



What you need to know about the “new SASB”

In early June 2021, the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) merged to become the new Value Reporting Foundation (VRF). This new global organization marries the <IR> Framework – a principles-based framework that connects non-financial sustainability disclosure with financial and other capital reporting – and SASB’s 77 industry-focused disclosure standards and metrics.

Why merge? To simplify, standardize and globalize the field of corporate sustainability reporting, something for which investors and businesses have been calling for years.

Companies, investors and shareholders need credible, comprehensive and comparable ESG information in order to make decisions. Announcing their intention to merge in late 2020, the IIRC and SASB intend for their new integrated organization to accelerate global progress towards a unified corporate ESG reporting system.

As Amanda Medress, Director of Global Communications for SASB, explained in late 2020:

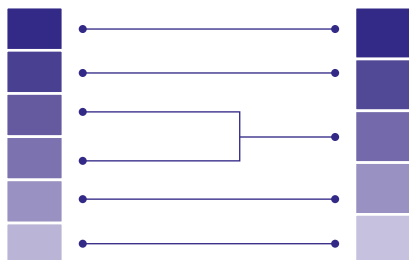
“The <IR> Framework and the SASB Standards are complementary tools for investor-focused communications. Together, the <IR> Framework and SASB Standards provide a more complete picture of long-term value creation while meeting investor needs for comparable, consistent, and reliable information... The <IR> Framework provides principles-based guidance for reporting structure and content, while SASB Standards provide specific metrics to help understand non-financial risks and opportunities in greater detail. When used together, integrated reporting creates the connectivity needed to understand the relationship between non-financial and financial performance, while SASB Standards enable the comparability and accountability needed to accurately assess the effectiveness of a company’s governance, strategic planning, and risk management.”

The <IR> Framework's six capitals and the SASB Standard's five sustainability dimensions are well aligned already and will be further developed in concert over time. Where the <IR> Framework has high-level, non-industry specific principles, the SASB Standards drill down into industry-specific ESG disclosure topics. And where the <IR> Framework connects sustainability and financial information, the SASB Standards allow the comparability of such information across peers.

Close Alignment Already Exists¹

<IR> Framework Capitals

Social and relationship capital
 Human capital
 Intellectual capital
 Manufactured capital
 Financial capital
 Natural capital



SASB Sustainability Dimensions

Social capital
 Human capital
 Business model and innovation
 Leadership and governance
 Environment

What does this merger mean for companies going forward?

- **Further <IR> Framework and SASB alignment.** While the new organization will have a Value Reporting Foundation Board, a new <IR> Framework Board will propose and oversee changes to the <IR> Framework. The existing SASB Standards Board will continue to oversee the process of changes to the SASB Standards according to the SASB Conceptual Framework and Rules of Procedure. The <IR> Framework and the SASB Standards will become more aligned over time.
- **More global scope for SASB.** SASB Standards and metrics will become less U.S. Securities Exchange Commission (SEC)-focused and more applicable globally.² While SASB staff remains U.S.-based, the IIRC was founded – and the VRF is headquartered – in the United Kingdom.
- **No requirement to report under both.** It remains up to companies whether or not they use both the <IR> Framework and the SASB Standards. The VRF will provide guidance on how to use them together.
- **Continued collaboration with the Global Reporting Initiative (GRI).** In mid-2020, SASB and GRI announced a **new collaboration** to make it easier for companies to report under both SASB and GRI. They envision sharing technical guidance in late 2021.

What remains to be seen is how future national and international sustainability reporting regulations will be informed by the work of the VRF. To date, reporting under the <IR> Framework and SASB Standards remain voluntary across the globe. Both the IIRC and SASB have supported global efforts to create a comprehensive corporate reporting system, and the VRF will continue that work.

