

CREELMAN LAMBERT

After FASB comes SASB—what it means to you

BY DAVID CREELMAN AND ANDREW LAMBERT (2012)

Having raised \$3 million in just two months, work is under way to raise an additional \$10 million dollars over three years to launch an organization mirroring the Financial Accounting Standards Board (FASB). The new organization is the Sustainability Accounting Standards Board (SASB). Whereas FASB focuses on financial accounting, SASB will cover a much broader range of factors—including human capital.

While work on non-financial reporting has a long history, the \$10+ million investment adds a new dimension of seriousness and perhaps ‘non-ignorability’. The initial investment might even be seen as small potatoes. FASB has annual revenues of \$50 million; if SASB can work up a decent business model they can drive a lot of progress on non-financial reporting.

SASB has added weight because of the involvement of BlackRock, the world’s largest asset manager. Whether BlackRock is deeply serious about this—or just keeping a hand in—remains to be seen. However, if BlackRock believes in SASB they have the clout to make things happen.

What it means to organizations

Many corporations have already felt compelled to produce a social responsibility report (CSR). These CSR reports can be long; even hundreds of pages long. Meanwhile many experts believe there should be improved reporting on non-financial factors like human capital. Does this mean we need a Human Capital Report in addition to the Financial Report and CSR?

While we are definitely heading towards additional non-financial reporting, people have come to recognize that we need *better* reporting not just *more* reporting. SASB, and others, are attempting to do just that with a streamlined integrated approach.

What you need to do

To some extent organizations will just be carried along by the wave of whatever powerful stakeholders end up asking for. Some organizations will recognize they can promote their value by reporting non-financial data, this sets expectations that others will eventually need to match.

However, being entirely reactive is rarely the best course of action. Organizations should become familiar with the sorts of non-financial data being asked for and start collecting it, then interpreting it for internal use. Just as with CSR, we can expect this movement to unroll slowly over the years; it is unlikely to go away, so getting involved makes sense.

Our domain at Creelman Lambert is human capital reporting and we recommend starting within the HR function, moving it up to C-suite, and then the Board. If you follow this path, when SASB comes knocking you will be ready. Call us.

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