

IFRS Sustainability Developments

ISSB proposes to improve international applicability of SASB Standards

What you need to know

- ▶ On 11 May 2023, the ISSB published the Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*
- ▶ The ISSB is seeking feedback on its proposed methodology to enhance the international applicability of non-climate related metrics in the SASB Standards
- ▶ In addition, the SASB Standards Taxonomy will be amended in line with the amendments made to the SASB Standards
- ▶ The comment period ends on 9 August 2023

Introduction

The International Sustainability Standards Board (ISSB) is seeking public comment on its proposed methodology to enhance the international applicability of non-climate related metrics in the Sustainability Accounting Standards Board's (SASB) Standards by removing jurisdiction-specific content from those Standards. The improvements are being proposed because entities that apply IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) (expected to be finalised in June 2023) will be required to consider the SASB Standards when identifying non-climate sustainability-related risks and opportunities and disclosing non-climate related metrics. Those sustainability topics include air emissions, biodiversity, community engagement and human capital management.

The ISSB's proposals are contained in the Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*, which was published on 11 May 2023. The comment period ends on 9 August 2023. Comments can be submitted either via the online survey (preferred) or by writing a comment letter.

Background

The ISSB has assumed responsibility for SASB Standards following the consolidation of the IFRS Foundation and the Value Reporting Foundation in August 2022. The SASB Standards consist of 77 industry-based standards containing disclosure requirements for sustainability-related financial information in each industry. Each SASB Standard contains disclosure topics focused on specific sustainability-related risks or opportunities within a given industry, as well as metrics associated with each disclosure topic.

The ISSB has identified that a small subset of the SASB Standards incorporate references to specific jurisdictional laws and regulations which may not be globally applicable, and may, introduce regional bias, increase application costs, and decrease the comparability and decision-usefulness of the resulting disclosures.

To address those concerns, the proposed improvements are designed to ensure that an entity can apply the SASB Standards regardless of the jurisdiction in which it operates or the type of generally accepted accounting principles it applies. Furthermore, the proposed improvements are intended to preserve the structure, completeness and intent of the SASB Standards such that an entity that is already using the SASB Standards should be able to continue to provide the same disclosures even after the SASB Standards are amended using this methodology.

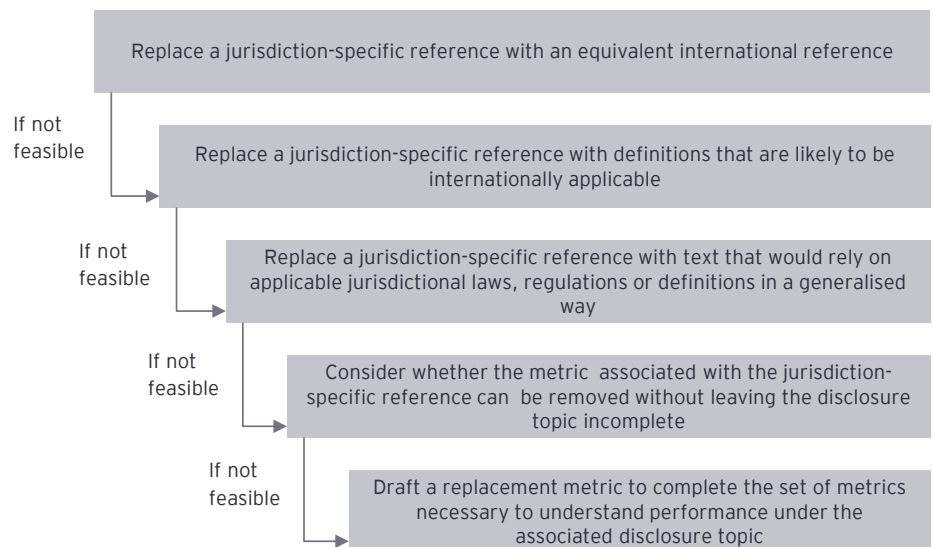
The Methodology Exposure Draft

The focus of this Exposure Draft is on non-climate-related metrics because amendments to enhance the international applicability of climate-related disclosures in the SASB Standards had already been proposed in Appendix B of the Exposure Draft IFRS S2 *Climate-related Disclosures*, and will be incorporated into the final Standard (also expected in June 2023).

