RSM

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM Albazie & Co. ESG Newsletter

Unlocking Material Value: SASB Standards and GCC's Sustainability Evolution



Content

Items		Page
1.	Introduction	3
2.	Overview of how SASB standards evolved	4
3.	What are the key features of the SASB standards?	5
4.	Alignment with other ESG reporting frameworks	6
5.	How to use the SASB standards for your company	7
6.	Extent of SASB standards applied by GCC companies for ESG reporting	10
7.	SASB standards' relevance to GCC Regulations	12
8.	Way forward: a sustainable GCC future	13
9.	How We Can Help	14
10.	Conclusion	15
11.	Disclaimer	16
12.	Notes	16

Introduction

i. The Gulf Cooperation Council (GCC) is undergoing a significant shift towards integrating Environmental, Social, and Governance (ESG) principles into its business and investment landscape. In this dynamic landscape where economic ambition meets global sustainability imperatives, with evolving investor expectations and progressive regulatory frameworks, companies are positioning themselves as leaders in responsible business practices.

ii. In a region where oil and gas giants, ambitious construction projects, and cutting-edge healthcare providers coexist, sustainability reporting is poised to become a cornerstone of corporate accountability, with established industry-specific standards issued by the SASB (Sustainability Accounting Standards Board) becoming pivotal in driving industry-specific and material disclosures. This is reshaping the GCC's sustainability narrative and provides a clear lens through which to view industry-specific risks and opportunities and understanding material ESG factors.

iii. The International Monetary Fund (IMF) in its December 2024 report on GCC Economic Prospects and Policy challenges states "More challenging medium-term risks, especially in the context of geoeconomic fragmentation and climate change, call for action on policy priorities to continue to strengthen the private sector and to diversify the economy".

iv.This newsletter explores GCC's ESG evolution, with a focus on SASB adoption, challenges, and opportunities. Whether you're a company CEO navigating the complexities of compliance with applicable standards, or an investor looking for true ESG performance, this newsletter provides insights to make informed decisions. It can help management to consider recalibrating strategies in an evolving sustainability landscape that is becoming increasingly sensitive to industry-specific sustainability risks and contributing to net zero pledges.

v. We'll also delve into how technology like AI and blockchain is revolutionizing ESG reporting. Get ready to move beyond generic sustainability reports and unlock the material value that drives genuine and impactful change.

» [Refer to Note No.1: https://www.imf.org/en/Publications/Policy-Papers/Issues/2024/12/19/Gulf-Cooperation-Council-Pursuing-Visions-Amid-Geopolitical-Turbulence-Economic-Prospects-559734]

» [Refer to Note No. 2: www.weforum.org]



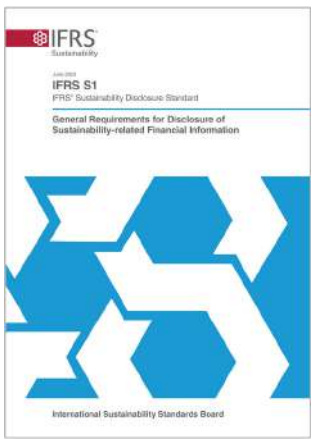
Overview of how SASB standards evolved

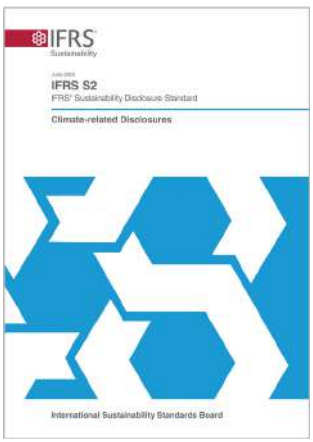
a) Historically, **SASB** is a non-profit organization founded in 2011 in the US and intended to provide standards for companies to use in their Form **10K** (annual report) filing under SEC (Securities & Exchange Commission) regulations. Its core mission was to develop industry-specific sustainability accounting standards that companies could use to disclose financially material ESG information to investors.

b) Since August 2022, SASB has been part of the IFRS Foundation and the ISSB (International Sustainability Standards Board), which issued the first international sustainability standards IFRS S1 – General, and S2 –Climate-specific in June 2023. It sought to establish a baseline to facilitate early adoption and comparability between diverse standards and frameworks being used by companies globally.

c) **SASB** standards are used by thousands of companies globally, including the vast majority of large-cap companies in the S&P Global 1200, for their sustainability reporting and this number is growing after SASB standards became an integral part of IFRS S1 and S2 standards.

d) These standards serve as an ESG guidance framework, to identify sustainability issues that might impact financial performance and enterprise value for companies across 79 industries to disclose sustainability risks and opportunities.





