



Sustainability Accounting Standards Board  
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sasb.org

March 8, 2021

Superindendence of Market Development  
Comissão de Valores Mobiliários (CVM)  
SCN Q. 02 – Bl. A-Ed. Corporate Financial Center, S. 404 / 4th Floor  
Brasília/DF  
70712-900-Brazil  
Submission Via Email: [audpublicaSDM0920@cvm.gov.br](mailto:audpublicaSDM0920@cvm.gov.br)

**Re: PUBLIC CONSULTATION NOTICE SDM N° 09/20**

Dear Superintendent of Market Development:

Thank you for the opportunity to comment on **Public Consultation Notice SDM N° 09/20**. By way of introduction, I write as Chief Executive Officer at the Sustainability Accounting Standards Board (SASB). SASB is an independent non-profit organization that connects businesses and investors on the financial impacts of sustainability. SASB Standards enable businesses around the world to identify, manage, and communicate the environmental, social, and governance (ESG) factors that are material to enterprise value creation. SASB Standards are industry-specific and are designed to be decision-useful for investors and cost-effective for companies. SASB's rigorous and transparent standard-setting process includes evidence-based research, broad and balanced participation from companies, investors, and subject matter experts, and oversight and approval from an independent Standards Board.

Leading global investors support SASB Standards as a fundamental way for companies to communicate financially material sustainability information to investors. Using SASB Standards, companies can report comparable metrics on key sustainability issues to investors, enabling both companies and investors to benchmark performance against peers and identify industry leaders and laggards. Such transparency can lead to a "race to the top" as companies set and pursue performance targets and investors allocate capital toward companies that lead the industry on these and other issues.

On behalf of SASB, I offer the following comments for your consideration:

- 1) SASB shares the main objective of the CVM's proposed reform to "*reduce the cost of compliance and improve the information regime of issuers of securities with the inclusion of information that reflects environmental, social and governance aspects.*" SASB aims to facilitate more informed decision making by both companies and investors and more efficient price discovery by capital markets by illuminating the intersection between sustainability and long-term enterprise value. SASB Standards have been developed for 77 industries, each of which includes standardized disclosure topics and performance metrics for the sustainability issues most relevant to long-term financial performance

- in the specified industry. By providing transparency into how companies are managing the sustainability risks and opportunities most closely tied to the creation of enterprise value, SASB Standards help establish more stable and resilient capital markets that can more efficiently price risks and opportunities, reduce the cost of regulatory compliance on corporate reporting of ESG issues, and create mutually beneficial value for companies, investors, and society more broadly.
- 2) Like the CVM, SASB also perceives “*increasing investor interest and an accelerated development of the content and manner in which ESG information is reported by issuers.*” Two-hundred and fourteen asset owners and asset managers, representing approximately US\$60 trillion in assets under management across Asia, Europe, the Middle East, North America, and South America, participate in the SASB Alliance, or have licensed SASB Standards for use in investment tools and processes. This includes the 57 members of SASB’s Investor Advisory Group<sup>1</sup> (US\$42 trillion), who recognize the need for comparable, consistent, and reliable disclosure of financially material, decision-useful sustainability information to investors. Due largely to strong demand from institutional investors, corporate use of SASB Standards has increased rapidly since they were issued in late 2018. Globally, more than 540 companies reported SASB metrics in 2020, an increase of 375 percent from 2019. These companies span 69 industries in 37 countries, including Brazil, where organizations such as Azul SA, Banco Bradesco SA, Engie Brasil Energia SA, Gol Linhas Aereas Inteligentes SA, Itau Unibanco Holding SA, Lojas Renner SA, and Vale SA have used SASB Standards to focus their ESG reporting on the key sustainability issues impacting enterprise value.
  - 3) SASB supports the CVM’s efforts to elicit disclosure on a range of “*socio-environmental’ risk factors*” including “*social, environmental, and climate issues*” and to have companies provide information on their approach to determining materiality. SASB Standards include disclosure topics and performance metrics across five dimensions of sustainability: Environment, Social Capital, Human Capital, Business Model and Innovation, and Leadership and Governance.<sup>2</sup> These dimensions align, in part, with the CVM’s proposal: environmental issues are covered in SASB’s “Environment” dimension; social issues are captured in SASB’s “Social Capital” and “Human Capital” dimensions; and, climate issues—including physical, regulatory, and transitional impacts—are primarily covered in SASB’s “Business Model and Innovation” and “Environment” dimensions. SASB Standards can be a tool for companies to assess which sustainability issues are closely linked to the creation of enterprise value in their industry and, furthermore, a way to use standardized indicators to report on their performance on such key issues. We believe our Standards can be useful to describe and measure risk factors in items 4.1k, 4.1l and 4.1m in the CVM’s newly proposed “Reference Form” (Annex 24 in the Public Consultation Notice).
  - 4) SASB believes that regulators can use existing standards and frameworks to encourage the adoption of globally accepted tools for disclosure of sustainability information that is material to the creation of enterprise value. In the *Statement of Intent to Work Together Towards Comprehensive Corporate Reporting*<sup>3</sup>, the CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and SASB, demonstrated how a

