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# ISSB proposed methodology to enhance international applicability of SASB Standards

ISSB exposure draft public consultation

***Comments due by 9 August 2023 via [ifrs.org](https://www.ifrs.org)***

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# Overview

1. Introduction

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2. IFRS S1 & S2

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3. Looking forward

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4. Methodology Exposure Draft

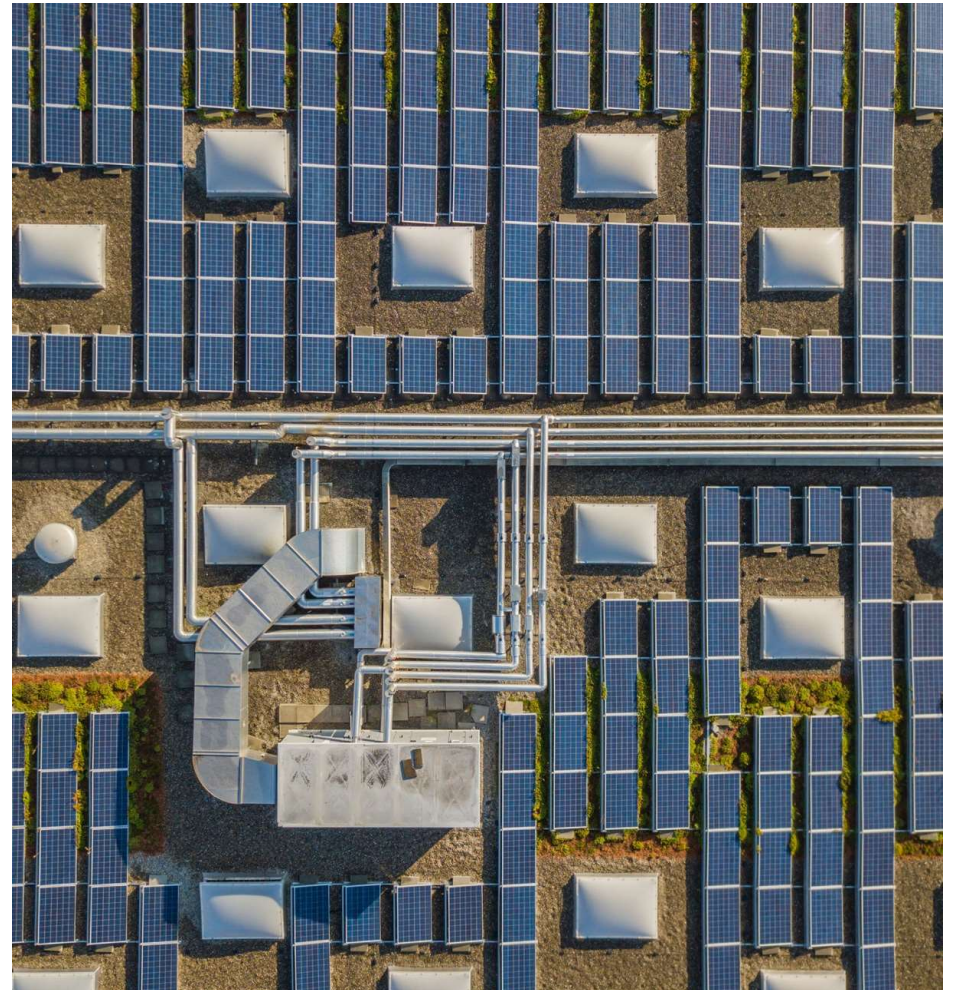
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5. Q&A

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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**



