

Sustainability Accounting Standards Board Develops Industry Standards of Sustainability Disclosure for SEC Filings

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Following up on our earlier [report](#), yet another group is determined to require public companies to disclose sustainability issues in SEC filings. The Sustainability Accounting Standards Board (SASB) held a conference recently to discuss its standard-setting process. While its name invokes an immediate similarity to FASB, SASB has no official designation, although its advisory council includes an impressive list of industry, sustainability and financial professionals affiliated with Deutsche Bank, ISS, J.P. Morgan, Goldman Sachs, Morgan Stanley, BlackRock, AllianceBernstein, CalPERS, Ernst & Young, PwC and McKinsey, among others.

After being informed by the SEC of its reluctance to consider a separate line item requirement for environmental, social and governance (ESG) disclosure because of differences among industry sectors, SASB has begun drafting, and plans to adopt by the second quarter of 2015, ESG disclosure standards for 88 different industries in 10 sectors: (i) health care; (ii) financials; (iii) technology & communications; (iv) non-renewable resources; (v) transportation; (vi) services; (vii) resource transformation; (viii) consumption; (ix) renewable resources & alternative energy; and (x) infrastructure. Once released, SASB will request that the SEC adopt these standards, with the goal of requiring this disclosure in MD&As for Form 10-Ks and Form 20-Fs.

Conference panelists included Sandy Frucher, Vice Chairman of the NASDAQ OMX Group, and Bob Herz, FASB Chairman. NASDAQ is also involved with similar attempts by the Ceres-led investor group working to effect listing standards. Mr. Frucher stressed that “nonfinancial [ESG disclosure] is essential for investors to make a decision” and that there is a need for a “uniform standard.”

SASB reportedly meets with the SEC quarterly, and is also working with the PCAOB to devise standards to develop external auditing of sustainability disclosure. Lest companies think that these efforts will not have any impact, companies may recall that the 2010 SEC interpretive guidance on climate change disclosure was largely driven by Ceres.

SASB invites interested companies to join their industry standards working groups, and has published a [timeline](#) of its plans for releasing exposure drafts by industry for public comment. The current financials industry working group represent companies with more than \$1.3 trillion market cap, including Morgan Stanley, Bank of America and Citigroup, and investors with more than \$5 trillion in assets under management.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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