



SASB Standards Council

Procedural Review

Technology and Communications Industry Working Group

July 16, 2014

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 June 27, 2013, we conducted an independent review of the process and procedures used to develop the Disclosure Protocol proposed to develop Sustainability Accounting Standards for the Technology and Communications Industry. For this review, we relied primarily on a report titled **SASB Industry Working Groups Due Process Report – Technology and Communications**, which was prepared by SASB staff on June 20, 2013.

Based on our review, we believe the process and procedures followed by the Technology and Communications Industry Working Group as part of the standard setting process was satisfactory with respect to the SASB standard for Industry Working Groups.

Notwithstanding the above conclusion, the Standards Council offers the following comments:

We continue to recognize that evidence of materiality and investor interest remains crucial for standard setting legitimacy and for future adoption of the standards. Three issues arose with respect to this point:

- First, there is some concern that, because they often cover multiple industries, analyst respondents may feel burdened to participate in many working groups. We, therefore, suggest flagging this issue and considering ways to help maintain sufficient levels of investor/analyst engagement going forward.
- Second, when response rates indicate some disagreement about materiality, the Council would find it helpful to receive additional granularity on the drivers of disagreement. For example, how do views differ by respondent type (either in terms of percentages or absolute numbers, whichever is more useful, given the sample size)? Is there uniformity within different respondent types? Is there an echo chamber happening with investors? Ultimately, the Council (and outsiders) need to better understand the sources of disagreement in order to evaluate the quality and appropriateness of the research team's response to disagreement about materiality. [We note that, after the meeting, the research team provided the requested breakdown.]



- Following the last point above, the Council also recommends that SASB post responses to all comments.

Lastly, the point was raised that there seems to be a disconnect between the SASB's stated objective of achieving a minimum number of KPIs for each industry and the objective of achieving "completeness" (i.e., developing standards that "provide a complete view of corporate performance"). If the most important objective is looking for the minimum set of KPIs, it would be helpful to incorporate this wording into the survey, to the extent that the research team has not already done so. In other words, in the SASB's view, are all material items essential/necessary? If not, how does the SASB intend to resolve the question of which items to include/exclude from the final standards?

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 Jeffrey Hales
SASB Chair of the Standards Council

Signed _____ . July 16, 2014

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