



SASB Standards Application Guidance

VERSION 2018-10

1.0 Applicability

The *SASB Standards Application Guidance* applies to all SASB Sustainability Accounting Standards (“SASB standards” or “industry standards”). This guidance is incorporated by reference in each industry standard and is considered part of the standard itself.

SASB industry standards contain disclosure topics, associated accounting metrics and technical protocols, and activity metrics for each industry. Unless otherwise specified in the technical protocols, the guidance contained herein applies to the definitions, scope, implementation, compilation, and presentation of the accounting metrics.

SASB industry standards can be obtained at www.sasb.org/standards-overview/download-current-standards/.

1.1 Contextual Information and Additional Guidance

The SASB industry standards and the *SASB Standards Application Guidance* are subject to due process and governed by foundational documents: the *SASB Conceptual Framework* and the *SASB Rules of Procedure*. These documents, as well as other informational resources, can be found at sasb.org.

2.0 Standards Conformance

The term “shall” is used throughout the SASB standards to indicate those elements that reflect requirements of the standards. The term “should” is used to indicate guidance, which although not required, provides a recommended approach for the implementation of the standard. The term “may” is also used to indicate guidance that is not required, but provides an optional approach for the implementation of the standard.

Because the use of the SASB standards is voluntary, requirements of a standard (as indicated by “shall” clauses), along with the guidance contained herein, refer to those conditions that must be followed in order for disclosure to be in conformance with the applicable industry standard(s).

2.1 Identifying Use of the Standards

When reporting using a SASB standard, an entity shall cite the relevant SASB standard in order to be in conformance with the standard.

2.2 Omissions and Modifications

The SASB recognizes that standardized disclosures 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 entities. The SASB encourages entities to

use the standards to guide investor disclosures even in the event that certain disclosure topics and/or associated metrics must be omitted and/or modified.

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

If an entity believes it necessary to modify a metric, the entity shall disclose the fact that the metric was changed, as well as the rationale for the change.

3.0 Reporting Boundaries

The reporting boundaries for disclosures that conform with the SASB standards shall include all parent and subordinate entities that are consolidated for financial reporting purposes. Disclosures for consolidated entities shall not be adjusted for minority interests.

Unconsolidated entities shall be excluded from the reporting boundaries. However, the entity should disclose information about unconsolidated entities to the extent that the entity considers such information necessary to understand the effect of one or more SASB disclosure topics on the entity's financial condition or operating performance.

3.1 Reporting Entity and Related Terms

The terms "reporting entity" and "entity" are used interchangeably throughout the SASB standards. The terms have identical meaning. Consistent with the International Financial Reporting Standards (IFRS), a reporting entity is defined as an entity that chooses, or is required, to prepare financial statements. This definition also applies to the word "company."

4.0 Reporting Format

4.1 Use of Financial Data

In instances where accounting metrics (as defined by corresponding technical protocols) or activity metrics in a SASB standard incorporate financial data (e.g., revenues, cost of sales, expenses disclosed for fines, etc.), such financial data shall be consistent with the corresponding financial data reported in the entity's financial statements.

4.2 Activity Metrics and Normalization

The SASB recognizes that normalizing performance data is important for the analysis of disclosures pursuant to the SASB standards. Therefore, SASB industry standards contain activity metrics that are designed to assist in the accurate evaluation and comparability of reporting. An entity may disclose additional business data for this same purpose in conjunction with its disclosures pursuant to the SASB standards.

4.3 Units of Measure

Unless otherwise specified, reporting should be in International System of Units (SI units).

When reporting currency is specified as the unit of measure, the entity shall use the reporting currency in its financial statements.

4.4 Uncertainty

The SASB recognizes that there may be uncertainty when measuring or reporting certain sustainability information. This uncertainty may be related to variables such as a reliance on data from third-party reporting systems, or emerging technologies for the collection and management of environmental and other data. Where uncertainty around data reporting exists, the entity should discuss its nature and likelihood.

4.5 Estimates

The SASB recognizes that scientifically based estimates, such as the reliance on certain conversion factors or the exclusion of de minimis values, may occur for certain quantitative disclosures. Where appropriate, the SASB does not discourage the use of estimates, ranges, or the exclusion of de minimis values. When using an estimate or range or excluding a de minimis value, the entity should discuss its nature and substantiate its basis for inclusion in an effort to provide a meaningful and relevant accounting of the metric.

4.6 Reporting Period

Unless otherwise specified, the reporting period shall correspond to the entity's fiscal year(s).

5.0 Governance, Internal Control, and Assurance

Disclosure to investors should be accurate and reliable. Accordingly, a reporting entity should design, implement, and maintain a system of governance around developing and disclosing sustainability information—including management involvement, board oversight, and internal control—that is substantially similar to what it uses for financial reporting. Furthermore, SASB standards are designed to serve as a basis for suitable criteria if an entity chooses to seek third-party assurance.

When disclosing information related to a disclosure topic identified by the standards, entities should consider including a narrative description of material factors necessary to ensure completeness, accuracy, and comparability of the data reported, as appropriate. Such a description may provide context to quantitative information. The narrative description may include a discussion of the following:

- a. The entity's governance around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.
- b. The entity's strategic approach regarding actual and potential impacts of topic-related risks and opportunities on the organization's businesses, strategy, and financial planning, over the short, medium, and long term.
- c. The entity's process to identify, assess, and manage topic-related risks, and how these risks are integrated into the entity's overall risk management process.
- d. The entity's use of metrics or targets to assess and manage topic-related risks and opportunities.

6.0 Reference updates

SASB standards refer to, or incorporate by reference, laws, statutes, and third-party guidelines, protocols, standards, publications, and other references. Because such references may be revised from time to time, entities are encouraged to consider incorporating an updated reference in their application of the standard. An entity that incorporates an updated reference shall disclose this fact and the rationale.

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