

Appendices

Appendix 1: Sustainability Accounting Standards Board

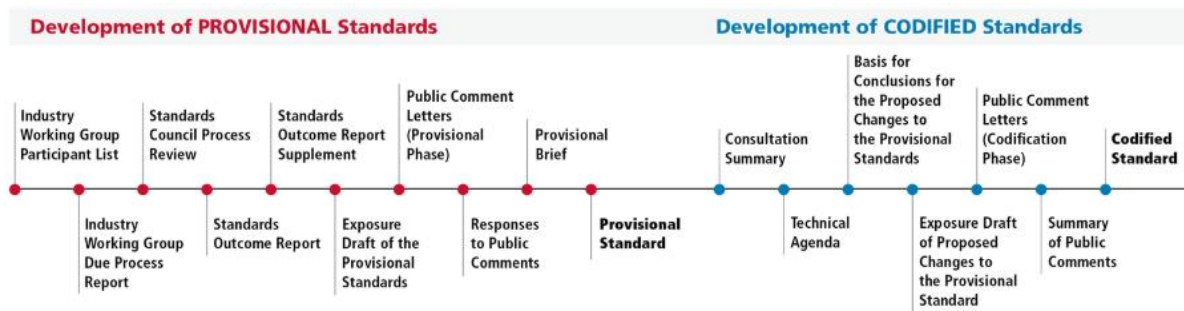
In this Appendix, I present how the Sustainability Accounting Standards Board has developed their material sustainability reporting standards.

SASB, which is an American 501(c)(3) not-for-profit organization, has developed sustainability accounting standards since it was founded in 2011. The organization develops sector- and industry specific sustainability accounting standards, which are designed for the disclosure of sustainability issues in companies' annual reports. Specifically, the SASB standards provide guidelines on how to report on material sustainability issues in mandatory SEC filings, such as the Form 10-K. Thus, SASB distinguishes between sustainability issues that are material and immaterial to each sector and industry.

Sustainability is an umbrella term, and it is often separated into categories. For instance, a common approach is to separate sustainability issues into the three pillars Environmental, Social and Governance (ESG). SASB, on the other hand, has separated sustainability into 26 business issues, categorized into five main dimensions. The sustainability dimensions covered by SASB are (1) environment, (2) social capital, (3) human capital, (4) business model & innovation, and (5) leadership & governance.

The Sustainability Accounting Standards Board has developed a set of 77 globally applicable industry-specific reporting standards (SASB, 2018b). Their current standards were published in late 2018 and were a result of a six-year-long development process (SASB, 2018c). Figure 4 illustrates SASB's reporting standard development process.

Figure 4. "Development of Reporting Standards", 2018c, by SASB.
(<https://www.sasb.org/standard-setting-process/>)



The standard setting process starts with the development of provisional standards that are in turn developed into so-called "codified standards" (SASB, 2018c). The industry working groups forms the initial foundation of each standard, and the industry working group participants are balanced between corporations, market participants, and other stakeholders (Khan et al., 2015). Thousands of industry experts and stakeholders take part in the development of the SASB standards (Khan et al., 2015).

The provisional standards are thoroughly tested before being presented to the public for a 90-day public comment period (Khan et al., 2015). Among other tests, the provisional standards are tested through a framework provided by McKinsey that identifies the financial impact on, among other things, revenues and assets for the industry that will be affected by the SASB standard (Khan et al., 2015). After the public comment period, the standards are reviewed by the Standard's Council before being made publicly available (Khan et al., 2015).