



The Association of  
Accountants and  
Financial Professionals  
in Business

[via email](mailto:comments@SASB.org)  
[comments@SASB.org](mailto:comments@SASB.org)

December 23, 2020

Dear Sustainability Accounting Standards Board:

Re: *Proposed Changes to the SASB Conceptual Framework and Rules of Procedure: Bases for Conclusions and Invitation to Comment on Exposure Drafts*

IMA<sup>®</sup> (Institute of Management Accountants) is writing to share its views on the *Proposed Changes to the SASB Conceptual Framework and Rules of Procedure: Bases for Conclusions and Invitation to Comment on Exposure Drafts* that you released for public comment on August 28, 2020.

IMA is a global association representing more than 140,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries, and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities, and multinational corporations.

Generally, we welcome the broadening of SASB's framework to work on a global stage. It is our observation that SASB's general approach to sustainability (or integrated value) reporting has been a useful tool for corporate organizations, one of our primary constituencies, to enhance the information that it considers for both management and investor decision making. In saying this, we observe that one of SASB's primary strengths is the usability of its standards along with mainstream financial reporting, and it is our suggestion that in its steps going forward, it continues to consider the needs of corporate CFOs and accounting teams for implementation by harmonizing financial and sustainable business perspectives.

Responses to the specific questions in the exposure draft are as follows:

Question 1, Global applicability: IMA is generally supportive of the Board's revisions to its Conceptual Framework (Framework) and Rules of Procedure for use in a global marketplace. We are aware of the efforts to harmonize and reduce the current fragmented reporting environment for sustainable business reporting, and we observe that SASB's standards have become a recognized leader in this space. Therefore, we applaud the Board's efforts to make its methodology applicable worldwide.

Question 2, Governance: While we understand SASB's reluctance to develop standards relating to corporate governance and metrics, we believe this is one of the most important aspects of a truly sustainable business. We realize that there are existing regulatory requirements; however, these are not infrequently described as inadequate. We observe that other standard setters propose nonregulatory metrics around governance issues, such as diversity, equity, and inclusion, at the board or senior management level. We see no reason for SASB to exclude this critical category from its work.

Question 3, Materiality: In reviewing the exposure draft, we raise concerns about the revised definition of materiality as too narrow to embrace the contribution of resources by multiple stakeholders that lead to the success of a reporting entity. In fact, the proposed definition omits one of the primary users of corporate



reporting—management. Management must identify, measure, and consider all of its available resources, beyond those currently reported in mainstream financial statements. While we expect that lenders and equity investors will be the primary users of reporting that reflects both financial and sustainable business factors, we also recognize that an entity’s performance relies on the management of its resources on behalf of all stakeholders, even when it reports the results in monetary terms. We prefer the definition that the International Financial Reporting Standards (IFRS) Foundation references in its Consultation that simply refers to “users.” The IFRS Foundation’s document defines materiality in the following way:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements which provide financial information about a specific reporting entity. —*IAS 1 Presentation of Financial Statements*

In addition, in aiming for a converged, enterprise-wide perspective that can reconcile both financial and sustainability accounting, we strongly suggest that SASB use terminology in a way that is generally consistent with mainstream accounting in order to facilitate meeting its objective of harmonization. Although questions around definitions may be characterized as secondary, we observe that it is creating real challenges among our constituents. For example, we urge that you use generally the word “capital” with care. We believe that the concept of the balance sheet still works, and mainstream financial reporting standards use the term “capital” to denote resource providers (the right side of the balance sheet) rather than the resources or assets themselves (the left side of the balance sheet). The misuse of this term and other terms with widely accepted meanings is continuing to create enormous confusion among mainstream accountants, even as they aim to learn and begin to adopt a sustainable business mind-set and initiate beneficial activities.

In this vein, we also caution SASB to use absolute clarity that its standards aim to enhance corporate reporting for individual entities. We understand the worthwhile goals among other standard-setting organizations regarding impact accounting, such as by endorsing and reporting on the United Nations Sustainable Development Goals. However, actual practice among our constituents reveals that this needs further development, and, for the moment, the practical challenges make it beneficial to consider impact accounting as a separate stream of research, particularly with respect to measurement.

Questions 4 and 5: We have no objection or further comment on these questions raised in the exposure draft.

Question 6, Other points: With respect to other items raised in the exposure documents, we note the following:

#### Industry-specific standards

We understand the concern about referencing “industry-specific” in the Framework itself, rather than as a means of characterizing the standards. On this point, we note that as a practical matter, SASB’s industry-specific reporting standards are a feature that corporate preparers embrace, particularly when they endeavor to first adopt sustainability reporting. Therefore, it may prove helpful to retain this as part of the Framework.



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Short-, medium-, and long-term

We agree with SASB's clarity on its approach to standard setting and the consideration of short-term, medium-term, and long-term horizons. We observe that short-termism has become a challenge in the finance and accounting world, and articulating this specifically will further the notion that sustainable business is not a quarter-by-quarter concept. It requires the assessment of expectations over months, years, and even decades.

Transparency

We certainly approve of SASB's rulemaking in the sunshine, and we have no objection to the phrasing around this. However, it has been our experience with standard setters that there are discrete times when confidential outreach proves beneficial. Used appropriately, private consultations and focus groups can prove invaluable to providing unshaded information that facilitates good standard setting.

We would be pleased to discuss our comments at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey C. Thomson". The signature is written in a cursive, flowing style.

Jeffrey C. Thomson, CMA, CSCA, CAE  
President and CEO  
IMA® (Institute of Management Accountants)