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Sustainability Accounting Standards Board (SASB) Implementation Primer

This document is a summary of SASB's framework.

March | 2020

Key Considerations For Implementing SASB

Establish a foundation

Fundamentally integrating sustainability into existing processes and practices related to governance, strategic planning, risk management and performance management.

Assess your readiness

Many companies that already collect sustainability information but have a shorter-than-expected path to robust external reporting. Comparing data with SASB standards could help in determining the path toward readiness.

Choose the right tools

Identify key audiences and understand their sustainability information needs. SASB standards are complementary to and may be used in conjunction with other frameworks.

Develop your disclosures

Information is most effective when it is presented in a way that supports meaningful analysis and decision making.

Decide where to disclose

Companies opt to disclose SASB data through a variety of channels, including annual reports to shareholders, integrated reports, sustainability reports, stand-alone reports, and investor relations websites.

Enable continuous improvement

As an emerging practice, effective sustainability disclosure is likely to be the product of an ongoing, iterative process. Establish a formal feedback loop that inform company's efforts to continuously improve sustainability disclosure.

Understand SASB standards

Each company is unique must make its own determinations about the sustainability aspects it faces. Understanding SASB standards can help your company identify, manage monitor and report on key sustainability challenges.

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Sources: https://www.sasb.org/implementation-primer/

1. Establish a Foundation

Developing a culture that links sustainability to business performance are an important early steps in effectively integrating sustainability factors

1.1 | Progress over perfection

Each company's reporting journey will be unique. Companies can find significant value in simply getting started, "learning by doing," and not letting the perfect be the enemy of the good.

Gap Inc.

Gap Inc. took this approach in its 2017 Global Sustainability Report. The company noted, for instance, that its chemicals management program had made significant strides, but hadn't yet reached its full potential. That didn't stop the company from reporting on the issue, because transparency would provide an important baseline for demonstrating the future progress Gap Inc. intends to make.

"In the past, we would have probably waited a few years until we had a perfect program" – Victor Wong, Global Sustainability Director

nrg

Learning by doing can also enable companies to improve their reporting practices over time. NRG Energy refined its strategy for collecting air quality data over time to move away from inefficient, manual data gathering.

Recognizing that implementation of sustainability disclosures (and related performance improvements) is iterative, NRG worked through its initial reporting hurdles, in part by engaging with SASB's research analysts and by joining the SASB Alliance, which allowed it to leverage existing knowledge and resources.

As demonstrated by these examples, the best way for a company to scale the learning curve and make progress toward meeting its communications objectives is to get started

Sources: https://www.sasb.org/implementation-primer/

1. Establish a Foundation

Implementation of SASB may be more likely to succeed when a company views use of the standards as being well-aligned with its strategic objectives

1.2 | Setting the tone at the top

Company leadership can facilitate by signaling its support for embedding the consideration of financially material sustainability factors into the company's strategy, business model, and corporate culture. In a world of limited resources, clear and consistent leadership support enables the effective execution. The following questions and considerations may help in assessing and establishing buy-in among the board of directors and executive leadership.

Questions for Boards of Directors

- Is the company's approach to sustainability well-aligned with its business strategy?
- Have the board and management identified the sustainability issues that are most relevant to the company's long-term financial performance?
- Is the risk committee satisfied that the company's approach to risk management incorporates business-relevant sustainability matters?
- Is the nominating committee satisfied that the board's competencies include sufficient fluency in the sustainability issues most likely to impact the company's financial condition or operating performance?
- Has the company engaged with its investors to better understand their sustainability-related areas of concern and information needs?
- Does the board or its key committees regularly review KPIs tracking the company's performance on financially material sustainability issues? Are these KPI's integrated into executive compensation plans?
- Has the audit committee reviewed the effectiveness of the company's internal control over sustainability information gathering and reporting to ensure it is comfortable with the quality and reliability of the data?

Questions for Executive Leadership Team

- Is the company's approach to sustainability well-aligned with its business strategy?
- Have the board and management identified the sustainability issues that are most relevant to the company's long-term financial performance?
- Is the risk committee satisfied that the company's approach to risk management incorporates business-relevant sustainability matters?
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- Has the company engaged with its investors to better understand their sustainability-related areas of concern and information needs?
- Does the board or its key committees regularly review KPIs tracking the company's performance on financially material sustainability issues? Are these KPI's integrated into executive compensation plans?
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1. Establish a Foundation

Implementation of SASB may be more likely to succeed when a company views use of the standards as being well-aligned with its strategic objectives

1.2.1 | Setting the tone at the top – Getting “Buy-in”

At many companies, a key early step to implementing SASB standards is ensuring all internal stakeholders are on board and share a common understanding of the organization’s communications objectives. To establish this foundation, reporting professionals often must engage with different functions throughout the company to build knowledge, make the business case, and gain support. This effort may involve getting buy-in from leadership as well as from subject matter experts throughout the organization.

Leadership buy-in is table stakes
Laurel Peacock, Sustainability Director at NRG Energy

When company leaders signal that investor-focused sustainability disclosure is a priority, their commitment cascades down throughout the organization.

Knowing there is buy-in from the top creates a sense of security in moving forward
Sophia Mendelsohn, Director of Sustainability and ESG at JetBlue

It is easier to drive change in reporting requirements company-wide with board support
Kristin Peterson, Director of Corporate Compliance at Kinder Morgan

Board support made it easier to collect consistent, comparable, reliable data from across her company.

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Making an effort to overcome language barriers can also help
Laurel Peacock, Sustainability Director at NRG Energy

It's important to make the business proposition clear. To do so, it is important to learn how to speak the language of whatever unit the leader is talking to, whether it is an operations or environmental team or B2B or B2C groups.

Provide stakeholders with important context around new requests for sustainability information
Laurel Peacock, Sustainability Director at NRG Energy

Bringing tangible examples of how the information is being used by investors or data aggregators is a much easier way to get buy-in. Without a sense of the bigger picture, it's easy for these things to get lost in the trenches.

Start building relationships with the right people internally sooner rather than later
Daniel Egan, Senior Vice President of Energy & Sustainability at Vornado Realty Trust

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Most of all, **getting buy-in is a function of effective cross-functional relationships.**

Identifying subject matter experts and leadership-level advocates for each SASB topic and building strong working relationships with those key parties can not only enhance organizational buy-in but also ensure the implementation process goes as smoothly as possible.

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1. Establish a Foundation

SASB standards effective implementation is likely to call for the involvement of a range of company functions

1.3 | Building Capacity Across Functions

Before developing its disclosures, a company should identify the functional expertise needed, and ensure it has management buy-in to make these resources available. In such a context, SASB standards can help companies transcend departmental silos, facilitating collaborative, integrated management of the sustainability factors most likely to affect a company's long-term value.

Critical early steps are to identify the person responsible for leading the SASB implementation effort, and to assemble and educate a cross-functional team made up of individuals that possess the knowledge and skills necessary to facilitate high-quality disclosure. Depending on a company's operating and reporting context, the needed knowledge will vary. As such, companies may wish to map the knowledge bases and skill sets needed to departments and/or specific roles within the organization. When assembling the team, companies may wish to consider the following departments.

- Finance and accounting
- Sustainability
- Strategy
- Information technology
- General counsel
- Operations
- Compliance
- Risk management
- Internal audit
- Human resources
- Corporate secretary
- Internal control
- Supply chain
- Investor relations
- Sales/marketing
- Manufacturing
- Environmental, health, and safety (EH&S)

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A cross-functional team provides diverse perspectives in assessing sustainability factors for their financial impacts, their ability to be effectively measured, managed, and reported, and how best to embed them in the DNA of the organization.

Although we recommend that a company establish an “owner” for each SASB topic, the cross-functional team can provide invaluable assistance in implementing the necessary processes, systems, and controls, and monitoring their effectiveness.

Sources: https://www.sasb.org/implementation-primer/

1. Establish a Foundation

1.4 | Summary

Setting the tone at the top	Progress vs. perfection	Build capacity across functions	Leverage on cross-functional
Secure buy-in from board and executive leadership	Companies can find significant value in simply getting started	Identify the person who will lead the implementation effort and also the skills and knowledge needed for that	Form a cross-functional team, or leverage on existing ones

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Sources: https://www.sasb.org/implementation-primer/

1. Establish a Foundation

| SASB Resources:

Educating Key Internal Stakeholders

SASB has developed a variety of general and audience-specific resources that may prove useful in “socializing” key concepts and tools within a company.

“How Can SASB Standards Help Boards of Directors?” offers an overview of SASB standards for a company’s governing body.

“How Can SASB Standards Help Investor Relations?” provides high-level tips for facilitating effective ESG communication with shareholders.

Corporate professionals engaged in their company’s shareholder engagement program can use the *SASB Engagement Guide* to ensure they’re prepared to accurately and meaningfully respond to potential inquiries.

Members of finance, accounting, internal audit, information technology, and other functions may have questions about data quality and reliability that are address by *Leveraging the COSO Internal Control – Integrated Framework to Improve Confidence in Sustainability Data.*

The *TCFD Implementation Guide* provides practical “how-to” guidance for companies to use SASB standards and the CDSB Framework to take the TCFD recommendations from principles to practice.

The *TCFD Good Practice Handbook* includes real-world examples of TCFD-aligned disclosure and key takeaways to help reporting companies communicate more effectively with investors on climate risk.

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

Effective decision-making requires useful information

In recent decades, a variety of approaches have emerged for companies to use in measuring and reporting sustainability information. Historically, much of this information has been gathered and reported for a broad base of potential users, which may in some cases limit its applicability to more specific users, such as investors who need comparable, consistent, and reliable data across a broad universe of companies.

As companies look to develop investor-focused sustainability reporting, they can benefit from taking the following steps:

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

A range of frameworks and standards exist for measuring, managing, and reporting sustainability information

2.1.1 | Understand your options

Each of the following approaches* serves a different purpose, covering different topics, leveraging different channels of disclosure, and supplying information tailored to different audiences. Although the table below provides a general description of each approach and its objectives, these frameworks and standards are used—both alone and in conjunction—in a variety of ways by reporting companies.

CDP DISCLOSURE INSIGHT ACTION | CDSB Climate Disclosure Standards Board | GRI | <IR> | TCFD

*For more information on these and other approaches visit https://corporatereportingdialogue.com/ website.