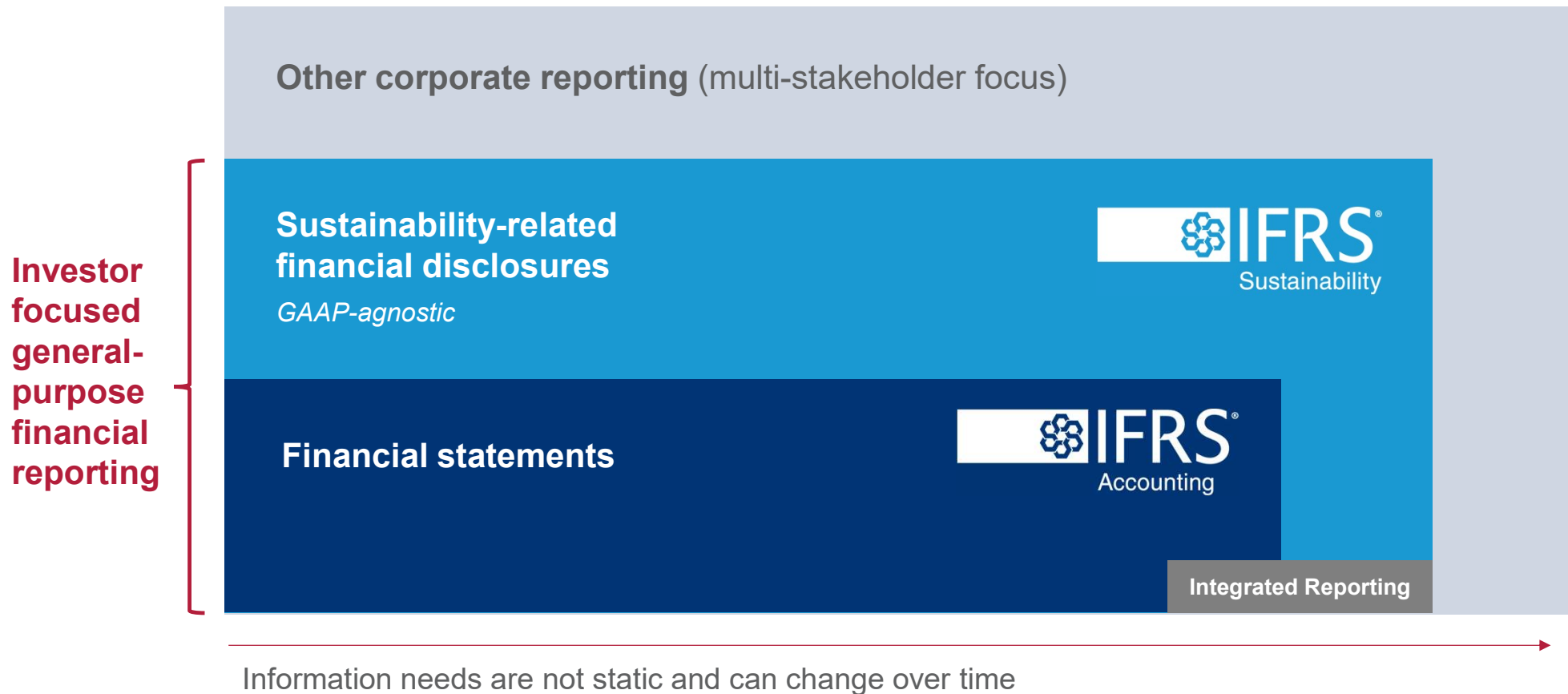
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## Build on existing investor-focused standards & frameworks

Consolidated into the IFRS Foundation



# Sustainability information tailored to user needs



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# A truly global baseline of sustainability disclosures