» [Refer to Note No. 3: www.sec.gov]
» [Refer to Note No. 4: www.ifrs.org for SASB standards]



What are the key features of the SASB standards?

Global Applicability:
Provides globally relevant, reliable, and comparable sustainability disclosures for investors, with metrics continuously updated for broader use.

Financial Materiality:
Focuses on ESG issues that are most impactful to a company's financial performance across 79 industries, highlighting information that could alter risk profiles or capital allocation.

Evidence-Based:
Establishes financial impacts of sustainability issues through external evidence, considering regulatory, environmental, and financial drivers for each industry.

Industry-Specificity:
Improves disclosure of industry-specific ESG issues, recognizing that sustainability matters vary across sectors.

Market-Informed:
Incorporates input from companies, investors, and other market participants to ensure relevant industry disclosures.

Materiality Definition & Tools:

- Defines materiality based on industry nuances, differentiating it from broader frameworks like TCFD (Task Force on Climate-related Financial Disclosures) and IIRC (International Integrated Reporting Council).
- Offers a Materiality Map (categorizing 26 issues across five dimensions) and a Materiality Finder (comparing industry disclosures).

For companies, SASB standards facilitate investor-aligned, comparable, and financially material sustainability disclosures, complementing other ESG frameworks. Whereas for investors, the standards enable the integration of material financial sustainability considerations into global investment decisions.

These standards provide a practical industry-specific tool for implementing principle-based ESG reporting frameworks, such as the TCFD and IIRC. SASB's framework is built to support companies in sharing their outward ESG impacts in the language of investors, creditors, and other financial stakeholders.

» [Refer to Note No.5: www.ifrs.org/issued-standards/industry-based-standards/]



Alignment with other ESG reporting frameworks

The **SASB** standards complement the Global Reporting Initiative (GRI) standards, and many companies use a combination of SASB, GRI and TCFD to meet the information needs of multiple stakeholders and audiences. The alignment in further detail is as follows:

i. SASB and TCFD

SASB provides industry-specific metrics for TCFD implementation, offering a practical tool for climate-related financial disclosure. While TCFD addresses climate risks and opportunities broadly, SASB focuses on material financial, industry-specific ESG information.

ii. SASB and ISSB

The Value Reporting Foundation, including SASB, is consolidated into the IFRS Foundation's ISSB. ISSB leverages TCFD recommendations and SASB's industry-based approach to promote transparency and simplification in sustainability reporting.

iii.SASB and GRI

The Value Reporting Foundation, including SASB, is consolidated into the IFRS Foundation's ISSB. ISSB leverages TCFD recommendations and SASB's industry-based approach to promote transparency and simplification in sustainability reporting.

» [Refer to Note No.6: www.fsb-tcfd.org]

» [Refer to Note No.7: www.ifrs.org (for ISSB and SASB)]

» [Refer to Note No.8: www.globalreporting.org]

How to use the SASB standards for your company

These SASB standards include (a) disclosure topics and (b) accounting metrics across 5 key dimensions of sustainability, set out in further detail as follows:

a) The 5 Key Dimensions of Sustainability

These dimensions provide a broad categorization of sustainability issues. They are:

- **Environment:** Focuses on a company's impact on the natural environment, including areas like greenhouse gas emissions, water management, and waste.
- **Social Capital:** Addresses a company's relationships with and impact on society, including issues like customer privacy, product safety, and community relations.
- **Human Capital:** Covers a company's management of its workforce, including areas like labor practices, employee health and safety, and diversity and inclusion.
- **Business Model and Innovation:** Examines how a company's business model and innovation efforts contribute to sustainability, including product design, supply chain management, and research and development.
- **Leadership and Governance:** Addresses the company's governance structure, ethics, and risk management practices, including board composition, executive compensation, and anti-corruption policies.

b) The Disclosure Topics

i) Within each of the 5 dimensions, SASB identifies specific disclosure topics that are likely to be financially material for a particular industry. These topics represent the key sustainability issues that companies should disclose to investors. The general areas that a company should report will vary by industry.

ii) For example, under the "Environment" dimension, disclosure topics might include "Greenhouse Gas Emissions" or "Water Management." Under the same environmental dimension, an Oil and Gas company will have very different disclosure topics to a Technology company.

iii) To find specific disclosure topics, it is best to use the **SASB materiality map**, or the **SASB materiality finder**.

c) The Accounting Metrics

i) For each disclosure topic, SASB provides specific accounting metrics that companies should use to measure and report their performance. These metrics are quantitative and designed to be comparable across companies within the same industry.

ii) The accounting metrics are the actual way that a company measures and reports on the disclosure topics. Again, the range of accounting metrics will vary by industry.

