ISSB proposed methodology to enhance international applicability of SASB Standards

ISSB exposure draft public consultation

Comments due by 9 August 2023 via ifrs.org

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# Overview

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• **Sustainability-related factors** are an important part of investment decision-making

• These factors are central to how companies plan, manage and report

• **IFRS S1** = general requirements to communicate sustainability-related risks and opportunities to investors

• **IFRS S2** = climate-related disclosures used with conjunction with IFRS S1

**Effective date: 1 January 2024**
Build on existing investor-focused standards & frameworks

Consolidated into the IFRS Foundation

INTEGRATED REPORTING
SASB STANDARDS
CDSB Climate Disclosure Standards Board
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
Sustainability information tailored to user needs

Other corporate reporting (multi-stakeholder focus)

Sustainability-related financial disclosures
GAAP-agnostic

Financial statements

Integrated Reporting

Investor focused general-purpose financial reporting

Information needs are not static and can change over time
A truly global baseline of sustainability disclosures

- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

ISSB Standards

- can be added to meet jurisdiction-specific requirements
- can be added to meet broader multi-stakeholder needs

Additional building blocks
ISSB Standards recognise the value of industry-specific disclosures

- **IFRS S1** asks companies to consider the industry-based SASB Standards for topics beyond climate to identify sustainability risks or opportunities and disclosures
- **IFRS S2** requires industry-specific climate-related disclosures and provides illustrative guidance derived from SASB Standards to support that effort
IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

- Disclosure of material information about sustainability-related risks and opportunities with the financial statements to meet investor information needs
- Applies TCFD architecture to providing sustainability information
- Requires industry-specific disclosures
- For matters other than climate (IFRS S2) refers to sources to help companies identify sustainability-related risks and opportunities
- Can be used with any accounting requirements (GAAP)
IFRS S1 Guidance: developing sustainability-related disclosures

Which risks & opportunities?

To identify relevant risks and opportunities, a company uses ISSB Standards and shall consider:

• SASB Standards

A company may also consider:

• CDSB Framework Application Guidance
• industry practice
• materials of investor-focused standard setters

Which information?

To identify disclosure information, a company uses ISSB Standards, for non-climate related matters, shall consider:

• SASB Standards

A company may also consider, to the extent it meets investor information needs:

• European Sustainability Reporting Standards
• CDSB Framework Application Guidance
• GRI Standards
• industry practice
• materials of investor-focused standard setters
Looking ahead

Commitment to improve

• connections with financial statements
• jurisdictional & voluntary initiative interoperability

Implement IFRS S1 and IFRS S2

• digital taxonomy
• raise awareness and build capacity
• regulatory adoption and voluntary application

Work to

• enhance and maintain the SASB Standards
• research natural and social capital disclosures

Consultation on agenda priorities RFI
Public comment period open until 1 September 2023
Methodology Exposure Draft - SASB international applicability

Methodology objectives and constraints

- Support IFRS S1 implementation (Jan 2024)
- Focus on non-climate-related SASB Standards metrics
- Identify metrics with substantive jurisdiction-specific terms
- Improve global usefulness & ease of application cost-effectively
- Preserve original metric structure and intent (current users)
- Use five cascading revision approaches and in combination
- Remove & replace jurisdiction-specific references narrowly

First step in the longer-term ISSB work
Public comment period open until 9 August 2023
Applying the methodology (~200 metrics identified)

- 35% of proposed metric revisions apply a combination of Revision Approach 2 & 3
- 20% of proposed metric revisions rely solely on Revision Approach 2
- 9% metrics have been identified as likely removals under Approach 4, with 5 potential new metrics (Approach 5)
SASB Standards (XRBL) Taxonomy update

-Digitally tagging elements of SASB Standards simplifies investor data collection & analysis
-Update proposed in the Methodology Exposure Draft permits staff to change the SASB Standards Taxonomy to reflect future Standards amendments
-XRBL interoperability is a function of the data structures and specific data involved

-EFRAG requests a harmonisation of the ISSB and ESRS sector-specific digital taxonomies
- Digital taxonomy’s role in fostering framework interoperability should not be overstated
Share your feedback on ISSB’s proposed methodology to enhance the international applicability of the SASB Standards

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