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

additional  
building blocks



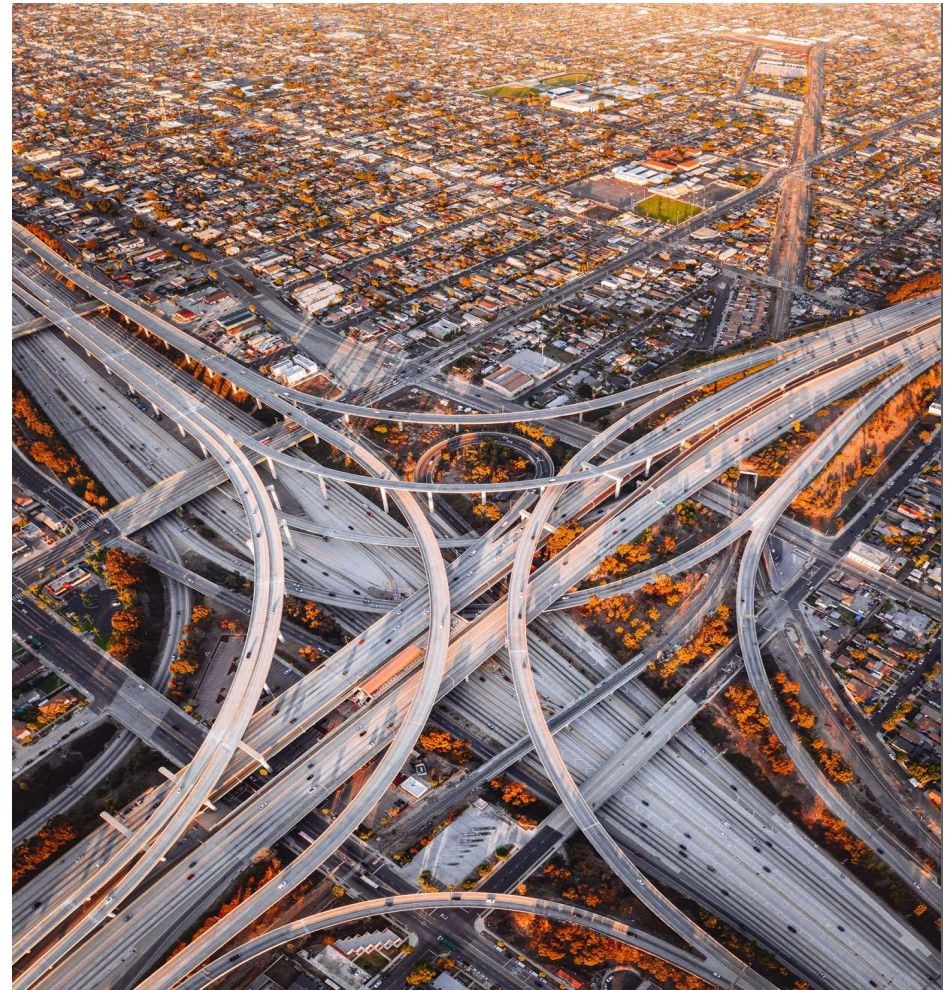
## ISSB Standards

- 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

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## 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



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# 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)**



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# 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

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# 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