Environment Dimension:

- **Emissions Management and carbon accounting:**
  - Metric: "Scope 1 GHG Emissions" or "Scope 2 GHG Emissions" under the "Greenhouse Gas Emissions" disclosure topic.
- **Water Management (for industries with high water usage):**
  - Metric: "Total Water Withdrawal" (measured in cubic meters). This metric provides insight into a company's water consumption and potential water stress risks.
  - Metric: "Percentage of Water Recycled and Reused." This metric helps to understand how much water a company is able to reprocess.
- **Waste & Hazardous Materials Management (for manufacturing or resource extraction):**
  - Metric: "Total Amount of Hazardous Waste Generated" (measured in metric tons). This metric indicates the environmental waste impact of a company's operations.
  - Metric: "Percentage of Hazardous Waste Recycled." This metric shows the company's commitment to reducing waste.

Social Capital Dimension:

- **Customer Privacy (for technology or financial services):**
  - Metric: "Number of Data Breaches Involving Customer Information." This metric highlights potential risks to customer trust and regulatory compliance.
  - Metric: "Number of Customers Affected by Data Breaches." This metric shows the scale of the impact of data breaches.
- **Product Safety (for consumer goods or food and beverage):**
  - Metric: "Number of Product Recalls." This metric indicates potential risks to customer safety and brand reputation.
  - Metric: "Monetary value of fines for non-compliance with product safety regulations." This metric shows the financial impact of not properly ensuring product safety.

Human Capital Dimension:

- **Labor Practices (for any industry):**
  - Metric: "Employee Turnover Rate." This metric can indicate employee satisfaction and retention.
  - Metric: "Percentage of Employees Covered by Collective Bargaining Agreements." This metric shows the relationship between the company and its employees.
- **Diversity and Inclusion (for any industry):**
  - Metric: "Percentage of Women in Management Positions." This metric indicates progress towards gender diversity in leadership.

» [Refer to Note No.9: www.ifrs.org - IFRS Foundation, SASB website]

» [Refer to Note No.10: www.ghgprotocol.org]

How It Works Together

- SASB's industry-specific standards identify the most relevant disclosure topics and accounting metrics for each industry.
- Companies use these standards to measure and report their sustainability performance in a way that is consistent and comparable.
- Investors use this information to assess the financial risks and opportunities associated with a company's sustainability performance.

Why Is This Structure Important?

Focus on Materiality: The framework ensures that companies focus on the sustainability issues that are most relevant to their financial performance.

Comparability: The use of standardized metrics allows investors to compare the sustainability performance of companies within the same industry.

Decision-Usefulness: The information provided is designed to be decision-useful for investors, helping them make informed investment decisions.



Extent of SASB standards applied by GCC companies for ESG reporting

Regional Adoption

An overall review of regional sustainability reports, investor surveys, and ESG data providers indicates that while GRI and TCFD remain widely used, SASB is increasingly recognized for its focus on financially material ESG factors.

Companies in sectors like energy, finance, and materials are leading SASB adoption to meet investor demands.

a) Challenges in SASB Adoption

i) Data Availability and Accuracy

Limited access to reliable, industry-specific ESG data can hinder SASB reporting. Quantificationis particularly challenging for industries with a high level of indirect or Scope 3 emissions (for example 80-90 % as in the Banking and Investment sector), that often span complex offshore value chains traceable to less developed countries.

ii) Workforce Expertise

Shortage of professionals with expertise in SASB and industry-specific ESG reporting. As this service is evolving in GCC, and sustainability reporting standards and frameworks are not yet mandatory for many companies, it is still to attract career interest for many, as several better structured and established options are available to job aspirants.

iii) Regulatory Divergence

While moving towards standardization, some regional divergence persists, as a review of legal publications and regulatory comparative studies indicates.

iv) Greenwashing Risks

Without robust data and verification, there is a risk of misrepresenting ESG performance by companies trying to unethically improve brand value.

v) Energy Transition Barriers

- **Abundance of Fossil Fuels:** The widespread availability and low cost of oil and gas create economic disincentives for large-scale, rapid adoption of wind and solar energy.
- **Infrastructure Dependence:** Existing infrastructure is heavily reliant on fossil fuels, requiring significant investment to transition.

vi) GCC Oil & Gas (O&G) Sector Challenges in SASB Adoption

- **Economic Reliance vs. Net-Zero Pledges:** Major GCC O&G producers face the challenge of balancing their economic dependence on fossil fuels with global sustainability demands and net-zero commitments.
- **NOC Dominance & Reporting Practices:** The dominant role of National Oil Companies (NOCs), often public or quasi-public, leads to reporting practices that may not fully align with transparency and the detailed requirements for publicly listed companies.
- **Energy Transition & Resource Utilization:** While investing in renewables, GCC countries strive to adapt to the global energy transition while continuing to utilize their natural resources, creating a complex balance.
- **Pressure & Gradual Transition:** Growing pressure from investors, organizations, and regulations will drive future transparency, but the O&G sector's transition in these economies will be gradual.

