not clear what the actual "metric" is here
Description of management approach to accident prevention and ensuring safety of driver and cargo, including but not limited to, implementation of work shift limits, safe-arrival pay incentives, and Positive Train Control (PTC) technology. ***Technical Note:*** Positive Train Control (PTC) is a processor-based/communication-based train control system designed to prevent train accidents. PTC may be voluntarily developed and implemented by a railroad following the requirements of Title 49 Code of Federal Regulations (CFR) Part 236, Subpart H – Standards for Processor-Based Signal and Train Control Systems; or, may be as mandated by the Rail Safety Improvement Act of 2008 developed and implemented by a railroad following the requirements of 49 CFR Part 236, Subpart I – Positive Train Control Systems. PTC technology is capable of automatically controlling train speeds and movements should a train operator fail to take appropriate action for the conditions at hand. PTC systems required to comply with the requirements of Subpart I must reliably and functionally prevent: • Train-to-train collisions; • Overspeed derailments; • Incursion into an established work zone; and • Movement through a main line switch in the improper position. • Other functions are applicable within the requirements as specific conditions warrant.	• Already required both in required SEC and voluntary GRI reporting. • Not clear what is being sought above and beyond what is already disclosed • Not clear what the actual "metric" is here • The language in the proposed "metric" covers an extraordinary range of activities. In the absence of that clarity, it will be impossible for railroads to know what would satisfy the disclosure expectation, and for investors to interpret, asses or compare disclosures. • The items listed as "included but not limited to…" implies that those issues (and especially PTC, given the level of detail provided) are the most important and effective levers for managing accident prevention and ensuring crew and cargo safety. Many railroads may disagree strongly with this interpretation. As a result, following the SASB guidance might confuse rather than clarify risk for analysts and investors.

Jean Rogers, PhD PE
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February 12, 2014

Dear Ms. Warchot and Ms. Bartelmay:

Thank you for your thoughtful letter to SASB on behalf of the American Association of Railroads (AAR), and for your important work on behalf of the freight rail industry. We respect your active involvement in transparency initiatives and the voluntary sustainability reporting undertaken by your members. We'd like to individually acknowledge each of the points expressed in your letter.

- **The Rail Transportation Briefing contains a number of errors or misleading statements about the railroad industry**. Thank you for identifying inaccuracies in the industry briefs. SASB's industry briefs—which are created to prepare industry working group members to provide feedback on material issues and accounting metrics—are different than SASB's industry standards. However, it's important that the industry briefs are accurate, as they help determine which issues warrant standards setting. Our research team is carefully evaluating each of the inaccuracies you've raised.

- **SASB industry-wide standards for the railroad industry are redundant.** SASB and the AAR are in agreement that investors need meaningful information on sustainability performance. However, SASB's research shows that existing disclosure does not fulfill this goal. In a study of disclosure on material sustainability issues in 2012 10-K reports, 22% of railroad companies had either no or boilerplate disclosure on material sustainability issues, and only 34% used metrics to disclose material sustainability issues (the most useful type of disclosure for investors). On certain material sustainability issues, such as community impacts, the level of no disclosure was as high as 50%.

  In order to minimize the cost of disclosure to companies, SASB purposely seeks to avoid the creation of new metrics. When high-quality metrics exist to characterize performance on material issues, SASB incorporates them into the standard. SASB has used metrics from GRI, CDP, and industry organizations. While this may at first appear redundant, the use of existing metrics is a cost-effective way of ensuring that material information is disclosed in the 10-K, without adding burden to issuers.

  SASB agrees with the AAR that the world does not need additional reporting schemes that are onerous for companies to use or difficult for investors to interpret. For this reason, SASB standards are designed to be cost-effective and decision-useful. By identifying only the minimum set of sustainability issues likely to be material at the industry level, and providing guidance on how to disclose such issues, SASB helps reduce reporting fatigue for companies. By designing standards for inclusion into the Form-K, where investors are accustomed to getting information, and by creating standardized accounting metrics, SASB helps investors compare corporate performance on sustainability factors.

- **SASB industry-wide standards for the railroad industry are inappropriate.** SASB appreciated receiving feedback from the Society of Corporate Secretaries & Governance Professionals, as submitted in response to the public comment period for SASB's Conceptual Framework. SASB carefully considered all feedback received from the Society, and our response to the feedback can be found here. If you have not done so already, we encourage the AAR to read our Conceptual Framework, as it describes in detail the principles and processes underlying SASB's standards.

SASB agrees with the AAR that materiality must be defined consistently within SEC guidelines. For this reason, SASB abides by the U.S. Supreme Court's definition of material information, defined as presenting "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the "total mix" of information made available." (TSC Indus. v. Northway, Inc., 426 U.S. 438, 449 (1976)).

As you know, the SEC's upcoming disclosure reform efforts intend to alleviate information overload and ensure all disclosure requirements are providing relevant information to investors in the most efficient manner. In the words of SEC Chair Mary Jo White, "As we proceed down any reform path, we also should consider whether investors would benefit from disclosures that are more tailored to the industry in which the company operates." SASB standards support the SEC's disclosure reform efforts, as they present a cost-efficient way to comply with existing regulation (Regulation S-K), identify material sustainability issues at the industry level, and provide investors with the comparable information they seek.