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2. Choose The Rigth Tools For The Job

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2.1.1 | Understand your options

CDP (formerly Carbon Disclosure Project)

- CDP wants to see a thriving economy that works for people and planet in the long term. To achieve this, it focuses investors, policymakers, companies, cities, states and regions on taking urgent action to build a truly sustainable economy.

- It runs a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental risks, opportunities, and impacts. More than 7,000 companies respond to CDP's climate change, water security, and forests questionnaires annually at the request of more than 525 investors with US$96 trillion in assets and 125 large purchasing organizations. They provide data users with critical financial and non-financial information to integrate sustainability into their investment and decision-making processes.

- CDP's questionnaires gather both qualitative and quantitative information from across governance, strategy, risk, impact, and performance. To aid comparability and ensure comprehensiveness, CDP includes sector-specific questions and data points; for example, the climate change questionnaire incorporates sector-specific questions for high-impact sectors, such as agricultural commodities, oil and gas, cement, and transport services. In 2018, CDP aligned its climate change questionnaire with the TCFD.

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Climate Disclosure Standards Board

- CDSB's mission is to create the enabling conditions for material climate change and environmental information to be integrated into mainstream reports. This facilitates the assessment of the relationship between specific environmental matters and the organization's strategy and financial performance for the benefit of investors.
- CDSB does this by offering companies the CDSB Framework for reporting natural capital and environmental information with the same rigor as financial information. The CDSB Framework helps companies to provide investors with decision-useful environmental information via mainstream corporate reports, enhancing the efficient allocation of financial capital in support of sustainable and climate-resilient economies. Regulators also benefit from the compliance-ready materials that CDSB produces.
- The CDSB Framework is composed of seven guiding principles and 12 reporting requirements. These set out the how and the what, respectively, for reporting relevant and material environmental and climate-related information in mainstream annual reports.

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Global Reporting Initiative

- GRI, an independent, international organization, helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues, such as climate change, human rights, governance and social wellbeing.
- Their standards are structured as a set of interrelated, modular standards. Three universal GRI Standards apply to every organization preparing a sustainability report. An organization further selects from the set of topic-specific standards for reporting on its material topics. These standards are organized into three series—economic, environmental and social.
- GRI Standards are the most widely adopted global standards for sustainability reporting. According to GRI Standards, sustainability reporting is an organization's practice of reporting publicly on its contributions—positive or negative—toward sustainable development. They are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater organizational transparency and accountability.
- The GRI Standards contain several topic-specific standards to report climate change where they identify it as a material topic, i.e. GRI 305: Emissions 2016; GRI 302: Energy 2016; GRI 303: Water and Effluents 2018; and GRI 201: Economic Performance 2016, Disclosure 201-2 (related to financial implications and other risks and opportunities due to climate change).

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Integrated Reporting

- The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Its mission is to establish integrated thinking and reporting within mainstream business practice as the norm in the public and private sectors. Its vision is to align capital allocation and corporate behavior to wider goals of financial stability and sustainable development through the cycle of integrated thinking and reporting.

- An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. The International <IR> Framework sets out seven guiding principles and eight content elements to govern the overall content of an integrated report, as well as providing organizations with additional general guidance relating to fundamental concepts of integrated reporting.

- The IIRC recognizes the increasing importance of climate change to the ability of all organizations to create value over time and, therefore, the need to address climate-related risks and opportunities in an integrated report.

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TCFD

Task Force on Climate-related Financial Disclosures

- Established by the Financial Stability Board, the TCFD has developed recommendations for voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

- The Task Force developed four widely adoptable recommendations on climate-related financial disclosures applicable to organizations across sectors and jurisdictions. In developing its recommendations, the Task Force considered the challenges for preparers of disclosures as well as the benefits of such disclosures to investors, lenders, and insurance underwriters. To achieve this balance, they engaged in significant outreach and consultation with users and preparers of disclosures and drew upon existing climate-related disclosure regimes.

- The Task Force structured its recommendations around four thematic areas that represent core elements of how organizations operate—governance, strategy, risk management, and metrics and targets. The four overarching recommendations are supported by key climate-related financial disclosures—referred to as recommended disclosures—that build out the framework with information that will help investors and others understand how reporting organizations think about and assess climate-related risks and opportunities. In addition, there is guidance to support all organizations in developing climate-related financial disclosures as well as supplemental guidance for specific sectors.

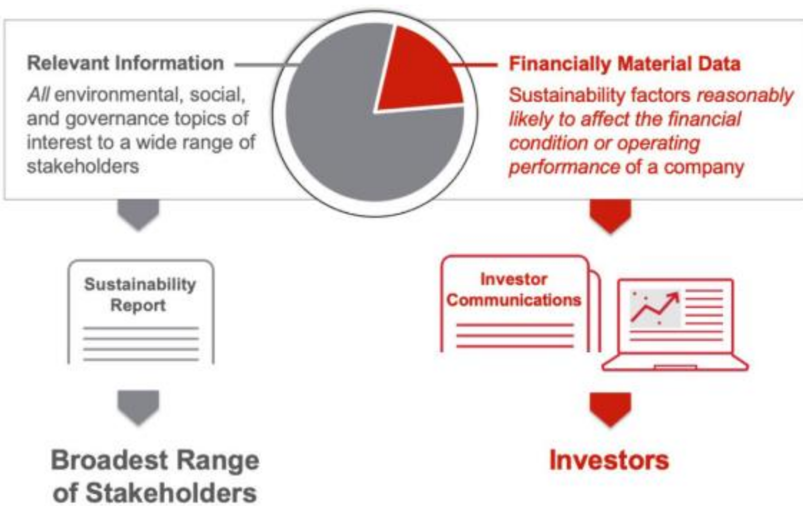
Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

SASB connects businesses and investors on the financial impacts of sustainability

2.1.2 | Understand your options - SASB

SASB does this by developing and maintaining robust disclosure standards that enable companies around the world to identify, manage, and communicate financially material sustainability information to investors. SASB standards are evidence-based, developed with broad market participation, and are designed to be cost-effective for companies and decision-useful for investors. The standards can be used to enhance all core communications with investors, including annual reports to shareholders, financial filings, sustainability reports, investor relations websites, and more.



By understanding its options, a company can more effectively target sustainability information to specific audiences for specific purposes.

In the context of the broader sustainability reporting landscape, SASB standards provide a unique complement to other commonly used frameworks. For example, the standards can be used alongside reporting intended for a broader range of stakeholders, such as employees, local communities, customers, suppliers, and others. Meanwhile, SASB standards serve as a practical tool for implementing other, principles-based frameworks focused on providing financially material information to the investor community.

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

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2.1.2 | Understand your options - SASB

As you review the sustainability disclosure frameworks available to you, a handful of key characteristics may help enhance understanding:

Does the disclosure framework cover a single theme or a broader range of environmental, social, and governance issues?

Does the disclosure framework provide principles-based guidance or specific performance metrics?

Is there a specific target audience for the disclosure framework or a broad range?

Does the disclosure framework take the same approach to companies across every industry or emphasize comparability among peers within an industry

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

Corporate disclosure, like any form of communication, is most effective when it is tailored to its audience.

2.2 | Develop Disclosure Objectives

A company can more readily select the appropriate disclosure frameworks by identifying who it intends to receive the information. Ideally, companies should identify and prioritize their target audiences and set communications objectives for each one. Audiences may include shareholders as well as a range of other stakeholders, including creditors, ratings agencies, customers, employees, communities, civil society and governmental organizations. Communications objectives may vary for these audiences. For example, they may include one or more of the following:

- **For shareholders and other providers of capital:** Disclosing information about performance on the sustainability topics most relevant to a company's long-term financial performance.
- **For communities, customers, employees, suppliers, civil society, governments, and investors:** Reporting information about the organization's impacts on society and the environment.
- **For investors, lenders, ratings agencies, and insurance underwriters:** Reporting how the company oversees and manages the climate-related risks and opportunities it faces.

Over time, as a company develops greater proficiency in disclosing sustainability information, it may wish to consider setting more specific communications objectives (e.g., consistent, comparable, reliable disclosure in accordance with SASB standards). More precise objectives can help a company more readily identify risks to achieving those objectives and establish more effective controls to mitigate the risks.

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

Corporations across a variety of industries employ user-centered design to optimize products around how customers want or need to use their products

2.3 | Understand Audience Need and Expectations

Even high-quality data can have limited utility if it doesn't meet the needs and expectations of its intended users. For this reason, a company should take steps to clearly identify: (i) the needs of its key audiences, the type of information they're looking for, and how they plan to use it and (ii) the expectations of these audiences, which are largely shaped by peer disclosure practices.

Audience Needs

Different investors may have unique information needs. For example, investors' interests often vary by region, sector, and investment strategy. A company is therefore likely to benefit from considering a diversity of perspectives and specific use cases from among its key shareholders. By engaging with these investors to better understand their sustainability-related priorities, a company can more readily determine how to incorporate relevant information into its investor communications.

- **Does the investor prefer a specific framework or combination of frameworks?**
- **Which sustainability topics are most important to the investor? Why?**
- **What associated performance metrics are most relevant to and useful for the investor's decision making?**
- **How frequently is the information needed or desired?**
- **In which reporting channel(s) would the information be most useful?**
- **Does the investor rely on a third-party ESG ratings agency, and if so, which one?**

Many investors have published policy statements, proxy voting guidelines, or other ESG disclosure guidance for their portfolio companies. Such documents are a useful resource for identifying the preferences of your key shareholders.

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

Often, the best way to understand the needs and expectations of a specific audience is also the simplest: Ask them

2.3.1 | SASB in Action: Understanding Shareholder Needs

The Travelers Companies

"a foundational part of our process was meeting with our large institutional investors, representing half of our shares outstanding, to solicit their views, preferences, and guidance with respect to ESG disclosure." - Yafit Cohn, Chief Sustainability Officer

Travelers proceeded to use the learnings from its investor engagements in deciding on its approach to reporting, the frameworks and standards with which it has aligned its disclosures and the specific topics it covers on its sustainability site.

NRG Energy

"We had an investor road show where our CSO went along with the CEO, CFO, Head of IR, and others to talk with shareholders about ESG, and we had those face-to-face conversations to learn, 'Are we providing the information you need?' 'What other information can we get you?'" -Laurel Peacock, Sustainability Director at NRG Energy

Based in part on feedback from investors and other stakeholders, NRG has developed an approach to sustainability disclosure that illustrates the complementary nature of the disclosure frameworks it uses.

