Meet SASB: Why Sustainability Metrics Are Smart for Nonprofits

By Lewis Sharpstone, CPA

I want to tell you about a relatively new standard-setting body that is shaking up the way entities communicate with their stakeholders called the Sustainability Accounting Standards Board (SASB). There are several lessons from the SASB that the nonprofit sector can use to deepen and improve the way they tell their stories.

What is SASB?

SASB's mission is "to develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors." SASB takes an interesting approach by developing a specific set of sustainability metrics for each industry by collaborating and engaging in discussion with many companies and stakeholders.

The chair of the SASB Board is Michael Bloomberg, and the governing board consists of notable professionals, including former chairman of the Securities and Exchange Commission (SEC) Mary Schapiro and the former chairman of the Financial Accounting Standards Board (FASB) Bob Herz. The board members, without exception, are highly successful visionaries in their fields, many of whom have also dedicated large portions of their lives to public service.

To illustrate SASB's work and mission, consider the two primary documents GE publishes each year to demonstrate accountability to stakeholders: Its annual Form 10-K and its Integrated Summary Report. In contrast to the 10-K, which is required by the SEC to publicize annual financial results and aims to demonstrate profitability, the GE Integrated Summary Report is voluntary. In the first 24 hours after it was published, the GE Integrated Summary Report was downloaded more than 2,400 times. So, what is it? In GE's own words, it "links strategy, performance, board oversight, compensation and sustainability in a single document." Sustainability is such a driver of value at GE that it has its own website. Again, in its own words, "Sustainability at GE means aligning our business strategy to meet societal needs, while minimizing environmental impact and advancing social development."

If downloads are any indication, the public and potential investors care deeply about sustainability metrics in addition to the company's bottom line. The old notion that the job of corporate management is solely to maximize shareholder profits is already dead. Historically, little else drove company value beyond profits, and balance sheets comprised mainly tangible assets. To increase company value today, management teams are also focused on corporate social responsibility and reputation, which in turn is tied to how a company treats the environment, its employees and the community. SASB aims both to encourage companies to expand their disclosures beyond the limited story told by financial metrics and to standardize such metrics. Because stakeholders care about a variety of sustainability metrics, disclosing that information voluntarily gives investors and consumers better comparability among companies. For entities, measuring and reporting against the standards helps management gain alignment on the sustainability factors that are most likely to drive value.

The SASB standards call for each company that wishes to adopt the sustainability disclosures and standards to do so in a thoughtful and methodical manner, and SASB has developed numerous resources to assist. Companies will go through a process to select applicable and relevant sustainability topics, assess the current state of their disclosure and develop processes to gather the data they need. From there, they typically embed SASB standards into their reporting model and then present the information.

Across 12 broad industry categories, SASB has conducted an evidence-based standard-setting process for 78 subsectors. For example, restaurants are encouraged to disclose more than a dozen key sustainability metrics including, among others, energy consumed per customer, percentage of energy consumed that is renewable energy, water consumed per customer, percentage of food waste, percentage of food purchased meeting social sourcing standards and percentage of eggs purchased from cage-free sources. For a complete list of the items covered for each of these industries, I'd encourage readers to explore SASB's site here.

What does this mean for nonprofits?

First, it's important to understand that SASB's mission is very narrow: to assist public companies with sustainability reporting. While assisting nonprofits is not in its mission, there are important takeaways in our view. Nonprofits can—and should—engage in the same thoughtful and methodical process to figure out what their stakeholders really want to know about them, and then report accordingly. Just as investors in the for-profit world are placing more emphasis on intangible assets, donors value more than pure financial measures of success when evaluating and comparing nonprofits. For example, returning to SASB's standards for restaurants: nonprofits that provide meals to the homeless or to seniors may find donors and stakeholders to be interested in sustainable food sourcing practices or cage-free egg use and might benefit from adding such disclosure. By taking their disclosures beyond purely financial measures, nonprofits might be able to better communicate their unique story.

The emergence of SASB is also indicative of a much broader trend around the shrinking divide between nonprofit and for-profit organizations. Some for-profit businesses now describe themselves as "mission-driven" or "values-driven." Simultaneously, nonprofits have come to accept that they need to focus more on having profits or surpluses to remain viable. The historic lines between for-profits and nonprofits are blurring and may even be gone soon. Like the term "charity" before it, many have argued the term "nonprofit" could become a dinosaur.

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SASB's use of the term "sustainability" straddles the nonprofit/for-profit line in a new, out-of-the box-way. First, it evokes the notion of reporting the broader effects of an organization's activities on our planet. Nonprofits and for-profits alike could benefit by considering which sustainability disclosures their stakeholders want to see. Second, it evokes the notion of reporting the potential longer-term effects of an organization's decisions on its own sustainability. Going back to the sustainable food sourcing example, a nonprofit providing meals for the homeless that has the thoughtfulness and foresight to use sustainable sourcing and cage-free eggs is likely to have greater long term prospects for self-sustainability than another organization that doesn't consider those things.

Inspired by SASB, I'd suggest it's time to start the ball rolling and encourage the nonprofit sector to develop some sustainability metrics. Nonprofits would be wise to stay ahead of this trend by measuring and showcasing their sustainable practices and the positive impact of their activities, or they could be left behind. Mission is, and always has been, the backbone of nearly every nonprofit organization, and just like in the for-profit world, adopting sustainable values can be a differentiator for nonprofits, regardless of their area of focus.

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