In regards to your statement that railroads are diverse, and thus that industry standards may not be appropriate for the rail industry, we'd like to point out that SASB standards are a guideline, not a mandate. SASB identifies the minimum set of sustainability issues likely to be material for companies within a given industry. However, the final determination of materiality is the onus of the corporation. The Supreme Court explains that the determination of materiality is an "inherently fact-specific finding" (Matrixx Initiatives, Inc. v. Siracusano, 563 U.S. ___ (2011)). The corporation is ultimately responsible for including material information in their Form 10-K or 20-F and other periodic SEC filings.

SASB seeks to identify issues that are relevant to most (if not all) companies in an industry, due to the activities they engage in, the manner in which they use resources, and the ways in which they're likely to impact society and the environment. Our working group process ensures a high degree of consensus on the materiality of issues included in SASB standards. Should a company reach similar conclusions regarding the materiality of the issues, most companies find it helpful to have a standard for disclosure that enables them to avoid risks associated with omission of material information and disclose decision-useful information for investors.

In conclusion, we are glad SASB and the AAR are aligned on the importance of transparent, meaningful disclosures for investors and cost-effective disclosure for corporations. We share the goals of alleviating information overload for companies, serving investors, supporting the SEC's disclosure reform efforts, and keeping a laser focus the SEC's definition of materiality.

Thank you again for the thoughtful and detailed feedback outlined in your letter. We hope the AAR will stay involved in SASB's standards development process, particularly the public comment for the railroad industry, which begins on April 17, 2014. We look forward to continued engagement with the AAR and its members.

Sincerely,

Jean Rogers, PhD
Founder and Executive Director
The Sustainability Accounting Standards Board

ASSOCIATION OF AMERICAN RAILROADS

Law Department
Janet L. Bartelmay
Associate General Counsel
and Corporate Secretary

February 21, 2014

Ms. Deb Martin
Stakeholder Engagement Manager
Sustainability Accounting Standards Board
75 Broadway, Suite 202
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Dear Ms. Martin:

Thank you for forwarding to me the response of the Sustainability Accounting Standards Board (SASB) to the letter of December 30, 2013, from Louis Warchot and me on behalf of the Association of American Railroads (AAR). We look forward to reviewing the results of SASB's efforts to review and correct the Rail Transportation Research Briefing paper and trust that the revised version will fairly and accurately describe the rail industry.

During our recent telephone conversation, you extended an invitation to the freight rail community to meet with SASB representatives. It is my understanding from our call that the purpose of this meeting would be for SASB to describe to the railroads SASB's process in developing industry-wide standards. Given that AAR's consultant who sat in at the Delta Series event has already shared with us the process that SASB outlined at that event, the railroads do not believe that an additional briefing is necessary. However, if there would be another purpose for the meeting, please let me know.

Finally, I wanted to follow up on my earlier request to you for the list of the 22 individuals/entities representing rail transportation upon whom SASB based its initial determinations for the rail industry.

I look forward to hearing back from you.

Sincerely,

Janet Bartelmay

Janet Bartelmay

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February 27, 2014

Janet Bartelmay
Associate General Counsel & Corporate Secretary
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Dear Janet,

Thanks for your response to our recent letter on Feb 12th. As per your request, I am sending you a copy of the rail industry working group participant list outlining participants who responded to our survey that was conducted Nov 5-Dec 6, 2013 (attached). You may follow the progress of the transportation sector at http://www.sasb.org/sectors/transportation/.

SASB was pleased to invite the AAR and rail members to participate in the Industry Working Group (IWG) process and to honor your request for an extension to Dec 30th, 2014. While SASB did not receive survey responses from the AAR and rail members, we were thankful to have received consolidated and detailed comments in your letter.

SASB does extend an offer to meet with the AAR and rail members, but not exclusively to review our standard setting process. Rather, the invitation is meant to provide other opportunities for feedback to the specific material issues and/or accounting metrics that are being considered for the provisional standard. SASB follows a robust and transparent stakeholder engagement process. Aside from the IWG process, the rail industry will have the opportunity to engage in the standard setting process during the following periods:

1) **Post IWG Process**- The research team is currently analyzing the IWG survey responses. The survey responses, along with the feedback the AAR submitted via letter, will be reflected as appropriate in the material issues and accounting metrics published in the Exposure Draft Standard, which will be released to the public for a 90 day public comment period (listed below). During this revision period, rail members have the opportunity to speak with our research team to discuss the material issues and accounting metrics and/or provide further feedback. I am happy to coordinate a meeting with any interested parties.
2) **Public Comment Period**- The 90-day public comment period will commence on April 17th, 2014 and end on July 16th, 2014. Any member of the public is invited to comment and provide feedback on the Exposure Draft Standard.
3) **Release of Provisional Standards**- The standards will be released on Sept 4th, 2014 and will be provisional for one year. During this period, the rail industry may provide additional feedback and comments.

SASB values the perspective of the AAR and looks forward to continued dialogue and feedback as we develop sustainability accounting standards for the rail industry.

Sincerely,

DMartin

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