Vornado Realty Trust

"Our decision to disclose through SASB came out of stakeholder engagement with our largest institutional investors. I've been fortunate to have exposure to the stakeholders we think are most valuable—investors, tenants, employees, and local governments—to understand their needs" - Daniel Egan, Senior Vice President of Energy & Sustainability

They did a series of one-off ESG engagement calls with largest investors and nearly 100 percent had either heard of SASB, worked for a member organization, or were just very supportive of organizing disclosures according to the SASB framework.

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

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2.3.1 | SASB in Action: Understanding Shareholder Needs

However, it's important to remember that not every investor has the same information needs, so what works for one might not satisfy another. Thus, for many companies, using a combination of disclosure frameworks may be the most effective way to meet the information needs of a key audience or audiences.

SASB Resources: Engaging with Investors

SASB publications can be valuable resources for companies seeking to prepare for engagements with investors and to gain insights into how investors are using sustainability information. The SASB Engagement Guide includes industry-specific questions companies may hear from investors. SASB's ESG Integration Insights case studies feature investors, in their own words, explaining how their use of SASB standards helps them integrate ESG considerations into investment decisions.

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2. Choose The Rigth Tools For The Job

Expectations placed on a given company's reporting are often a function of the information its peers typically disclose

2.3.2 | Audience Expectations

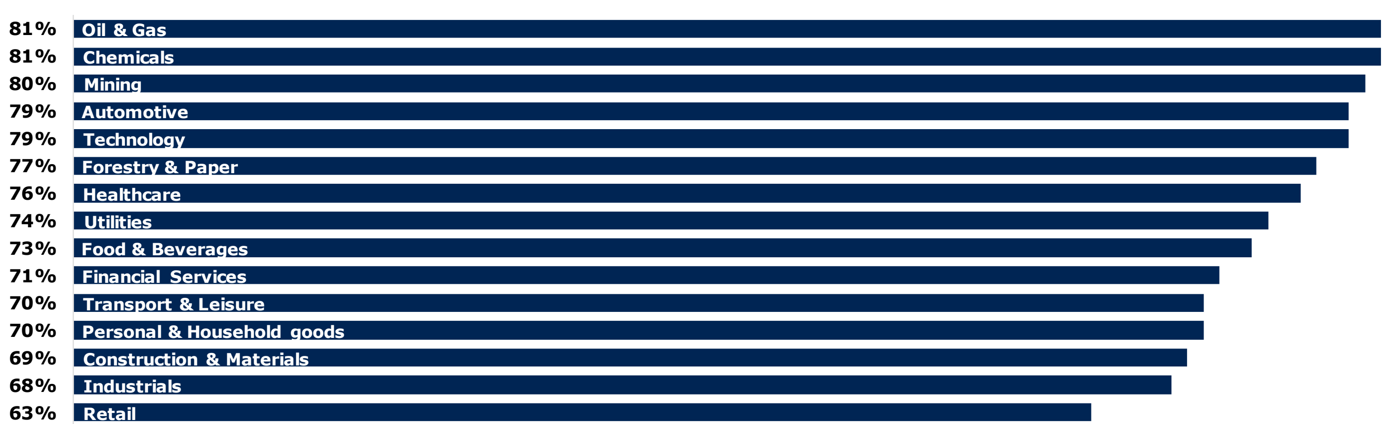
Before choosing a disclosure framework, a company may wish to review the sustainability disclosure practices of key competitors. For companies looking to communicate more effectively with investors, the following questions may be helpful.

Questions to Consider

- Through what channels do peer companies report investor-focused sustainability information?
- What reporting framework(s) do they use?
- Which sustainability issues or specific performance metrics are most frequently included in peer reporting to investors?
- What time periods are presented?
- Is information reported at the aggregate level for the company, or by region or business segment?
- Do peers provide activity data that enables normalization of metrics?

When peer companies make robust disclosures regarding key sustainability issues, investors may be primed to expect that all firms impacted by a given issue will address the issue similarly. By benchmarking a company's own disclosures against those of industry peers, the organization can better understand where it stands in relation to routine, emerging, and/or best practices.

Prevalence of ESG reporting varies by sector



Source: KPMG

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2.4 | Select the Right Frameworks

Having considered the needs of various audiences, a company will be better positioned to select an appropriate reporting framework (or frameworks) for communication with each of them. A reporting company may wish to ask itself the following questions.

Questions to Consider

- Have key audiences indicated an interest in specific sustainability issues (e.g., climate change) or in a broader range of environmental, social, and governance factors?
- Are they interested in how social and environmental issues bear on the company's financial performance?
- Do users want to understand the company's impact on broader societal goals, such as the UN Sustainable Development Goals?
- Have they expressed a desire for an in-depth, qualitative discussion of key issues; quantitative performance metrics that are easy to compare across companies; or some combination of the two?
- What is their preferred delivery channel (e.g., annual reports, integrated reports, regulatory filings, sustainability reports, website, etc.)?
- What standards or frameworks are peer companies using to report sustainability information to the target audience? Through which reporting channels are they doing so?

Depending on the answers to these questions, a company may conclude that multiple frameworks are relevant to its reporting needs. SASB standards may be used alone or in conjunction with other reporting frameworks. The most common use cases for combining SASB standards with other frameworks include the following:

- **SASB/GRI:** Those standards are often used in conjunction, with the former focused on communicating financially material information to investors and the latter focused on stakeholder impacts.
- **SASB/Integrated Reporting:** SASB standards can provide industry-specific topics and metrics related to the "non-financial" capitals in the Integrated Reporting framework.
- **SASB/TCFD:** SASB standards can serve as a practical tool for implementing the principles-based TCFD recommendations by providing industry specific-metrics related to climate risks and opportunities.

2. Choose The Rigth Tools For The Job

Reporting companies recognize that different frameworks and standards serve different purposes

2.4.1 | SASB in Action: Using multiple frameworks

Although the sustainability reporting landscape is sometimes described as an "alphabet soup" of initiatives, reporting companies recognize that different frameworks and standards serve different purposes. Considering the use of multiple approaches isn't about trying to check every box, it's about weighing the unique value-add of each one.

If a new framework like TCFD is legitimately additive, why wouldn't we do it?
Alex Hausman, Sustainable Reporting and Disclosure Director at Nike

Nike aligns its reporting with SASB, GRI, the SDGs, and the UN Global Compact. When the company added SASB to the mix they believed that it would provide a more familiar framework making the information that investors were looking easier to find.

For the most part, [the various frameworks] are completely complementary, not conflicting.
Laurel Peacock, Sustainability Director at NRG Energy

NRG Energy's sustainability reporting is guided by SASB, the Global Reporting Initiative (GRI), CDP, the Sustainable Development Goals (SDGs), and TCFD—with each one adding to the total mix.

The frameworks have close alignment on a lot of key performance indicators.
Daniel Egan, Senior Vice President of Energy & Sustainability at Vornado Realty Trust

Vornado Realty Trust combines SASB added to the reporting it produces in accordance with GRI and to the member-based Global Real Estate Sustainability Benchmark.

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

Companies may wish to consider the concept of "double materiality"

2.4.2 | Perspectives on Risk: "Double Materiality"

In evaluating the range of information that may support decision making among different stakeholder groups, companies may wish to consider the concept of "double materiality" introduced in the European Commission's 2017 Guidelines on non-financial reporting and discussed further in its Guidelines on reporting climate-related information. This approach comprises two perspectives that may influence a company's reporting objectives and thus its disclosures:

- **Financial Materiality:** Concerns the company's development, performance, and position, in the broad sense of affecting the value of the company. This perspective is typically of most interest to investors and other financially concerned parties, such as debtors, lenders, and underwriters.

- **Environmental and Social Materiality:** Concerns the environmental and social impact of the company's activities, and typically is of most interest to citizens, consumers, employees, business partners, communities, and civil society organizations.

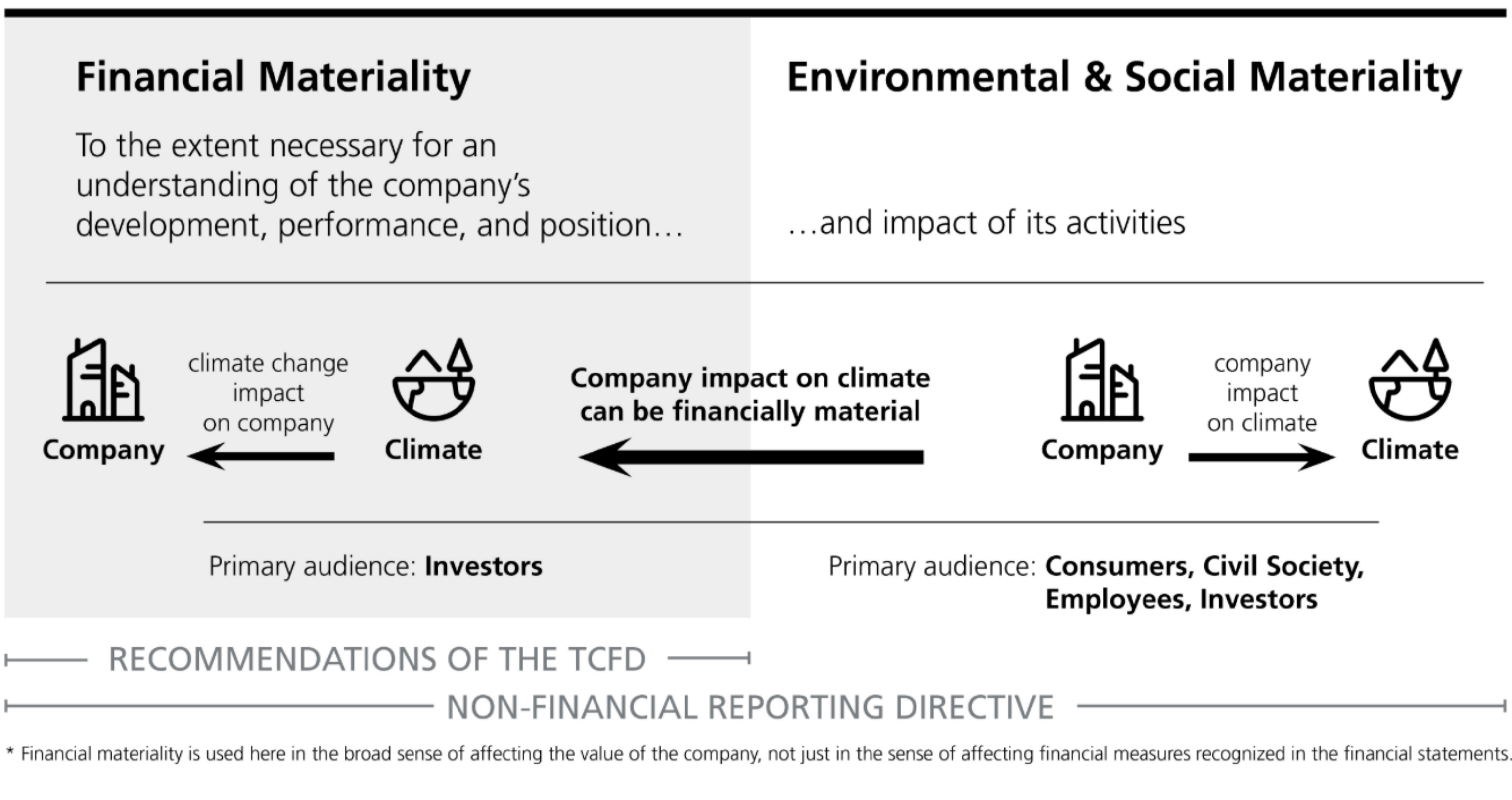
Importantly, these two perspectives are not mutually exclusive. For example, a given sustainability issue can materially impact a company's financial performance and the environment at the same time—consider, for instance, how a beverage manufacturer manages its water consumption. In addition, issues can rapidly evolve, and issues that are material from a societal perspective may become financially material over time. Many companies choose to disclose using these two perspectives, leveraging SASB standards to guide disclosure of financially material sustainability information and GRI Standards to guide disclosure of issues that are material to society and stakeholders.