(b) Opportunities: Driving Sustainable Value

- **Enhanced Investor Confidence:** The SASB standards, being integral to IFRS sustainability standards, offer a pathway for companies to enhance the quality of their sustainability disclosures, improve transparency and attract ESG-conscious investors.
- **Improved Risk Management:** Identifying and managing material ESG risks through SASB can strengthen business resilience.
- **Competitive Advantage:** Leading in SASB reporting can enhance a company's reputation and attract talent.
- **Technology-Driven ESG:**



AI for Data Analysis: AI-powered analytics can process vast amounts of ESG data, identify trends, and improve reporting accuracy.



Blockchain for Transparency: Blockchain technology can enhance the traceability and verification of ESG data, reducing greenwashing risks.



Data Analytics for Scope 3: Advanced data analytics can improve the quantification of Scope 3 emissions by leveraging supplier data and industry benchmarks.

- **Diversification and Future-Proofing:**
  - **Strategic Renewable Investments:** Even with abundant O&G, strategic investments in wind and solar can diversify energy portfolios and prepare for a lower-carbon future.
  - **Hydrogen Development:** Utilizing renewable energy to produce green hydrogen can create new export opportunities and decarbonize heavy industries.

SASB standards' relevance to GCC Regulations

Although SASB standards are not yet mandatory in GCC countries, they are now part of IFRS S1 and S2 along with TCFD. These standards have been issued for larger companies by capital market regulators and central banks who are encouraging listed companies to adopt sustainability reporting with an industry-specific approach to identify and address significant sustainability risks. Hence it is gaining increasing traction as a valuable framework for companies to disclose financially material sustainability information. Here is a broad overview of the regulatory status in each GCC country:

Kuwait

Boursa Kuwait has issued ESG reporting guidelines, encouraging listed companies to adopt best practices in sustainability disclosure. While not explicitly mandating SASB, sustainability reporting has now been mandated for premier market companies for 2025. Reporting guidelines align with the principles of SASB by emphasizing the importance of material non-financial information.

Saudi Arabia

Tadawul, the Saudi Stock Exchange, has launched sustainability disclosure guidelines, promoting greater ESG reporting among listed companies. These guidelines encourage alignment with globally recognized frameworks, including SASB.

UAE

The Securities and Commodities Authority (SCA) has made ESG reporting mandatory for listed companies. While the specific framework is not mandated, SASB is widely recognized as a leading standard for disclosing material financial information at an industry specific level.

Muscat Stock Exchange (MSX)

The Muscat Stock Exchange has now mandated ESG reporting for publicly listed companies from 2025 and has previously been taking steps to encourage ESG reporting among listed companies, aligning with its Vision 2040 which emphasizes sustainability as a key pillar.

Central Bank of Bahrain (CBB)

The CBB, as the regulator of the financial sector, has issued requirements for listed banks and investment houses to disclose ESG-related information. Bahrain Bourse also issued guidelines, or listing rules, that encourage or require sustainability reporting.

The focus of COP28 in the UAE was on the need for increased transparency in addressing climate change issues, and this will likely lead to further tightening of ESG regulations. There is growing recognition that ESG factors are financially material, and that this recognition is driving change.

» Source: Websites of Capital market regulators, including – Tadawul, Boursa Kuwait, MSX etc. [Refer to Note No.14: www.cop28.com]

Way forward: a sustainable GCC future

Technology Integration



Leveraging AI and ESG reporting platforms to streamline SASB disclosures.



Implementing blockchain solutions for enhanced data integrity and transparency.



Using data analytics to improve quantification and reporting of GHG emissions.

Capacity Building



Investing in training and education to build ESG expertise in the region.



Focusing on training related to data analytics, AI, and blockchain for ESG.



Renewable Energy Education: Promoting training programs on wind and solar energy technologies and project development.

Stakeholder Collaboration



Engaging with investors, regulators, and industry peers to advance SASB adoption.



Collaborating on developing industry-specific methodologies for Scope 3 emissions quantification.



Energy Policy Dialogue: Participating in discussions on energy policy and renewable energy incentives.

Continuous Improvement



ESG reporting is an ongoing process, and companies should continually refine their disclosures.