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<sup>1</sup> Sustainability Accounting Standards Board (SASB), Investor Advisory Group, available at [www.sasb.org/investor-use/supporters/](http://www.sasb.org/investor-use/supporters/) (accessed March 5, 2021).

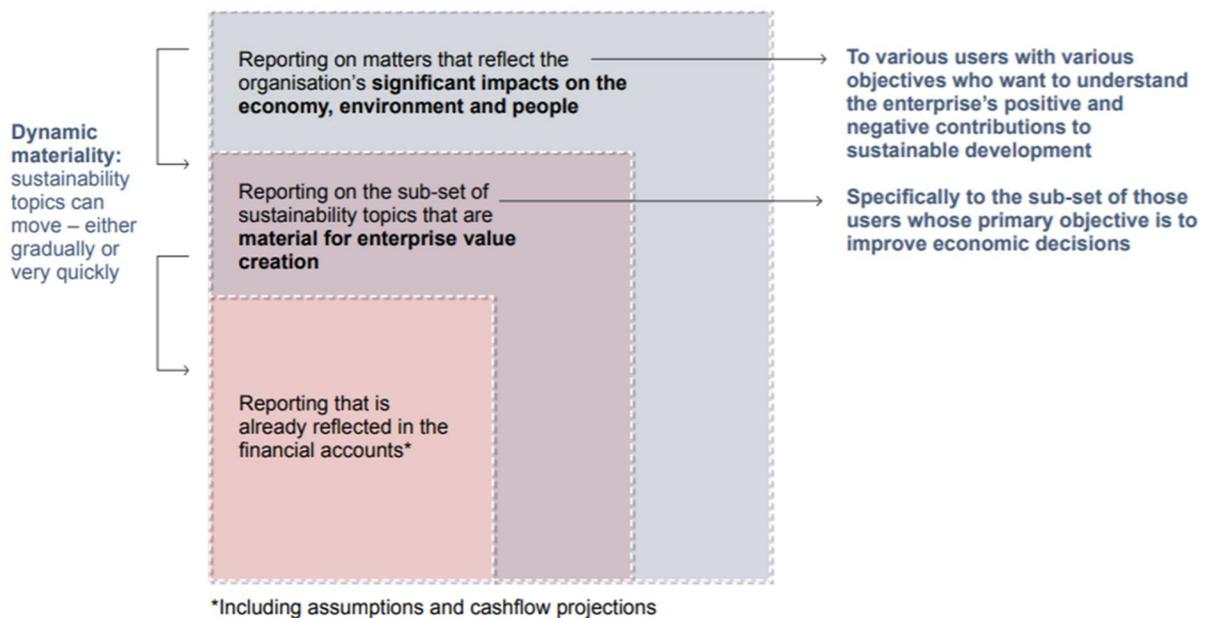
<sup>2</sup> SASB, Materiality Map, available at [www.materiality.sasb.org](http://www.materiality.sasb.org) (accessed March 5, 2021).

<sup>3</sup> SASB, Statement of Intent to Work Together Towards Comprehensive Corporate Reporting, available at: <https://www.sasb.org/blog/progress-towards-a-comprehensive-corporate-reporting-system/> (accessed March 5, 2021).

combination of our standards and frameworks can facilitate high-quality, consistent, comparable, and verifiable sustainability disclosure as part of a comprehensive corporate reporting system. (See Figure 1). We recognise that a global corporate reporting system is made up of “building blocks” based on distinctive materiality concepts, and that different jurisdictions may move more or less quickly to mandate or recognise all of these building blocks. In our experience, we see there are two materiality concepts used by companies for sustainability disclosure:

- a. A company determines the sustainability topics that are material for disclosure based on the organisation’s significant impacts on the economy, environment and people, and their importance to its stakeholders. The resulting information can serve a broad range of users and objectives and is often referred to as “sustainability reporting”.
- b. When a company discloses information to the sub-set of those users whose primary objective is economic decision-making (such as many institutional providers of financial capital), the company delineates the sub-set of sustainability topics that are material for the creation of enterprise value, recognising that some of that performance may already be reflected in the annual financial accounts.