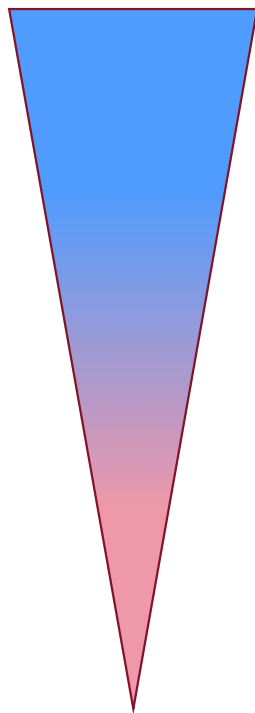


# Methodology Exposure Draft - SASB international applicability

## Revision Approaches

1	International reference
2	By definition
3	Jurisdictional specification
4	Remove
5	Replace

## Order of Preference



## Methodology objectives and constraints

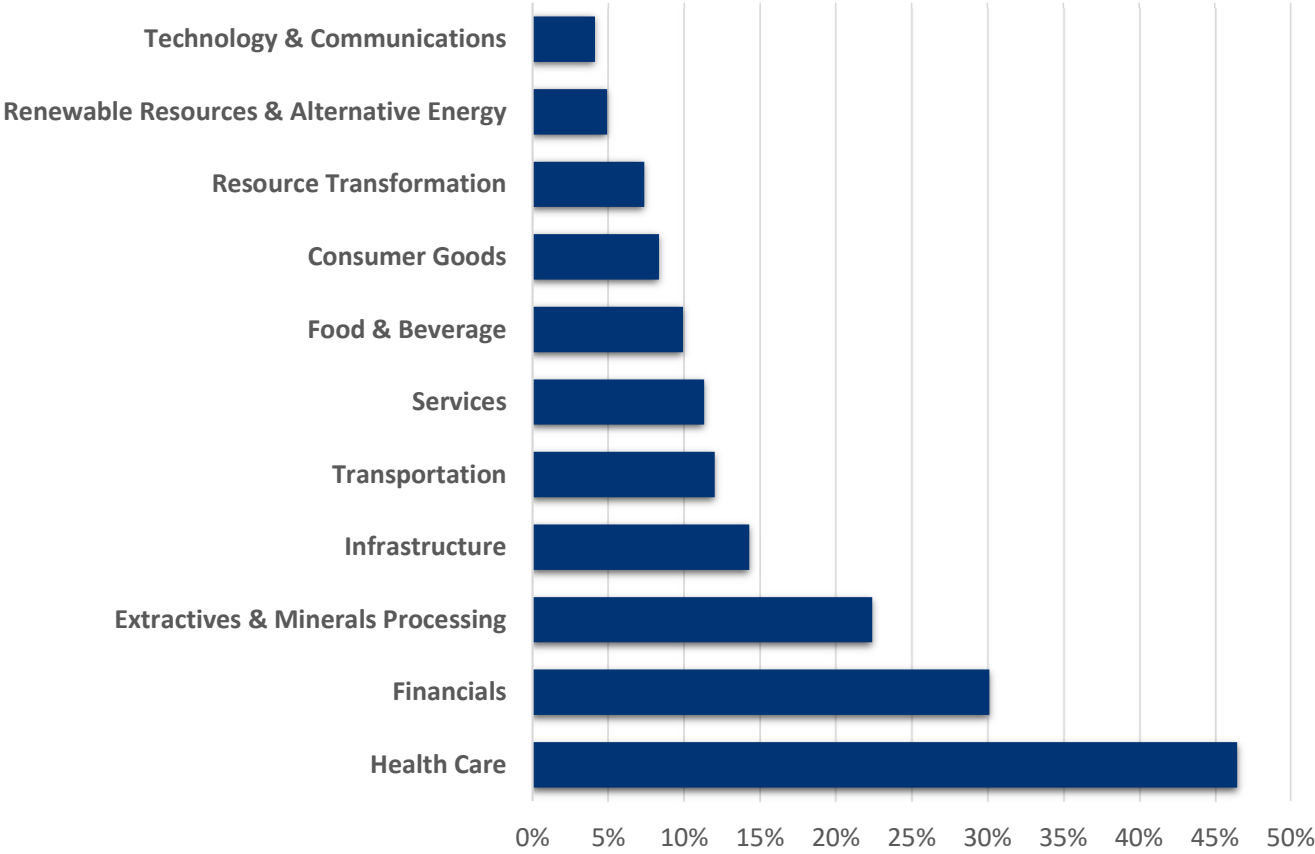
- Support IFRS S1 implementation (Jan 2024)
- Focus on non-climate-related SASB Standards metrics
- Identify metrics with substantive jurisdiction-specific terms
- Improve global usefulness & ease of application cost-effectively
- Preserve original metric structure and intent (current users)
- Use five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

Share of metrics w/ substantive int'l challenges, by sector



- **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)

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## 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
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# Share your feedback

on ISSB's proposed methodology to  
enhance the international applicability  
of the SASB Standards

*Comments due by 9 August 2023*