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

Companies may wish to consider the concept of “double materiality”

2.4.2 | Perspectives on Risk: “Double Materiality”

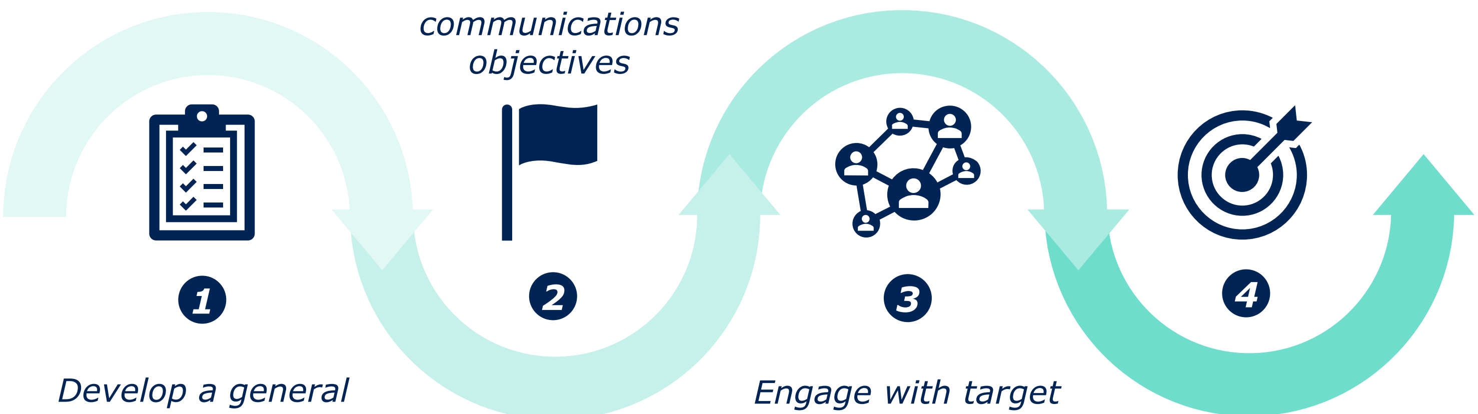


Source: European Commission on Reporting Climate-Related Information

Sources: https://www.sasb.org/implementation-primer/

2. Choose The Rigth Tools For The Job

2.5 | Summary

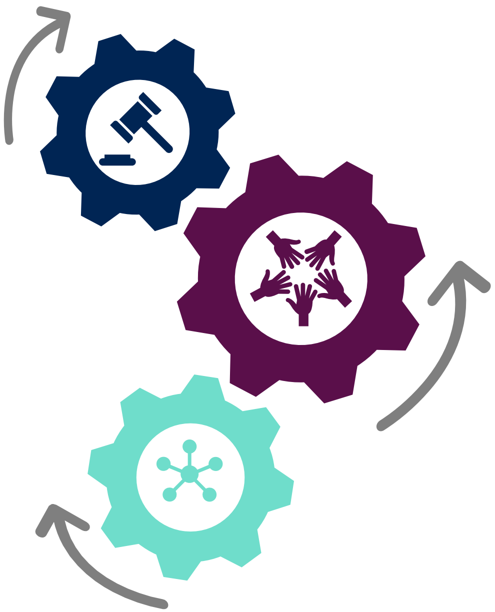


1. *Develop a general understanding*
2. *Identify and prioritize target audiences and communications objectives*
3. *Engage with target audiences and review peer disclosure*
4. *Select a framework or a combination of them*

Sources: https://www.sasb.org/implementation-primer/

3. Decide Where to Disclose

The best choice will depend on the company's own circumstances and the laws and regulations that govern the company's disclosures



Company disclosure of sustainability information to investors is often voluntary, leaving companies with considerable leeway in determining the best location for this information.

Even jurisdictions that mandate disclosure may allow flexibility in disclosure location, format, or content. A company may elect to use SASB standards in one or more of a range of different disclosure channels, each of which is likely to be associated with its own set of pros and cons.

Sources: https://www.sasb.org/implementation-primer/

3. Decide Where to Disclose

In a growing number of jurisdictions, public reporting of certain sustainability information may be compulsory

3.1 | Required Disclosure

All but five G20 countries have mandatory corporate reporting schemes in place for climate-related risks and opportunities. In many places, such requirements extend well beyond the impacts of climate change.

Directive 2014/95/EU ("the NFR Directive")

As another example, the European Union requires that large companies publish reports on the policies they implement in relation to environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards.

Interpretive Guidance on Disclosure Requirements

In the United States, the Securities and Exchange Commission's interpretive guidance on disclosure requirements related to cybersecurity illustrates that the underlying logic it applies to financially material cybersecurity and climate-related risks—i.e., that disclosure may be required under existing regulation—may also be extended to other financially material sustainability factors.

A company's first steps should be to identify any mandatory requirements that govern its corporate reporting on sustainability issues, and to assess how prescriptive the requirements are. Some jurisdictions have requirements to report on specific topics, along with more general guidance to report on the sustainability issues that are financially material to the company and/or material to a broad set of stakeholders. SASB standards are a useful tool to assist in meeting legal requirements in most jurisdictions, although supplemental disclosures may be required to meet specific regional requirements. For example, the European Commission recognizes SASB standards as a suitable framework for complying with NFR Directive disclosure obligations. Because SASB standards are focused on industry-specific—not region-specific—sustainability factors, companies around the world have found them a useful tool to help identify financially material sustainability issues for disclosure to investors.

Sources: https://www.sasb.org/implementation-primer/

3. Decide Where to Disclose

It is up to a company to determine the means by which it reports SASB information to investors.

3.2 | Voluntary Reporting

Core communications to investors vary by company, but they may include annual reports to shareholders, regulatory filings, integrated reports, sustainability reports, earnings presentations, and/or investor relations websites, among others. The important thing is to consider your options, assess the pros and cons of each channel, and make a choice that is informed by a variety of sources, including the input received from shareholders as well as the guidance of your financial reporting, legal, and compliance teams. You may also wish to consult with your auditors.

Regardless of where the information is disclosed, SASB believes the governance processes (including management participation and board oversight) and internal procedures intended to ensure the accuracy of financially material sustainability information should be substantially similar to those used for traditional financial reporting.

Consider Your Options

- Mainstream financial report, such as an annual report to shareholders or regulatory filing
- Integrated report
- Sustainability or CSR report
- Sustainability website
- Investor relations website
- Proxy statement
- Earnings presentations
- Investor day presentations
- Surveys/questionnaires

You may also want to review the disclosure channel choices of existing SASB reporters, particularly those of industry peers, which are available on the SASB website.

Sources: https://www.sasb.org/implementation-primer/

3. Decide Where to Disclose

It is up to a company to determine the means by which it reports SASB information to investors.

3.2.1 | Assess Pros and Cons

Each disclosure channel has its own unique strengths and weaknesses in terms of providing an effective channel for reporting on the disclosure topics and metrics in SASB standards. Broadly speaking, a comparison of available channels is likely to include the following considerations.

- As the primary go-to resource for investors, mainstream financial reports are a convenient location for disclosing the topics and metrics suggested by SASB standards. However, such reports typically involve stringent requirements for completeness, accuracy, and timing, which may present challenges for companies with less mature sustainability disclosure processes.
- Incorporating SASB information throughout a sustainability report collects all of the company's sustainability information in a single publication, but may lack direct linkages to contextual financial information for investors or may overwhelm investors with information intended for other audiences.
- Adding a SASB reference table to a sustainability report has the benefit of collecting all the company's sustainability information in a single publication, while making it easy for investors to find the SASB-specific information. However, it can result in the SASB information lacking context.
- Producing a stand-alone SASB report provides an easy way for investors to find the SASB information and enables companies to provide significant context for the information. However, the information is reported separately from financial information, requiring investors to access multiple reports.
- Including the SASB information in an integrated report provides a single location for both financial and sustainability information and enables companies to link the SASB information explicitly to long-term value creation.
- Web-based reporting may provide opportunities for more timely, direct, and extensive communication with investors, but data may lack credibility without excessive "date stamping" or other transparency around how and when updates are made.

Sources: https://www.sasb.org/implementation-primer/

3. Decide Where to Disclose

Outside a company's required disclosure obligations, there is no "right" or "wrong" place to report SASB information to investors

3.3 | Select the Right Channel

The best fit will depend on a variety of factors unique the company's own circumstances. In developing criteria for selecting the appropriate disclosure channel, a company may wish to consider the following questions.

