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Technical Director
The Financial Accounting Standards Board (FASB)
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Subject: (1) Proposed Amendments to Chapter 3 of Concept Statement Number 8, and (2) Proposed Accounting Standards Update to Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material.

Dear Technical Director:

I write on behalf of the Sustainability Accounting Standards Board (SASB), a 501c3 organization that issues sustainability accounting standards for the disclosure of material sustainability information in SEC filings. More than 2,800 individuals—affiliated with companies with $11T market capital and investors representing $23.4T assets under management—have participated in SASB's standards development process to date. SASB standards, which are grounded in evidence of investor interest and evidence of financial impact, are designed to help companies meet their disclosure obligations under U.S. securities law. SASB is an American National Standards Institute (ANSI) accredited standards developer.

Thank you for the opportunity to comment on two of the FASB's Exposure Drafts (each an ED): (1) ED Regarding Proposed Amendments to Chapter 3 of Concept Statement Number 8, and (2) ED Regarding Proposed Accounting Standards Update to Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material. We support the FASB's EDs in that they align with the case law and SEC Staff Accounting Bulletin Number 99 (SAB 99) approaches to materiality.

Proposed Amendments to Chapter 3 of Concept Statement Number 8

This amendment proposes to replace the current definition of materiality with the materiality standard found in Supreme Court case law. The current FASB definition of materiality in QC11 requires that information "could influence decisions." In TSC v. Northway (1976) and Basic v. Levinson (1988), the Supreme Court stated that information is material if there is a "substantial likelihood" that it "would" influence an investor's decision making. "Would influence" is a higher standard than the "could influence" standard in QC11 in Concepts Statement Number 8. Some observers contend that this change in the definition of materiality will cause entities to disclose less information.

We do not believe that this change in the definition of materiality will reduce the disclosure of material information to investors. Instead, the amendment would eliminate the inconsistency and uncertainty caused by two different definitions of materiality. (BC3.18B).

Proposed Accounting Standards Update to Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material

This proposal addresses the confusion over whether immaterial items must be disclosed. Many entities are reluctant to remove immaterial disclosures because the auditor is required to communicate disclosure omissions as errors to the audit committee. To address this reluctance, the proposal would recognize that "omitting an immaterial disclosure should not constitute an error." (BC20). This position should eliminate entities' practice of making immaterial disclosures, thus allowing entities to concentrate on reporting information that is likely to be useful to investors.

Additionally, by clarifying that the materiality of quantitative and qualitative information can be assessed (BC16), the proposed update promotes consistency with the SEC's guidance in SAB 99 for making materiality assessments.

SASB was established in order to promote the disclosure of material non-financial information to investors. Just as we think investors benefit from the disclosure of material sustainability-related information, we think that investors do not benefit when SEC issuers feel obligated to disclose immaterial information, particularly when this occurs because of a confusion in interpretation of a FASB standard. In other words, contrary to the suggestions of some commentators, we believe investors would benefit from this amendment.

In conclusion, SASB is in favor of the FASB's efforts to align its understanding of materiality with Supreme Court case law. Any decrease in confusion about materiality, how to apply it, and what information to report is welcome. This alignment should help entities focus on effectively disclosing material information to investors. Thank you for proposing these clarifications and updates, and for the opportunity to comment on this important work.

Sincerely,

Jean Rogers PhD PE
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Sustainability Accounting Standards Board