Adopting technology solutions to improve data quality and reporting efficiency.



Phased Energy Transition: Recognizing the need for a phased approach to the energy transition, balancing economic realities with sustainability goals.

By acknowledging the energy realities of the GCC, we can create a more nuanced and realistic discussion about ESG and sustainability in the region.

How We Can Help

RSM Kuwait is committed to supporting our business community in navigating the complexities of ESG integration. Our team of experts can assist in various services such as, but not limited to:



ESG Strategy Development

Assessing the entity's current ESG performance, setting ambitious targets, and developing a roadmap for implementation.



IFRS S1 and S2 Compliance

Ensuring the entity's sustainability reporting disclosures meet the new standards, reducing risk, building investor confidence, and improving accountability and transparency.



Risk Assessment and Implementation Support

These include GAP analysis, identifying and quantifying climate-related and other material sustainability risks to your business. It also involves collecting data to analyze, quantify, manage, and disclose the risks and opportunities.



Sustainable Reporting Solutions

Assisting entities in implementing sustainability reporting systems for meeting disclosure requirements and sharing innovative technology-driven SASB industry best practices that can reduce carbon footprint and align with ESG principles.



Underwriting Services

Evaluating sustainability performance of entities or projects for investment purposes, to advise on funding sustainability projects including through corporate finance, issuing green bonds, or in line with evolving practices.

To stay ahead of the curve, contact RSM Kuwait today to explore how we can support your company in developing and implementing comprehensive industry-specific sustainability reporting systems, and proactively drive long-term value creation.

» [Refer to Note No. 15: www.rsm.global (Search for RSM Kuwait's ESG services)]

Conclusion

GCC companies can assume a lead role in decarbonization and ESG adoption to attain sustainable growth that aligns with their corporate strategy and goals. However, there is also an urgent need for focused ESG initiatives from companies to view sustainability as a catalyst for transformation, through the following:

Beyond Compliance: Move beyond mere compliance and adopt a proactive approach to ESG integration.

Embrace Frameworks: Utilize established ESG frameworks such as IFRS S1 and S2, TCFD, SASB, GRI, and the GHG Protocol to enhance transparency and comparability, and to align with evolving standards.

Set Ambitious Targets: Measure and manage risks by adopting more sustainable practices in risk management as mandated by Government regulations and industry associations, such as energy-efficient building codes and renewable energy.

Set Science-based Targets: To improve emission reduction and sustainability performance, aligning with the Paris Agreement and national goals.

Collaborate and Innovate: Collaborate with government, employees, and other stakeholders to drive innovation and accelerate progress toward a sustainable future.

» [Refer to Note No.16 : www.unglobalcompact.org]



Disclaimer

RSM Albazie & Co. is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and advisory firm.

This newsletter is intended to provide general information and insights on environmental, social, and governance (ESG) developments relevant to using SASB standards for sustainability reporting in the GCC region. While the utmost care has been taken by RSM Albazie & Co., in compiling this presentation, its contents are not intended to be a substitute for professional advice or to serve as a basis for formulating any business or other decisions.

This publication is therefore intended for information purposes only and neither RSM Albazie & Co., nor its affiliates, accept liability for any direct, indirect, or consequential losses arising from its use or for any errors or omissions contained herein.

Readers must seek professional advice regarding specific issues before making any decision.

Reference Notes

1. MF Report of Dec.2024 – https://www.imf.org/en/Publications/Policy-Papers/Issues/2024/12/19/Gulf-Cooperation-Council-Pursuing-Visions-Amid-Geopolitical-Turbulence-Economic-Prospects-559734
2. www.weforum.org (Search for "blockchain ESG" or "AI ESG reporting")
3. www.sec.gov
4. www.ifrs.org for SASB standards
5. www.ifrs.org/issued-standards/industry-based-standards/
6. www.fsb-tcfd.org
7. www.ifrs.org (for ISSB and SASB)
8.www.globalreporting.org
9. www.ifrs.org (IFRS Foundation, SASB website)
10. www.ghgprotocol.org
11. www.msci.com
12. www.morningstar.com/company/sustainalytics
13. www.irena.org
14. www.cop28.com
15. www.rsm.global
16. www.unglobalcompact.org



RSM Kuwait
Arraya Tower, Floors: 41 & 42, Abdulaziz Hamad Alsaqar Street, Sharq, P. O. Box 2115, Safat 13022, Kuwait
T: +965 22961000
F: +965 22412761
E: connect@rsm.com.kw
W: www.rsm.global/kuwait

RSM Albazie Consulting W.L.L. is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM Albazie Consulting W.L.L., 2025