Questions to Consider

- What sustainability disclosures—if any—are legally required? Is there a legally required disclosure channel?
- What channels is the company currently using to disclose sustainability information to investors?
- Through which channels are the company's peers reporting sustainability information to investors? If the company's peers have adopted SASB standards, what channels are they using for SASB disclosure? (Links to all SASB reporters are available on the SASB website.)
- Have the company's investors indicated how they want to receive sustainability information?
- How are investors currently gathering sustainability information about the company? (e.g., through the company's external reporting, through a third-party provider, etc.)
- What is the maturity of data collection processes? Are the processes and controls sufficiently mature to include the information in mainstream financial reports?
- What disclosure channel fits best with the company's communications strategy?

Often a company may disclose information regarding SASB topics in multiple reporting channels in an effort to tailor the information to the needs of a specific audience. The company should ensure reported information is consistent across all channels and audiences, even if not necessarily identical.

Sources: https://www.sasb.org/implementation-primer/

3. Decide Where to Disclose

Companies use SASB to report financially material sustainability information to investors through a variety of different communication channels

3.3.1 | SASB in Action: Choosing a Reporting Channel

Each organization's choice typically depends on a range of factors, including its regulatory disclosure requirements and where it believes its investors want or expect to find the information.

Nike

Nike publishes its SASB data in a standalone table on the company's investor relations website, because "that's where [shareholders] go," - Alex Hausman, Director of Purpose Communications and Reporting at Nike.

NRG Energy

"We decided to put it in our sustainability report because that's where most of the company's stakeholders already go for this type of information," - Laurel Peacock, Sustainability Director at NRG Energy.

Vornado Realty Trust

Another consideration may be where peer companies are reporting. At Vornado Realty Trust, the company noted other firms in its industry—such as Host Hotels & Resorts and Kilroy Realty—were disclosing SASB standards-aligned information in their annual filings with the U.S. Securities and Exchange Commission (SEC).

Sources: https://www.sasb.org/implementation-primer/

3. Decide Where to Disclose

Companies use SASB to report financially material sustainability information to investors through a variety of different communication channels

3.3.1 | SASB in Action: Choosing a Reporting Channel

Each organization's choice typically depends on a range of factors, including its regulatory disclosure requirements and where it believes its investors want or expect to find the information.

Nike	NRG Energy	Vornado Realty Trust

When in doubt about where investors want or expect to find financially material sustainability information, just ask them.

"My questions for them were, 'How do you feel about our sustainability reporting so far? Are we disclosing the right information on the right platforms? Do you want to see other information coming through other avenues?' It was hugely valuable to participate in those conversations," - Daniel Egan, Senior Vice President of Energy & Sustainability at Vornado Realty Trust.

information in their annual filings with the U.S. Securities and Exchange Commission (SEC).

Although the company faced timing challenges with getting its SASB disclosure in its 10-K, the company furnished its ESG report—including SASB-aligned data—to the SEC and investors more broadly through an 8-K filing.

Sources: https://www.sasb.org/implementation-primer/

3. Decide Where to Disclose

3.4 | Summary

Identify Mandatory Disclosures

Identify Channels

Review Peers Disclosures

Consult With Auditors

Develop Alternative Options

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

Companies use SASB to report financially material sustainability information to investors through a variety of different communication channels

SASB Standards

SASB's standard-setting process is designed to surface the sustainability factors most likely to materially impact the financial condition or operating performance of companies in a given industry. As such, the standards are well-suited to serve as a valuable input to a company's existing approach to identifying, assessing, managing, and monitoring risks and opportunities. To begin this process, a company may wish to:

- **Understand SASB Terminology and Review SASB Standards**
- **Determine Which Industry Standards Apply**
- **Determine Which Disclosure Topics are Applicable**

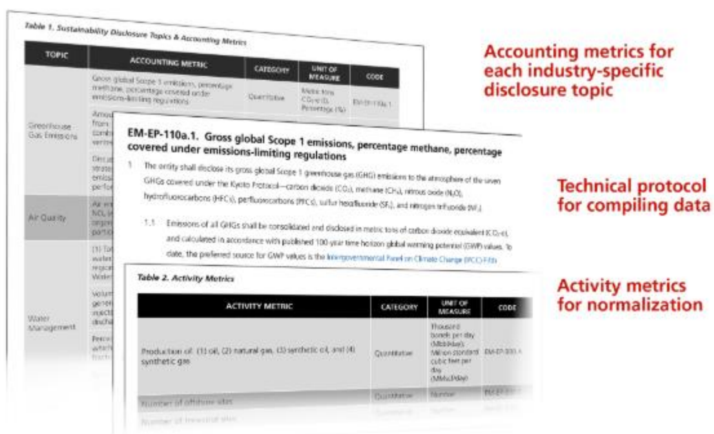
Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

A company can begin this process by familiarizing itself with SASB terminology and structure, which can be downloaded free of charge

4.1 | Understand SASB Terminology and Review SASB Standards

In reviewing SASB standards, a company should familiarize itself with the following components:



- **Standards Application Guidance:** In reviewing its industry standard(s), a company should begin with SASB's supplementary document, which provides universal implementation guidance applicable to all industry standards.
- **Disclosure topics:** Each SASB standard includes a set of disclosure topics, which vary from industry to industry. The standard lists and briefly describes how management or mismanagement of various aspects of the topic may impact a company's ability to create long-term value. On average, SASB standards include 6 disclosure topics per industry.
- **Accounting metrics:** Each SASB standard provides companies with standardized quantitative—or, in some cases, qualitative—metrics intended to measure performance on each disclosure topic or an aspect of the topic. On average, SASB standards include 13 accounting metrics per industry.
- **Technical protocols:** Each sustainability accounting metric is accompanied by underlying technical protocols that provide guidance on definitions, scope, accounting, compilation, and presentation, and which may also serve as the basis for suitable criteria for an independent, third-party assurance engagement. The technical protocols help ensure that metrics are compiled consistently and enable comparisons across companies.
- **Activity metrics:** The standard also includes activity metrics to measure the scale of the issuer's business, providing operational context and facilitating normalization of SASB accounting metrics, which is important for the analysis of related disclosures.

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

To determine which SASB standard apply to a company's operations, you should explore SASB's Sustainable Industry Classification System®

4.2 | Determine Which Industry Standard Apply

Most major industry classification systems use sources of revenue as their basis for classifying companies into specific sectors and industries. Although this approach is valuable for a variety of applications, it does not always group companies that face similar sustainability challenges and opportunities in a rapidly evolving 21st century economy.

As a result, SASB developed SICS (Sustainable Industry Classification System) in 2012 to build on and complement traditional industry classification systems. SICS presents a new lens through which to assess companies and establish peer groups, by selectively reclassifying existing industries, surfacing new ones, and establishing new thematic sectors.

| SASB Resources:

SICS Lookup Tool

Companies can find out where they are classified within SICS by using the SICS Look-Up Tool on SASB's website. By entering its ticker symbol, a company can instantly find its primary SICS industry and download the appropriate industry standard.

Questions to Consider

- What is your company's primary industry classification in SASB's SICS Look-Up Tool?
- Which other SICS industry (or industries) may apply to your company's operations?
- What other companies does your company consider to be its peers or key competitors? In which SICS industries are they classified?
- If your company's peers have reported using SASB standards, which industry standards did they use?
- What differences—if any—exist between the company's primary SICS industry and its classification in other widely used industry classification systems? What can those differences tell the company about the sustainability risks and opportunities it faces?

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

After determining your company's appropriate SICS industry or industries, the next step is to review the SASB disclosure topics for each industry

4.3 | Determine Which Disclosure Topics are Applicable

Because SASB standards are designed to address sustainability factors that are applicable to the typical company within an industry, in some cases they may include topics that, for certain companies, may not be financially material and/or not necessarily include every sustainability factor that is financially material to the company. Thus, they shouldn't be interpreted as either a "floor" or a "ceiling" for the company's sustainability disclosure to investors, but instead as a useful guide.

- SASB disclosure topic related to genetically modified organisms in the Chemicals industry may be irrelevant to a company that operates exclusively in the commodity and specialty segments of the industry (i.e., with no exposure to the agricultural segment).
- Likewise, in the Electric Utilities & Power Generators industry, SASB metrics related to direct (Scope 1) greenhouse gas emissions may be less relevant to a power company that sources—but doesn't generate—energy.
- Companies may find that additional sustainability topics not in the SASB are relevant to their business. This is especially true for companies with hybrid or unique business models, or for companies in industries where business models vary significantly around the world.

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

After determining your company's appropriate SICS industry or industries, the next step is to review the SASB disclosure topics for each industry

4.3 | Determine Which Disclosure Topics are Applicable

Questions to Consider

- Which SASB disclosure topics from which industries appear to be relevant to the company's long-term financial performance?
- What sustainability topics have been identified in previous materiality assessments the company may have undertaken? Do the SASB disclosure topics align with previous sustainability-related materiality assessments?
- Do the SASB disclosure topics align with the key risks identified in the company's Enterprise Risk Management (ERM) processes? Are there risks identified in the ERM processes that are not in the SASB standards?
- Do the SASB disclosure topics align with the key risks identified in the company's existing risk factor disclosures to investors? Are there risks identified in the risk factors that are not in the SASB standards? Which sustainability topics do investors most often ask the company to discuss or disclose?
- What sustainability matters that are not included in the SASB standard might the company wish to consider disclosing?

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

In establishing a cross-functional team to implement SASB, it is important to ensure all parties share a common understanding of terms like materiality

4.3.1 | Establishing a Common Understanding of Materiality

Both financial reporting professionals and sustainability reporting professionals commonly use a concept they call "materiality" to help determine what information should—or should not—be disclosed in their public reporting. However, these two groups may not always be speaking the same language. Where financial reporting teams have traditionally relied on legal and/or regulatory definitions of materiality to guide their reporting efforts, sustainability practitioners have often taken up specialized definitions established by sustainability reporting initiatives.

