Gül Saldıraner

EG Partner
CPA
Independent Auditor
Sustainability Auditor
www.eg-econsulting.com

Industry-Focused Sustainability Accounting Standards: SASB

In today's business world, companies are increasingly expected to consider not only their financial performance but also their environmental, social, and governance (ESG) factors. In this context, sustainability accounting standards help businesses better understand their strategies and enable them to create long-term sustainable value. At the same time, investors and other stakeholders increasingly demand simple, clear, and reliable information. The overall purpose of sustainability reporting frameworks is to provide both internal and external stakeholders—including investors, employees, customers, and government agencies—with a comprehensive understanding of a company's ESG initiatives. These frameworks promote transparency and accountability, supporting more informed decision-making processes.

The Sustainability Accounting Standards Board (SASB) adopts an industry-focused approach alongside other environmental and sustainability frameworks. By identifying the material environmental, social, and governance factors relevant to each sector, SASB enables companies to better understand and accurately report their sustainability performance. This also ensures that stakeholders receive more detailed and industry-specific information. Through its sector-specific methodology, SASB provides companies with industry expertise and standardized guidelines, encouraging investor-focused, consistent, and transparent sustainability reporting. At the same time, it allows companies to manage ESG factors more effectively, enhance their reporting, and improve their sustainability strategies.

This article focuses on the Sustainability Accounting Standards Board (SASB) standards, one of the key investor- and industry-oriented sustainability reporting frameworks.

The Importance and Objectives of SASB

SASB's primary objective is to standardize the disclosure of sustainability-related information by publicly listed companies, strengthening communication between businesses and investors. Its standards help companies report sustainability information consistently, comparably, and in ways that are meaningful for investors. By focusing on sector-specific factors, SASB supports companies in identifying and prioritizing their key sustainability issues.

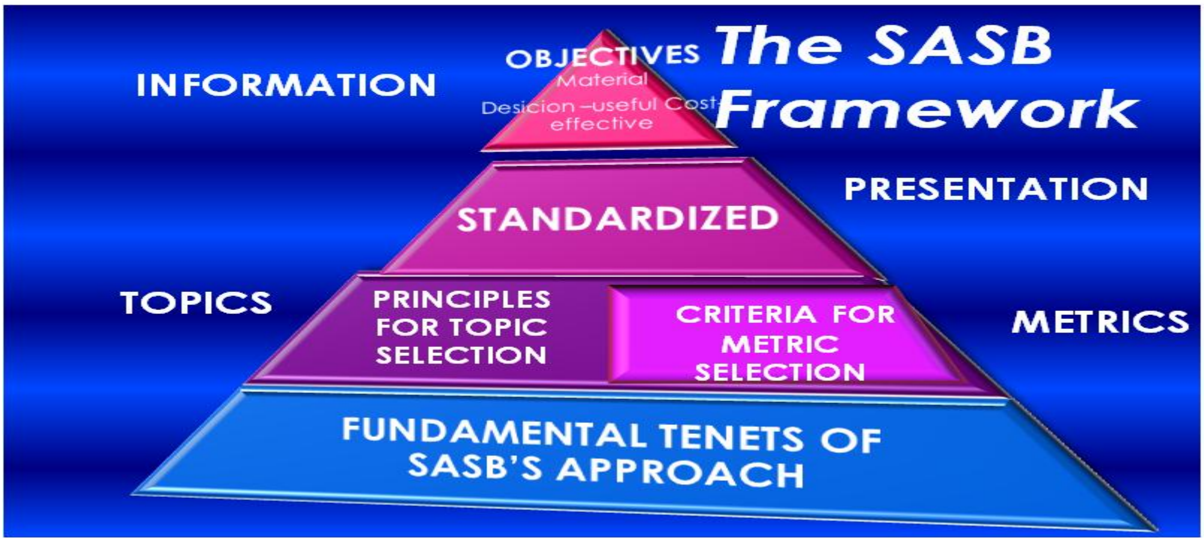
One of SASB's founding goals was to address the lack of consistency and comparability in sustainability reporting. By adopting an industry-specific approach, it offers standards tailored to the risks and characteristics of each sector. Additionally, SASB standards are designed to complement other sustainability reporting frameworks, contributing to the development of comprehensive sustainability reporting strategies. Today, global investors view SASB standards as a fundamental tool for companies aiming to provide reliable and comparable sustainability reports.

Background

SASB was founded in 2011 by Jean Rogers to help businesses and investors understand the financial impacts of sustainability issues and develop related strategies.

- Between 2012 and 2018, extensive work was undertaken to develop industry-specific standards tailored to the sustainability risks and opportunities encountered in different sectors.
- In 2018, SASB began collaborating with the International Integrated Reporting Council (IIRC) on integrated reporting initiatives and later merged with the Value Reporting Foundation (VRF) in 2020.
- Today, as part of the VRF, SASB continues to develop sustainability standards and promote the adoption of integrated reporting practices.
- Since 2022, the International Sustainability Standards Board (ISSB) has assumed responsibility for maintaining and advancing SASB standards.

SASB standards are widely recognized by regulators, investors, and companies as a leading framework for sustainable investment. They aim to encourage the use of standardized sustainability accounting to support better long-term decision-making and improve corporate performance.