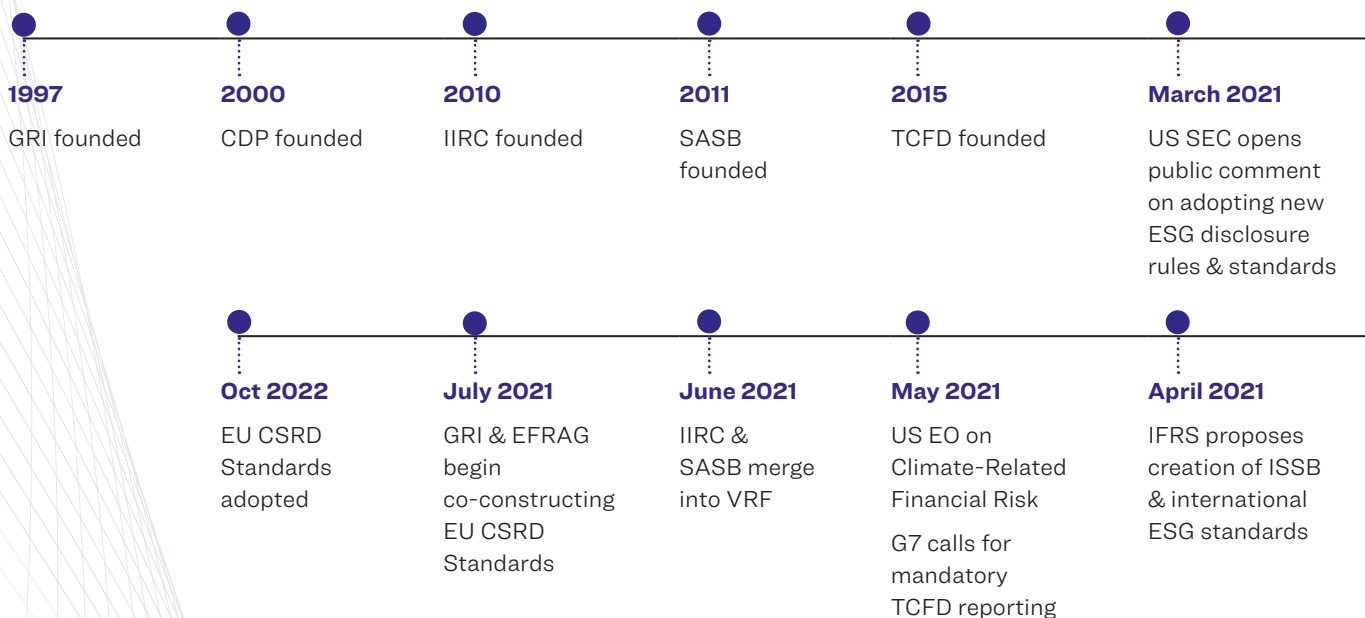
In early 2021, the Trustees of the **International Financial Reporting Standards (IFRS)** Foundation announced that public feedback they had gathered showed strong demand for IFRS to be involved in developing standardized international sustainability reporting standards, especially related to climate change. As a result, in April 2021 they outlined proposed amendments to the IFRS Foundation Constitution to create an International Sustainability Standards Board (ISSB). A chair and vice-chair of the proposed ISSB were named in July 2021, with public comment on the proposed constitutional amendments closing at the end of that month. In addition to the IIRC and SASB, the GRI, the Climate Disclosure Standards Board (CDSB), and the Climate Disclosure Project (CDP) have been collaborating with the IFRS Foundation throughout this process.

¹ Graphic adapted from The Value Reporting Foundation (International Integrated Reporting Council and Sustainability Accounting Standards Board) webinar “Strengthen your reporting: International <IR> Framework and SASB Standards” on April 27, 2021. Presenters: Janine Guillot, SASB CEO; Lisa French, IIRC Chief Technical Officer; Yuki Tomita, TEPCO Holdings, Inc., ESG Office; and Sherrie Trecker, Washington State Investment Board Technical Officer.

² SASB Summer 2021 Implementation Webinar Series, “Session 101: From Transparency to ESG Performance: Industry-specific Financial Impacts,” on June 8, 2021. Comment from Lynn Xia, Associate Director – Research, SASB.

ESG Development Timeline

Movement towards international standardization



At the same time, in April 2021 the European Commission adopted a proposal for a new [Corporate Sustainability Reporting Directive \(CSRD\)](#) to amend the existing Non-Financial Reporting Directive (NFRD), which requires certain large public-interest companies with more than 500 employees to disclose some ESG operational and management information like the treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards. The European Financial Reporting Advisory Group (EFRAG) issued a [roadmap](#) for developing a comprehensive set of EU sustainability reporting standards and began co-constructing the standards with the GRI in July 2021. Extending to all large companies and companies listed on regulated markets (except listed micro-enterprises), the new ESG standards will be more detailed than current voluntary standards, and information reported under them will require audit assurance and digital tagging. The new standards are set to be adopted by October 2022.

Recognizing the increased investor demand for climate change information from companies, the SEC began evaluating its own [ESG disclosure rules](#) – especially those related to climate risk – in 2020. The ESG Subcommittee of the SEC’s Asset Management Advisory Committee recommended adopting ESG standards under which corporate issuers would disclose material ESG risks, and [public comment](#) from investors, registrants and other market participants on SEC climate change disclosure rules and guidance opened in March 2021. Based on comments from SEC leadership, new ESG disclosure rules on climate risk, human capital management, board and workforce diversity and inclusion, and political spending activity could be released later in 2021.



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