The widely used Global Reporting Initiative's (GRI) Materiality Principle states that a sustainability report should include information that "reflect[s] the organization's significant economic, environmental, and social impacts" or "substantively influence[s] the assessments and decisions of stakeholders." This emphasis on external impacts and a broad set of stakeholders differs from the definition of materiality typically used to guide financial reporting (as well as the development of SASB standards), which is focused on financial impacts of interest to investors.

!

As they implement SASB standards, companies are likely to bring together key internal functions that have traditionally used these conceptions of materiality, resulting in the potential for misunderstanding. Thus, an important early step may be to review and align on foundational concepts and terminology to ensure clear communication.

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

For companies operating in multiple industries multiple standards may be required to address the full array of sustainability topics

4.3.2 | What to Do If Multiple Industries Apply

Some organizations are "pure play" companies focused on a single line of business that is neatly captured by SASB's industry classification system. Others' operations are integrated horizontally across industries or vertically through the value chain straddling multiple industries. For such companies, multiple industry standards may be required to address the full array of sustainability topics reasonably likely to impact a firm's financial condition and/or operating performance.

- If a company's consolidated operations span multiple industries, SASB recommends reviewing multiple industry standards to identify topics beyond those defined in its primary industry standard that may warrant disclosure to investors.

- If a company has a unique business model that defies traditional industry classifications, it may wish to consider disclosure topics (and associated metrics) from an array of industries that have similar activities, choosing those disclosure topics most likely to communicate material information to investors. Some companies with very unique business models, such as emerging technology-based business models, may need to create a custom "SASB template" based on disclosure topics from multiple industries.

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

For companies operating in multiple industries multiple standards may be required to address the full array of sustainability topics

4.3.2 | What to Do If Multiple Industries Apply

Examples of Reporting Using Multiple Industry Standards
Companies seeking to implement SASB standards and whose activities fall across multiple SICS industries may wish to review the following examples of reports that leverage multiple SASB standards:

2018 Bloomberg Impact Report – Uses the Internet & Media Services, Media & Entertainment, and Professional & Commercial Services standards

Goldman Sachs 2018 SASB Index – Uses the Asset Management & Custody Activities, Investment Banking & Brokerage, and Commercial Banks standards

Kinder Morgan 2018 Environmental, Social, and Governance Report – Uses the Oil & Gas – Midstream, Oil & Gas – Exploration & Production, Oil & Gas – Refining & Marketing, Marine Transportation, and Rail Transportation standards

MOL Group 2018 Integrated Annual Report – Uses the Oil & Gas – Exploration & Production, Oil & Gas – Refining & Marketing, and Chemicals standards

Morgan Stanley 2018 Sustainability Report – Uses the Investment Banking & Brokerage, Commercial Banks, and Asset Management & Custody Activities standards

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

Companies that have faced similar challenges can provide helpful guidance on how to best overcome this perceived hurdle

4.3.3 | SASB in Action: Reporting Across Multiple Industries

SASB has developed a unique sustainability accounting standard for each of 77 SICS industries. Thus, for companies that are vertically or horizontally integrated across more than one industry, reporting with SASB standards may initially appear challenging. However, there are some examples that might help on how to overcome this challenge.

Unilever

"Our portfolio includes diverse products such as ice cream, tea, deodorant and soap, so we don't fit neatly into one industry or another. That being said, you can't become paralyzed by the range of standards that may apply to your company's operations. You've got to start somewhere, focus on one area that is really important to the business and go from there" - Roger Seabrook, Vice President of Finance, Marketing & Sustainability at Unilever and SASB's Standards Advisory Group (SAG).

Kinder Morgan

"Our company operates in a range of extractive and transportation industries, so when we pulled all the metrics together from five to six standards, it looked overwhelming at first. The solution was a methodical approach: determining which industries are applicable, consolidating the metrics from those industries, then looking for overlap—including where related metrics are consistent or not. We were able to wean down the list to something considerably more manageable and make progress" -Kristin Peterson, Director of Corporate Compliance at Kinder Morgan

Feedbacks suggest the following approach

- Map the company's activities to the applicable SICS industries
- For applicable SICS industries, evaluate the topics in each industry standard to determine which are applicable
- Prioritize reporting of these topics based on the informational needs of investors as well as the cost-effectiveness of obtaining and reporting the associated data
- Prioritize reporting of topics based on relative size of business segments and/or relative risk (e.g., relatively small business segments can have outsize contributions to risk)

CONSTELLATION ASSET MANAGEMENT

Sources: https://www.sasb.org/implementation-primer/

4. Understand SASB Standards

4.4 | Summary

Familiarize with SASB

Define the scope of use

Define the disclosure topics

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

Feedback from the many companies that have already implemented SASB standards suggest the following approach

Review and understand SASB Metrics

Perform a gap analysis

Identify SASB metrics to be disclosed

Ensure data reliability

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

It is not sufficient to know which sustainability topics were prioritized; It is also necessary to know how those issues are being managed

5.1 | Review and Understand the SASB Metrics

For each disclosure topic identified in an industry standard, SASB selects or develops decision-useful accounting metrics to capture company performance on key aspects of the topic. Taken together, they characterize a company's positioning with respect to business-critical sustainability issues and the potential for long-term value creation. Thus, like traditional financial accounting metrics, they can be used to evaluate past performance as well as to provide insight into future performance.

SASB standards are designed to provide a cost-effective way for companies to disclose material, decision-useful sustainability information to investors. To help achieve this, a significant percentage of the metrics in SASB standards are aligned with initiatives already in use.

When possible, SASB harmonizes its standards with existing metrics, definitions, frameworks, and management disclosure formats to minimize the corporate reporting burden. SASB standards reference standards and metrics from over 200 organizations.*

Companies should review the metrics and accompanying technical protocols associated with their selected SASB disclosure topics to familiarize themselves with not only the top-line metrics themselves, but the suggested methodologies for collection, calculation, compilation, and presentation.

*Including the World Health Organization (WHO), International Standards Organization (ISO), Organisation for Economic Co-operation and Development (OECD), IPIECA (formerly the International Petroleum Industry Environmental Conservation Association), United Nations Environmental Programme (UNEP), International Labour Organization (ILO), the Global Real Estate Sustainability Benchmark (GRESB), and more.

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

Businesses and investors around the world can use SASB standards to better identify, manage, and communicate the financially material sustainability

5.1.1 | Global Applicability of SASB Standards

Certain business models and industry regulations tend to vary across jurisdictions. For example, there are significant differences in how the Healthcare sector and its component industries and organizations are structured in various countries and regions. As such, certain SASB disclosure topics related to access and affordability may not be universally applicable. On the other hand, even when industries may be structured similarly in principle, differences in the regulatory and socio-economic environments in which they operate may result in certain metrics being less relevant. For example, in the heavily regulated Financials sector, SASB metrics that measure performance on topics such as financial inclusion, selling of consumer finance products, and discriminatory mortgage lending are less likely to be consistently decision-useful across all geographic regions.

A company may wish to:

- **Omit a disclosure topic that is unlikely to have material financial impact.**
- **Modify or substitute the accounting metric when the disclosure topic is financially material but the associated metric lacks relevance to the company's geographic context.**

In either instance, SASB recommends the company disclose the omission, modification, or substitution along with the rationale for the change.

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

Many companies will find they already track the SASB metrics or similar information

5.2 | Perform a Gap Analysis

For each disclosure topic identified in an industry standard, SASB selects or develops decision-useful accounting metrics to capture company performance on key aspects of the topic. Taken together, they characterize a company's positioning with respect to business-critical sustainability issues and the potential for long-term value creation. Thus, like traditional financial accounting metrics, they can be used to evaluate past performance as well as to provide insight into future performance.

Because SASB standards address the sustainability topics most likely to be financially material to a business, many companies will find they already track the SASB metrics or similar information. Thus, for each selected disclosure topic, SASB recommends that a company consider how it is currently collecting or reporting relevant performance information.

1 | Assess whether and how it is currently reporting information relevant to each SASB topic in its existing reports

This will help the company identify opportunities to leverage SASB-aligned disclosure that is already in place. Companies are likely to find that they are already addressing many of the SASB topics in one or more reporting channels, allowing them to leverage existing functions, relationships, and processes to prepare their SASB disclosure and to ensure consistency across channels.

2 | Evaluate whether and how it is currently collecting information relevant to each SASB topic for internal use

This will help the company identify existing data sets that, while not currently reported externally, may nevertheless support its external reporting objectives. Additionally, this process will help the company identify the internal subject matter experts who can best assess what may be needed to ensure data are aligned with the SASB standard.

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

In performing this analysis, the company is likely to identify three categories of metrics

5.2 | Perform a Gap Analysis

- **Those for which it is already collecting SASB-aligned data.**
- **Those for which it is collecting similar data.**
- **Those for which it is collecting no data.**

Questions to Consider

For existing, SASB-aligned metrics, a company may wish to ask the following questions:
- What processes are used to collect the data and who is accountable for data accuracy?
- How strong are internal controls over the data?
- Is the data subject to a governance process, such as oversight by a disclosure committee or a board committee
- Is the data assured by an independent third party?

When the company is collecting metrics that are similar to what is called for in its SASB industry standard, it should work with internal subject matter experts, business partners, and/or trusted advisors to evaluate whether the data could be better aligned with the SASB standard
- Who owns the data internally?
- Is the data inconsistent with the SASB standard because it represents an entirely different metric related to the same topic? Is there a reason the company uses a different metric from that suggested by the SASB standard?
- Is the data inconsistent with the SASB standard because the company employs different methodologies from those specified in the SASB technical protocols?
- What are the associated costs—in terms of time, effort, money, or other resources—to bring the metric into full alignment?
- What is the benefit to bringing the metric into full alignment?

If a company has not previously collected or reported information on its selected SASB topics, it should develop an understanding of the level of effort required to capture and disclose the suggested metrics. For each new metric identified, the company should work with its cross-functional team to explore the following questions:
- Which internal experts are best positioned to review the SASB metric and associated technical protocols to assess the company's ability to collect the data?
- What is the most likely path for collecting the required information and the associated level of time, effort, and cost?

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

In performing this analysis, the company is likely to identify three categories of metrics

5.2 | Perform a Gap Analysis

- **Those for which it is already collecting SASB-aligned data.**
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- **Those for which it is collecting no data.**

Questions to Consider

For existing, SASB-aligned metrics, a company may wish to ask the following questions:

- What processes are used to collect the data and who is accountable for data accuracy?
- How strong are internal controls over the data?
- [illegible]
- Is the data assured by an independent third party?

