



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 Rules of Procedure

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 Rules of Procedure.

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 Rules of Procedure. In the document, SASB proposed 3 question(s) for Respondents. NAREIT has conducted a review of the “SASB Rules of Procedure Comments”. This review was conducted to address the specific questions asked of the review. We also



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reviewed the document for other issues or concepts that may have been contained in the document and submit the following comments for your consideration.

### **Specific SASB Questions**

1. *Does the process described reflect an approach to standard-setting that is transparent, market-informed, and balanced?*

We believe that the Rules of Procedure describe a process that is open and transparent. For example, the Standards Council meetings are open to the public by webcast and recordings that will be available to the public. They have also indicated that they will provide 10 days' public notice before the quarterly meetings, allowing time to schedule attendance to understand what is being discussed by the Council.

2. *Will the process described ensure outcomes that facilitate material, decision-useful, and cost effective disclosures?*

The SASB Draft Rules of Procedure also provide that: "The council will actively solicit and consider Market input on the material, decision usefulness and cost – effectiveness of the standards." We believe that this statement makes a clear statement that the standards are intended to facilitate industry and investor input that should lead to discussions and standard setting that are conducive to arriving at outcomes that will incorporate these fundamental principles.

However, the current draft includes "Non-Governmental Organizations" and "Others" in the process. While we understand it may be necessary to include these groups in some portions of the process to achieve a high level of transparency, some of these groups have the potential to include stakeholders that are not focused on materiality for investors. We recommend that SASB define these groups to include "relevant" parties and "non-governmental organizations" such as industry groups; which would reduce the risk of introducing "activist" subjects into the process for consideration.

3. *Is the governance structure clear and appropriate? Is it likely to ensure quality outcomes?*

The graphics of the structure clearly show the checks and balances that are intended to exist in the organization, however quality outcomes will be based on the people who are involved in the process. We believe that narrowing the definitions of who can participate on The Standards Council to include non-governmental organizational groups consisting of industry groups would help to insure quality outcomes in the process.

We believe that the best approach to this could be to use the following as a replacement for the section explaining the composition of the Council on page 9.

The composition of the Council will reflect equal representation of the SASB's three main stakeholder groups. It will be comprised of:

- Three corporate issuer members;
- Three investor and financial analyst members; and
- Three members from a stakeholder category comprised of accountants, lawyers, public servants, non-governmental organizations, and others, *of which at least two shall be representatives of industry organizations.*

Members of the Council will be selected for their technical expertise, availability, and objectivity.



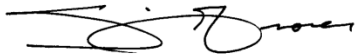
## Conclusion

We recommend that SASB make minor clarifications to further define The Standards Council to include a narrower group of participants and reduce the potential to include “other” interests in the process. We believe that this would help to insure that the Provisional SASB Standards, the Code, and Updates approved by The Standards Council would produce material, decision-useful, and cost effective disclosures.

Respectfully,



Steven A. Wechsler  
President and CEO



Sheldon M. Groner  
Executive Vice President, Finance & Operations