Publishing an Exposure Draft to invite comments on the methodology that the ISSB proposes to apply to amend the SASB Standards rather than to detail each amendment in an exposure draft is a departure from the usual due process applied by the IFRS Foundation. The ISSB has explained that it is inviting comments on the methodology’s narrow scope so that important updates can be made to the SASB Standards across a significant volume of content in a timely manner. We understand that the ISSB’s objective is to issue the updated SASB Standards by the end of 2023 in order for entities around the world to be able to reference the SASB Standards when implementing IFRS S1 from its effective date of 1 January 2024.

The methodology is focused on procedural revisions to the content of the SASB Standards’ metrics. The ISSB intends to avoid making substantive amendments to the metrics in order to preserve the decision-usefulness of the SASB Standards for users of general purpose financial reports and to avoid increasing the costs of application for preparers. The methodology proposed in this Exposure Draft builds upon the methodology used in the Exposure Draft on IFRS S2 to enhance the international applicability of the climate-related industry disclosure requirements derived from SASB Standards.

The proposed methodology for making revisions to non-climate related metrics in SASB Standards can be broadly summarised, as follows:



Appendix B of the Exposure Draft includes illustrative examples of the application of the methodology. The table below has an extract of some of these examples, showing how the ISSB proposes that the methodology should apply.

Revision approach	Example
<p>Replace with an equivalent international reference</p>	<p>A SASB Standard metric for the number of reported cases of silicosis affecting an entity’s employees currently refers to a definition of ‘silicosis’ from the US Code of Federal Regulations (US 29 CFR 1910.1053 Appendix B), which applies only in the USA.</p> <p>Applying the methodology approach, this definition would be replaced with a definition from the World Health Organization’s International Classification of Diseases, which applies globally.</p>
<p>Replace with definitions that are likely to be internationally applicable</p>	<p>A SASB Standard metric for the percentage of technical employees who are H-1B visa holders, which is a category specific to US immigration law. Technical employees are identified according to employee categorisations in the US Bureau of Labour Statistic’s Standard Occupation Classification system.</p> <p>Applying the methodology approach, the reference to visa holders would be replaced with term ‘foreign nationals’ and the definition of technical employees would be generalised.</p>
<p>Replace with text that would rely on applicable jurisdictional laws, regulations or definitions in a generalised way</p>	<p>A SASB Standard metric for the number of corrective actions implemented for landfill releases refers to the achievement of groundwater protection standards specified in US federal regulations, which apply only in the USA.</p> <p>Applying the methodology approach, the metric is revised to refer to groundwater protection standards “as defined in accordance with applicable jurisdictional laws or regulations”, because internationally accepted definitions that focus on similar actions have not been identified by the ISSB. In addition, an entity disclosing this metric would need to disclose the applicable jurisdictional laws or regulations used to define corrective actions.</p>

Appendix C of the Exposure Draft illustrates how two sets of representative metrics from two different industries could be amended, when applying the proposed methodology.

SASB Standards Taxonomy updates

The SASB Standards Taxonomy will be amended in line with the amendments made to the SASB Standards. Until this is done, the ISSB plans to provide a “blacklined” version of the original and amended wording in the relevant SASB Standards, to facilitate mapping.

Next steps

After considering the feedback on the Exposure Draft, the ISSB plans to issue amendments to the SASB Standards in good time in order to facilitate the application and implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

How we see it

We support the ISSB's efforts to make internationalised versions of the SASB Standards available for use from the effective date of IFRS S1 on 1 January 2024, given the importance of the SASB Standards as a primary source of guidance in IFRS S1. We note however that there may be consequences for the endorsement processes that some jurisdictions need to follow so that IFRS Sustainability Disclosure Standards can be accepted into local law. We, therefore, encourage entities to engage in the comment letter process and to offer their views.

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ED None

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