After considering these questions, the company should make a final decision as to which SASB metrics it plans to disclose. In some instances, the company may conclude that a suggested SASB metric does not apply and that it wishes to report an alternative metric. In these instances, SASB suggests that the reason for the modification be disclosed.

[illegible] for in its SASB industry standard, it should work with internal subject matter experts, business partners, and/or trusted advisors to evaluate whether the data could be better aligned with the SASB standard

- Who owns the data internally?
- Is the data inconsistent with the SASB standard because it represents an entirely different metric related to the same topic? Is there a reason the company uses a different metric from that suggested by the SASB standard?
- Is the data inconsistent with the SASB standard because the company employs different methodologies from those specified in the SASB technical protocols?
- What are the associated costs—in terms of time, effort, money, or other resources—to bring the metric into full alignment?
- What is the benefit to bringing the metric into full alignment?

If a company has not previously collected or reported information on its selected SASB topics, it should develop an understanding of the level of effort required to capture and disclose the suggested metrics. For each new metric identified, the company should work with its cross-functional team to explore the following questions:

- Which internal experts are best positioned to review the SASB metric and associated technical protocols to assess the company's ability to collect the data?
- What is the most likely path for collecting the required information and the associated level of time, effort, and cost?

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

5.2.1 | SASB in Action: Perform a Gap Analysis

In reviewing their industry's SASB standard against their existing reporting (both internal and external), many companies are surprised to find they are already collecting much of the information requested. This is largely because the standards are designed to focus on financially material sustainability issues—those a company must manage effectively as a matter of course.

Nike

"We found the set of metrics in the SASB standard for our industry matched and aligned with what we thought was important already. So, there was a strong overlap between what we were already reporting and what's in the SASB standard. We just had to make a few slight tweaks. We're already tracking this information, the data is available, and there's value to investors and professional stakeholders in the information." - Alex Hausman, Director of Purpose Communications and Reporting at Nike.

NRG Energy

"This is one of reasons we adopted so early on—because when did our gap analysis, we found there was 80 percent alignment between what we were already disclosing and the SASB standards. The additional work required to do SASB wasn't very much. We didn't have to hire external consultants or contractors, I just needed to have a few additional conversations internally." - Laurel Peacock, Sustainability Director at NRG Energy.

JetBlue

"Our company's gap analysis also showed considerable overlap between the SASB standard for our industry and the data already being collected internally. As a result, much of the work involved gathering up-to-date figures on metrics we already tracked." - Sophia Mendelsohn, Director of Sustainability and ESG at JetBlue

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

Optimal decision-making requires reliable information

5.3 | Ensure Data Reliability

The practice of disclosing sustainability information to investors is relatively new compared to the long history of company financial reporting. As a result, sustainability information has often been captured without the benefit of the processes, controls, and governance that are typically applied to the financial information companies disclose to investors.

SASB believes companies should apply a level of rigor to ensuring reliable data that is substantially similar to that used for traditional financial reporting. Such an approach may involve the application of internal control, the establishment of appropriate disclosure controls and procedures, and the engagement of independent, third-party assurance, among other activities.

Naturally, SASB recognizes that companies may face challenges in collecting data, particularly during the first few years of using the standards. In such cases, SASB recommends that companies disclose any data limitations when reporting a metric.

Source: PwC, ESG Pulse (2016)

This and other considerations are addressed in SASB's Standards Application Guidance, which supplements the 77 industry standards to ensure information is reported using appropriate boundaries, scope, formatting, and protocols that will help ensure data reliability.

5. Assess Your Readiness

Optimal decision-making requires reliable information

5.3.1 | Ensure Data Reliability

1 | Evaluate Internal Control over SASB Metrics

An effective system of internal control is the foundation on which reliable reporting and informed decision-making rest. In using SASB metrics to monitor and disclose sustainability performance, a company should consider leveraging its existing internal control framework—typically used to support its financial reporting—and apply that framework to similarly support its internal and external sustainability reporting. The most widely used framework for establishing internal control is the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Internal Control – Integrated Framework. The Framework is intended to help companies achieve their strategic, operations, reporting, and compliance objectives. Notably, it includes specific reference to non-financial reporting objectives, suggesting that sustainability reporting objectives could be integrated into a company's existing internal control framework.

| SASB Resources: Internal Control Publication

Internal control generally serves as a first line of defense for companies in safeguarding assets and preventing and detecting errors and fraud. COSO defines internal control as "a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance." The paper Leveraging the COSO Internal Control – Integrated Framework to Improve Confidence in Sustainability Performance Data explores how companies are practically applying controls to sustainability metrics like those included in the SASB standards.

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

A company can benefit from setting specific strategic, operations, reporting, or compliance objectives related to SASB standards

5.3.2 | Ensure Data Reliability

The company may wish to work with its internal audit and risk management teams to ensure an effective system of internal control can provide management with reasonable confidence that these objectives are met.

Questions to Consider

- Has the company established a strong internal control environment with robust processes, standards, and discipline around financially material sustainability information?
- Has the company incorporated SASB topics into its approach to risk management? Has it established specific objectives for managing the topics and reporting the data, and identified and assessed risks to achieving those objectives?
- What control activities—if any—has the company designed, implemented, and maintained at the entity level, the transaction level, or the information technology level to mitigate key ESG-related risks?
- Does the company have access to timely, relevant, and reliable information to help it assess the effectiveness of its sustainability reporting systems and processes?
- How does the company monitor the effectiveness of how it is managing SASB disclosure topics? How does it monitor the effectiveness of its related disclosures?

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

An organization may wish to leverage its existing disclosure committee to establish formal disclosure controls and procedures for its SASB reporting

5.3.3 | Consider Disclosure Controls and Procedures

A company that chooses to disclose SASB information in mainstream financial reports may be required to design and maintain well-documented and thorough internal reporting processes, controls, and procedures for the information. However, regardless of where sustainability information is reported, a company is likely to benefit from such an approach, which is intended to ensure that information is collected and communicated to management in a way that facilitates effective oversight and timely decisions regarding required disclosure

Questions to Consider

- Which individual(s) or function(s) are responsible for preparing the information needed for each SASB disclosure topic?
- How do individuals or business units within the company collect the information to be disclosed? Does each SASB metric have a formal accounting policy that provides clear definitions and guidance for assumptions to ensure consistent data collection, analysis, and reporting across the organization?
- How is the collected information communicated to those responsible for preparing the disclosures? Are these processes well documented, including key risks for misstatements and associated controls to prevent or detect misstatements?
- How is information reviewed and revised for publication? What external parties—such as outside counsel, an independent assurance provider, or other advisory partners—are involved?
- What is the timeline of all disclosure activities?
- What governance processes apply, or should be applied, to the disclosures? Should the SASB information be reviewed by a disclosure committee and/or a board committee?

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

Through internal control & audit a company will be able to establish a reasonable level of internal confidence of its sustainability information

5.3.4 | Consider Independent, Third-Party Assurance

Although independent third-party assurance of reported sustainability information is required in only a handful of jurisdictions (e.g., South Africa), many companies voluntarily elect to seek external assurance of their sustainability disclosures to assure investors that the information is reliable.

Questions to Consider

- What are the relevant laws and standards—if any—related to the assurance of sustainability disclosures?
- What steps might the company take with internal audit and/or third-party advisors to establish internal confidence in data quality before investing in an external assurance engagement?
- Have the company's investors expressed an interest in obtaining assurance over all financially material sustainability information or only with respect to key data points?
- What level of assurance is appropriate in the context of the company's sustainability reporting objectives—reasonable (exam) or limited (review)? How might the company's selection of a disclosure channel influence this decision?

More than two-thirds of investors value third-party verification of sustainability information.

SOURCE: EY

5. Assess Your Readiness

Through internal control & audit a company will be able to establish a reasonable level of internal confidence of its sustainability information

5.3.4 | Consider Independent, Third-Party Assurance

| SASB Resources: Standards Application Guidance

SASB's Standards Application Guidance contains information that will be helpful to a reporting company as well as its assurance partner, should it elect to obtain independent, third-party verification. For example, reporting boundaries must be set—and criteria defined—at the metric level. Unless otherwise specified in the industry standard(s), SASB recommends:

- **That a company disclose sustainability information for itself and for entities that are consolidated for financial reporting purposes as defined by accounting principles generally accepted in the jurisdiction of its financial reporting**

- **That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest**

- **That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A company should disclose, however, information about unconsolidated entities to the extent that the company considers the information necessary for investors to understand the effect of sustainability factors on the company's financial condition or operating performance (typically, this disclosure would be limited to risks and opportunities associated with these entities).**

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

SASB standards are designed to support independent, third-party verification and many companies are electing to have their SASB data assured

5.3.4 | SASB in Action: The Value of Assurance

Assurance signals to markets that the information is reliable, but the assurance process can also have internal benefits.

Unilever

"External assurance can be helpful in increasing the robustness of internal reporting so that the leadership can rely on it for performance management. Putting new eyes on the data and challenging it raises the bar. Assurance professionals don't just come along and sniff at the numbers. When issues arise, they prompt quite complicated conversations, but that's where the value comes." - Roger Seabrook, Vice President of Finance, Marketing & Sustainability at Unilever.

NRG Energy

"The assurance process can be helpful. Our electric generation portfolio includes a mix of legacy and M&A assets and every plant could be doing things a bit differently. To be able to streamline the process, reduce human error, and provide positive support to our plants was very beneficial." - Laurel Peacock, Sustainability Director at NRG Energy.

Kinder Morgan

"It's so nice to have someone else come in and look for issues and trace the data from point A to point B. The assurance partner gave us great feedback that helped confirm our disclosure is consistent year-over-year. Of course, high-quality sustainability data doesn't happen overnight. It's OK if it takes a while to make sure you have the right controls in place and get the right people involved." - Kristin Peterson Director of Corporate Compliance at Kinder Morgan.