**Figure 1:** *A comprehensive corporate reporting system*



We believe the shared vision described in the joint *Statement of Intent*, can achieve the comprehensive corporate reporting system that global capital markets, including that in Brazil, so urgently need. Figure 1 represents a coherent system for the disclosure of information material to the creation of enterprise value and, therefore, serves as a model of how regulators can most efficiently and effectively leverage the work of existing framework providers and standard setters, along with that of the Task Force on Climate-related Financial Disclosures (TCFD). This system could be used by Brazilian companies to fulfill the requirements of item 1.9b in the newly proposed “Reference Form.”

- 5) SASB standards can provide a useful tool for companies and investors to identify the Sustainable Development Goals (SDGs) most relevant to the creation of enterprise value in each industry. This can help both companies and investors allocate financial capital and other resources to areas where the potential to influence specific SDG targets aligns with the potential to impact financial risk and return. In 2020, SASB conducted a mapping exercise to identify common themes between its Standards and the SDGs.<sup>4</sup> Our methodology involved matching the 169 SDG targets to the 444 industry-specific disclosure topics included across our 77 industry-specific Standards. Our findings largely mirrored those of previous analyses by third parties<sup>5</sup>, demonstrating a high degree of interconnectivity between the SASB Standards and the SDGs: nearly all (98 percent) SASB industry-specific disclosure topics map to one or more SDG targets; while, 66 percent of SDG targets map to one or more SASB industry-specific disclosure topic. These results are relevant to the CVM's proposed approach to have companies provide information on "*which SDGs are relevant in the context of its business*": item 1.9f in the newly proposed "Reference Form."
- 6) SASB shares the CVM's goal that "*the new information requested be objective and applicable to issuers operating in various branches of economic activity (...) to ensure that there is a minimum and comparable set of data provided by all issuers.*" In our experience, when investors use the term "comparable" in relation to sustainability data, they often mean comparability within an industry because they are making a security selection decision by comparing the relative performance of companies engaged in similar economic activities. Quantitative metrics play an especially important role in providing investors and other providers of financial capital with consistent, comparable, reliable information on which to base their decisions and SASB's industry-specific approach to standards-development seeks to meet this need.
- 7) SASB believes disclosure to investors should be accurate and reliable. When disclosing information related to a disclosure topic identified in our Standards, SASB recommends companies consider including a narrative description to provide appropriate context to quantitative information. This description may include a discussion of the following: (a) the company's governance around the risks and opportunities related to the topic, including board oversight and leadership's role in assessing and managing such risks and opportunities; (b) the company's strategic approach regarding actual and potential impacts on the organization's businesses, strategy, and financial planning; and, (c) the company's process to identify, assess, and manage topic-related risks, and how these risks are integrated into their overall risk management process. This approach aligns with items 5.1 (risk management and internal controls) and 7.2c (general meeting and administration) in the newly proposed "Reference Form."
- 8) Finally, SASB supports the CVM's adoption of the "comply-or-explain" principle for ESG reporting (item 1.9g in the newly proposed "Reference Form"). SASB's *Standards Application Guidance* includes a section on "Omissions and Modifications" that aligns with this principle.<sup>6</sup> SASB recognizes that standardized disclosures to investors of sustainability information impacting the creation of enterprise value is a relatively new area of practice, and certain performance metrics may be

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<sup>4</sup> SASB, *Industry Guide to the SDGs*, available at [www.sasb.org/knowledge-hub/](http://www.sasb.org/knowledge-hub/) (accessed March 5, 2021).

<sup>5</sup> See "*Investing with the Sustainable Development Goals*" (TrueValue Labs), "*The Relationship Between Investor Materiality and the Sustainable Development Goals*" (Bettl, Consolandi and Eccles), and "*Management's ESG Integration Insights*" case study (Calvert Research).

<sup>6</sup> SASB, "SASB Standards Application Guidance," available at <https://www.sasb.org/wp-content/uploads/2018/11/SASB-Standards-Application-Guidance-2018-10.pdf> (accessed March 5, 2021).

infeasible to disclose in the near term for some organizations. In the implementation of its Standards, SASB encourages companies who omit one or more disclosure topics and/or performance metrics to disclose the omission(s), as well as the rationale for the omission(s).

Thank you again for the opportunity to participate in the consultation. If you have any additional questions or comments, please contact me at [janine.guillot@sasb.org](mailto:janine.guillot@sasb.org).

Sincerely,

A handwritten signature in black ink, reading "Janine Guillot". The signature is written in a cursive style with a large, looping initial "J".

Janine Guillot  
CEO, SASB Foundation