Source: SASB- https://sasb.ifrs.org/wpcontent/uploads/2019/05/SASB-ConceptualFramework.pdf?source=post_page

New Dimensions of Value Creation: SASB Sustainability Accounting and ESG Reporting

According to SASB, sustainability refers to corporate activities that preserve or enhance a company's ability to generate long-term value. Sustainability accounting involves the measurement, management, and reporting of such activities. Managing the environmental and social impacts arising from a company's production of goods and services, alongside managing the environmental and social capital necessary for value creation, are considered together.

Source: SASB- https://sasb.ifrs.org/wpcontent/uploads/2019/05/SASB-ConceptualFramework.pdf?source=post_page

While developing its provisional standards, SASB began by classifying broad sustainability topics into five main categories. The potential impacts or outcomes of these topics vary by industry, highlighting the fact that each sector has its unique sustainability profile. Disclosures within SASB's sector-specific provisional standards represent a carefully selected subset of these topics, tailored to each industry's specific context.

Source: SASB- https://sasb.ifrs.org/wpcontent/uploads/2019/05/SASB-ConceptualFramework.pdf?source=post_page

Traditional financial statements often fail to reflect a company's long-term value creation potential, as they typically exclude ESG factors such as environmental performance, social and human capital, and corporate governance. SASB emphasizes that these factors play a significant role in shaping a company's long-term value. Its standards promote a perspective that extends beyond conventional financial reporting, aiming to integrate sustainability performance with financial information.

In this way, sustainability accounting and reporting allow companies to evaluate both financial and non-financial performance together, supporting a more comprehensive understanding of long-term value creation. SASB's approach helps companies define how to measure and report ESG factors, enabling investors and stakeholders to make better-informed decisions. Ultimately, sustainability accounting and reporting provide deeper insight into a company's long-term value creation potential.

SASB’s Core Objectives

SASB aims to help companies present critical sustainability information to investors effectively. Its standards focus on information that meets the following criteria:

- Focus on material and relevant information,
- Provide data that supports decision-making by companies and investors,
- Ensure cost-effectiveness for corporate issuers.

SASB standards offer investors reliable data to assess companies’ sustainability-related performance and make informed decisions. Central to SASB’s approach is the principle of materiality, ensuring that companies disclose sustainability information by highlighting what is most significant and meaningful for decision-makers.

From a cost-effectiveness standpoint, SASB encourages companies to provide essential information to investors without incurring excessive costs. Together, materiality, comparability, and sector-specific standards form the foundation of SASB’s reporting framework.

Presenting sustainability information effectively increases companies’ accountability in areas such as social responsibility, environmental management, and governance practices. This, in turn, contributes to a more sustainable business environment. SASB standards thus offer value not only financially, but also in terms of social and environmental impact.

Fundamental Principles of SASB’s Standard-Setting Approach

SASB’s standard-setting methodology is built on identifying sustainability issues that may have significant financial or operational impacts on companies within specific industries. These standards aim to measure the potential effects of sustainability issues on companies’ financial conditions or operational performance and ensure that relevant information is disclosed to regulators and stakeholders.

The SASB standards are based on the following principles:

- **Evidence-Based Approach**: SASB identifies sustainability issues based on solid evidence that they are likely to attract investor attention and have potential financial impacts. This involves evaluating both investor interest and the financial consequences of sustainability topics.
- **Market-Informed Approach**: In developing its standards, SASB incorporates feedback from market participants—including corporate

issuers and mainstream investors. This ensures that the standards reflect real-world industry dynamics, regulatory environments, and financial considerations.

- **Industry-Specific Approach**: SASB develops sustainability accounting standards at the sector level, focusing on issues directly related to industry-specific resource use, business models, and operational factors.

These principles help companies apply SASB standards effectively in identifying and reporting sustainability topics. By combining evidence-based research with industry feedback, SASB ensures that its standards are practical, relevant, and tailored to each sector's needs. This enables financial analysts and investors to better understand sustainability factors and incorporate them into financial evaluations

SASB Sustainable Industry Classification System (SICS)

The SASB Sustainable Industry Classification System (SICS) covers 77 industries, defining potential sustainability disclosure topics for each sector. These disclosures often include focused and quantitative metrics to assess performance on key topics.

Companies can easily access SASB standards directly from the SASB website, without the need to complete special forms or applications. SASB also provides a Materiality Map tool, helping companies identify critical disclosure topics and guiding investors on where to focus their attention.

Thanks to its industry-specific approach, SASB standards enable investors to evaluate and compare companies' sustainability performance based on sector-specific needs and risks. While designed to align with other global frameworks, SASB standards distinguish themselves by focusing on financial materiality, sector-specific reporting, and the priorities of users and investors.

Source : https://sasb.ifrs.org/find-your-industry/

Conclusion

Managing sustainability performance effectively is of critical importance to investors. SASB's sector-specific approach and standards play a key role in integrating sustainability issues into financial reporting, helping companies understand and manage their long-term value creation potential.

This holistic approach offers businesses a stronger foundation for evaluating both their financial and non-financial performance. SASB's emphasis on financial materiality and industry-specific standards enhances the quality and effectiveness of sustainability reporting, supporting investor confidence and informed decision-making.

SASB's framework contributes to the development of a more sustainable and responsible business environment, encouraging companies and investors to take meaningful and well-informed steps on sustainability issues. In essence, SASB's efforts focus on improving companies' long-term corporate performance and embedding sustainability considerations into core business strategies.

REFERENCES

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