Sources: https://www.sasb.org/implementation-primer/

5. Assess Your Readiness

5.4 | Summary

- **Review and understand SASB metrics**
- **Analyze the delta between existing information and planned disclosures**
- **Identify SASB metrics to be disclosed**
- **Ensure data reliability**
- **Evaluate internal control over SASB metrics**
- **Consider disclosure controls and procedures**
- **Consider independent, third-party assurance**

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Sources: https://www.sasb.org/implementation-primer/

6. Develop Your Disclosures

Even high-quality information can have limited utility if it isn't communicated effectively to its intended users

A company should consider how to best present SASB disclosure topics and metrics in its core communications to investors, along with deciding what contextual information to provide. To help companies meet this objective, SASB provides certain guidance in the introduction to each industry standards.

Corporate reporting, like any communications exercise, should be guided by the needs of its intended audience. Thus, when preparing their SASB-aligned disclosures, companies should consider how the standards can help them produce disclosures that support meaningful analysis and decision making by investors and other providers of capital.

Sources: https://www.sasb.org/implementation-primer/

6. Develop Your Disclosures

Although SASB metrics call for specific, standardized formatting, a company should always consider how they wish to present information for investors

6.1 | Consider the Presentation Format

Certain SASB metrics call for specific, standardized formatting. However, a company should always consider how its financially material sustainability data might be most usefully presented to investors.

Questions to Consider

- Would the use of supplementary charts, tables, graphics, and headings help make the information more digestible and understandable?
- How might the disclosure present a short-, medium-, and/or long-term analysis of the issue and its actual or potential impacts on financial performance and/or operations?
- Does the disclosure include a historical time series demonstrating performance trends?
- Should the company establish and report performance targets or benchmarks related to the metric?
- Is the metric, as presented, readily comparable to peer disclosures?
- Would additional disclosure by business segment and/or region be helpful to users of the data?

SASB Resources: TCFD Good Practice Handbook

Not sure how to present your data? Consider what other companies are doing. Developed by SASB and CDSB, the TCFD Good Practice Handbook provides real-world examples of good-practice, TCFD-aligned disclosure and key takeaways to help reporting companies communicate more effectively with investors on climate risk. Along with the mock disclosures included in the accompanying TCFD Implementation Guide, these publications provide useful examples for companies to consider as they review and shape their own efforts to communicate with investors.

Sources: https://www.sasb.org/implementation-primer/

6. Develop Your Disclosures

The most important aspects of a sustainability issue can’t always be completely captured in numbers

6.2 | Provide Important Context

Certain SASB topics, such as those related to human rights and ethics, are inherently difficult to quantify. In these instances, SASB standards include qualitative metrics, formally known as discussion and analysis metrics to supplement numerical data, providing important context for understanding and evaluating the data.

SASB recommends that for all metrics, a company consider—and disclose—the qualitative information that would be necessary for investors to fully understand the firm’s performance. This may involve incorporating relevant contextual information, including that related to:

- **Governance, strategy, and risk management related to SASB disclosure topics**
- **Activity metrics to facilitate normalization of reported metrics**
- **Discussion of uncertainty and estimates**

Sources: https://www.sasb.org/implementation-primer/

6. Develop Your Disclosures

SASB encourages companies to use the standards to guide disclosures even in the event that certain disclosure must be omitted and/or modified.

6.3 | Disclose Modifications and Exclusions

SASB recognizes that standardized disclosure of financially material sustainability information to investors is a relatively new area of practice, and certain accounting metrics may be infeasible to disclose in the near term for some companies.

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Omissions: A company that omits one or more SASB disclosure topics and/or accounting metrics should disclose the omission(s), as well as its rationale for the omission(s). For example, if a disclosure topic does not apply to a company's business model, the company should disclose that the topic and its associated metrics were omitted based on the lack of applicability.

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Modifications: If a company believes it necessary to modify a SASB metric, the entity shall disclose the fact that the metric was changed, a description of the change, and its rationale for making the change.

Sources: https://www.sasb.org/implementation-primer/

6. Develop Your Disclosures

After collecting data on the relevant SASB disclosure topics, a company should also take a step back and consider the bigger picture.

6.4 | Review Your Overall Narrative

Investors' growing appetite for sustainability information is not driven by a desire for "data for its own sake." Rather, investors are looking at how this data can shed light on a company's financial performance, business strategy, and long-term value creation prospects.

Questions to Consider

- Do the company's disclosures inform investors about the company's approach to long-term value creation?
- Do the company's disclosures provide clear links between ESG performance, business strategy, and financial outcomes?
- Do the company's disclosures provide insight into how well-positioned the company is to manage sustainability risks and opportunities over time?
- How is the company's sustainability performance portrayed by third-party ESG ratings and rankings firms? Are there any misperceptions the company wants to address with its own disclosures?

Sources: https://www.sasb.org/implementation-primer/

6. Develop Your Disclosures

As investors increasingly integrate ESG information into their decision-making, the need for high-quality and verifiable data has grown significantly

6.4.1 | SASB in Action: Owning Your Narrative

To fill this gap, Investors have begun to rely on a growing number of third parties to supply environmental, social, and governance (ESG) information about their portfolio companies. In this ecosystem, SASB standards can be particularly helpful for companies who wish to communicate their sustainability story and performance directly to their investors in a format that meets investor needs.

Nike

"There are so many different surveys and other requests for information. Each one has a different take, so they're all asking for unique information, which can make it challenging." - Alex Hausman, Director of Purpose Communications and Reporting at Nike.

NRG Energy

"Many of these third parties have their own ideas about how to classify her company's operations and which ESG issues it should be managing. For example, many ESG ratings and ranking services lump the company in with regulated utilities, even though it isn't one. Using SASB standards to report directly to investors "was win-win. We aren't putting out information that's just noise because someone has a box to check." - Laurel Peacock, Sustainability Director at NRG Energy

Sources: https://www.sasb.org/implementation-primer/

6. Develop Your Disclosures

6.5 | Review Your Overall Narrative

- Review SASB's Standards Application Guidance
- Consider options for presenting and formatting your disclosures
- Provide important context
- Governance, strategy, and risk management context
- Activity metrics related to operating context
- Assumptions and estimates
- Communicate necessary modifications or omissions and ensure your overall narrative is clear

Sources: https://www.sasb.org/implementation-primer/

7. Enable Continuous Improvement

Effective sustainability disclosure to investors is an ongoing journey

As changes occur in an industry's competitive context, in the interests of investors, or in SASB standards, a company's sustainability disclosures will likely need to evolve to support market needs. A company can take several steps to enable continuous improvement:

1 | Monitor internal and external drivers of ESG risk and opportunity

2 | Monitor practices in peer disclosure

3 | Seek periodic feedback from shareholders and other stakeholders;

4 | Monitor evolving mandatory disclosure requirements in relevant jurisdictions

5 | Monitor the evolution of SASB standards, and maintenance processes

6 | Benchmark performance on SASB topics against peers.

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Sources: https://www.sasb.org/implementation-primer/

7. Enable Continuous Improvement

Sustainability factors are dynamic by nature and thus often tend to be emerging or evolving issues

7.1 | Monitoring Drivers of ESG Risk and Opportunity

A specific SASB topic may become more or less likely to have material financial impacts as changes occur in an industry's competitive context or its business model. Also, issues that are of interest to a broad range of stakeholders often evolve into issues that become financially material over time. As the likelihood for material financial impacts evolves, the company may wish to modify its disclosures accordingly.

Internal factors

The likelihood that a SASB topic will have financially material impacts may change along with aspects of the company's strategy, its business model, and its operations. Such changes may include:

- Changes in the company's product mix or service offerings;
- Adjustments to the scale or scope of the company's operations (including geographic footprint);

External factors

Financially material impacts related to a SASB topic also may become more or less likely due to factors outside the company. These may include:

- Macroeconomic factors (e.g., population growth, commodity prices, climate change);
- Business climate (e.g., competition, technological innovation);
- Regulatory developments and political climate (often regional in nature); or
- Societal trends (e.g., shifting consumer preferences).

Sources: https://www.sasb.org/implementation-primer/

7. Enable Continuous Improvement

A company may also wish to monitor market practices that develop around each SASB disclosure topic

7.2 | Monitoring Practices

It is helpful to review peer disclosure across a range of disclosure channels, including annual reports to shareholders, sustainability reports and investor presentations.

Peer disclosure
Regular monitoring of peer disclosure can help a company better understand evolving expectations—among investors and other stakeholders—of:

- Which topics should be disclosed
- How they can be reported to ensure companies across an industry provide comparable information.

Shareholder engagement
A company can solicit feedback from shareholders and track issues raised during engagements with shareholders to monitor evolving issues of interest to investors.

Disclosure requirements and recommendations
A company should also monitor the evolving disclosure landscape, including:

- Mandatory disclosure requirements related to sustainability disclosure
- Sustainability disclosures that may be required or suggested by the exchange on which the company's securities are listed.

Sources: https://www.sasb.org/implementation-primer/

7. Enable Continuous Improvement

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- Mandatory disclosure requirements related to sustainability disclosure
- Sustainability disclosures that may be required or suggested by the exchange on which the company's securities are listed.

7. Enable Continuous Improvement

In addition to monitoring changes in jurisdictional reporting requirements, a company should also keep abreast of periodic updates to SASB standards

7.3 | Monitoring SASB Standards

SASB approaches updates to the standards using a project-based model, enabling focused standard-setting to effectively address key issues and ensure the standards remain relevant and responsive to evolving market needs. SASB's ongoing due process involves internal research, external outreach, inclusive public comment, and transparent oversight. Based on these inputs, SASB may periodically issue updates to the topics, metrics, and/or underlying technical protocols included in an industry's SASB standard.

Sources: https://www.sasb.org/implementation-primer/

7. Enable Continuous Improvement

Perhaps most importantly, a company should monitor its performance on the SASB metrics

7.4 | Monitoring SASB Standards

While a firm has little if any control over how issues evolve or how the views and practices of peers, stakeholders, and regulators change, it can wholly determine its own responses to sustainability risks and opportunities. Using SASB standards to monitor whether and how performance changes—for better or worse—can usefully inform the perspective of the company and its investors on whether or not its management approach is effective.

Sources: https://www.sasb.org/implementation-primer/

7. Enable Continuous Improvement

7.5 | Summary

Track the internal and external drivers of ESG risks and opportunities

Monitor company performance on SASB disclosure topics

Monitor peer and best-practice disclosure for benchmarking

Periodically review SASB standards for relevant updates

Seek regular feedback from investors and other key stakeholders

Keep up with emerging and evolving disclosure requirements and recommendations

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Sources: https://www.sasb.org/implementation-primer/