



July 6, 2016

Sustainability Accounting Standards Board
75 Broadway, Suite 202
San Francisco, CA 94111

comments@sasb.org

Delivered Electronically

RE: Request for Public Comment on the Sustainability Accounting Standards Board (SASB) Exposure Draft of the Conceptual Framework

Dear SASB,

This letter is submitted by the National Association of Real Estate Investment Trusts® (“NAREIT”) to provide comments, within the established Public Comment period, on SASB’s Exposure Draft of the Conceptual Framework.

NAREIT is the representative voice for real estate investment trusts (REITs) and publicly traded real estate companies with an interest in U.S. real estate and capital markets. NAREIT’s members are REITs and other real estate businesses throughout the world that own, operate and finance commercial and residential real estate. NAREIT’s members play an important role in providing diversification, dividends, liquidity and transparency to investors through their businesses that operate in all facets of the real estate economy.

REITs are generally deemed to operate as either Equity REITs or Mortgage REITs. Our members that operate as Equity REITs acquire, develop, lease and operate income-producing real estate. Our members that operate as Mortgage REITs finance housing and commercial real estate, by originating mortgages or by purchasing whole loans or mortgage-backed securities in the secondary market.

A useful way to look at the REIT industry is to consider an index of stock exchange listed companies like the FTSE NAREIT All REITs Index that covers both Equity REITs and Mortgage REITs. This Index was comprised of 222 companies representing an equity market capitalization of \$1.07 trillion at July 5, 2016. Of these companies, 180 were Equity REITs, representing roughly 95% of total U.S. stock exchange-listed REIT equity market capitalization (amounting to \$1.02 trillion). The remaining 42 companies were stock exchange-listed Mortgage REITs with a combined equity market capitalization of \$57.11 billion.

It is NAREIT’s continued position that principles-based disclosure based on the legal standard of materiality remains the best approach to environmental, sustainability and similar disclosures. The SEC’s existing framework, which mandates the disclosure of such material information, adequately accommodates this objective. Accordingly, NAREIT does not believe that the adoption of new prescriptive regulatory standards is necessary or appropriate. Voluntary sustainability metrics and frameworks developed outside the government sector, such as those being developed by SASB, the Global Real Estate Sustainability Benchmark (GRESB) and others, can facilitate disclosure, but should remain both voluntary and non-governmental.

Overview

On April 7, 2016, the Sustainability Accounting Standards Board (SASB) released an Exposure Draft of the Conceptual Framework. In the document, SASB proposed 4 question(s) for Respondents. NAREIT has reviewed the Exposure Draft of the Conceptual Framework and submits the following comments for your consideration.



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Specific SASB Questions

1. *Do you find this Conceptual Framework understandable? If not, which particular section(s) of this document do you find difficult to understand? Do you have suggestions on how to make those sections clearer?*

We believe that the Conceptual Framework is generally well presented and is easy to understand.

2. *Does the discussion in Section 1 of this Conceptual Framework appropriately and clearly answer each of the five fundamental questions? If not, why not? Are there any other fundamental questions you believe need to be discussed in this section?*

While Section 1 answers the five fundamental questions, we believe Section 1 “The Environment” should be rephrased from:

Environment. This dimension includes corporate impact on the environment, either through the use of nonrenewable, natural resources as input to the factors of production (e.g., water, minerals, ecosystems, and biodiversity) or through environmental externalities or other harmful releases in the environment, such as air and water pollution, waste disposal, and greenhouse gas (GHG) emissions.

To:

Environment. This dimension includes corporate impact on the environment, either through the use of nonrenewable natural resources as input to the factors of production or through other harmful releases into the environment, such as air, land and water that may negatively affect natural resources and result in negative impacts to the company.

The reasoning for the change is that it removes the specific examples of environmental impacts that results in a larger framework that we believe is more flexible for current and future use. In addition, “externalities” are likely to be too difficult to accurately define or quantify for many if not all users of the Conceptual Framework.

3. *Are the principles and criteria discussed in Section 4 of this Conceptual Framework sufficient to produce outcomes that meet SASB’s core objectives (i.e., disclosures that are material, decision- useful, and cost-effective)? If not, why not? Are there any other principles or criteria you believe SASB should consider when selecting topics and/or metrics?*

Section 4. Principals for Topics Selection contains a bullet “Of interest to investors”. Item (4), “stakeholder concerns and social impacts” contains language that, in our opinion is constructed too broadly.

The word stakeholder is used throughout the document but “Stakeholders” that are used to select topics are not clearly defined in this document. We believe that this has the potential to leave the Standards open to “stakeholder” input that may not be material or “of interest to investors.” While we recognize that “broader stakeholder groups (government, community, customers, and employees)” should be addressed in the Leadership and Governance dimension, we believe that limiting the introduction of topics to investors and industry professionals would be a preferred approach. We believe that this approach would keep the outcomes focused on issues that are material, decision useful and cost effective.

Other SASB documents, such as the Draft Rules of Procedure, attempt to clarify who the stakeholder is. One specific example is contained in the “How the Mission is Accomplished” section of the Draft Rules of Procedure which states “Generally the SASB will focus stakeholder consultations on corporate issuers, investors, analysts, and other market participants and intermediaries.” We believe that adding clarifying language to this document will improve the Conceptual Framework.



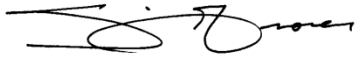
Conclusion

In conclusion, the SASB Conceptual Framework is the guiding document that outlines the future standard setting activities. We believe that the comments contained in this response will help to clarify a few key concepts. These changes should help to improve the Conceptual Framework.

Respectfully,



Steven A. Wechsler
President and CEO



Sheldon M. Groner
Executive Vice President, Finance & Operations

