



METHODOLOGY FOR ENHANCING THE INTERNATIONAL APPLICABILITY OF THE SASB STANDARDS AND SASB STANDARDS TAXONOMY UPDATES

Issued 21 July 2023

ICAEW welcomes the opportunity to comment on the Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates published by the ISSB on 11 May 2023, a copy of which is available from this [link](#).

For questions on this response please contact the ICAEW Corporate Reporting Faculty at frf@icaew.com quoting ICAEW REP 72/23.

This response of 21 July 2023 has been prepared by the ICAEW Corporate Reporting Faculty. Recognised internationally as a leading authority on corporate reporting, the faculty, through its Financial and Non-Financial Reporting Committee, is responsible for formulating ICAEW policy on financial and non-financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The faculty provides an extensive range of services to its members including providing practical assistance with common corporate reporting problems.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 166,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2023

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

PROPOSED APPROACH IS SENSIBLE AND APPROPRIATE

1. We agree that there is a need for the International Sustainability Standards Board (ISSB) to undertake this limited exercise to enhance the international applicability of the Sustainability Accounting Standards Board (SASB) Standards. As IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires reporters to consider the SASB Standards in the absence of specific ISSB Standards, it is important that the SASB Standards are fit for purpose regardless of a reporting entity's jurisdiction. We also agree that time is of the essence and that this exercise needs to be completed before IFRS S1 becomes effective.
2. We believe that the proposed methodology in paragraph 9 of the Exposure Draft sets out a clear and logical hierarchy of approaches in which to take when updating the SASB Standards for the above purpose. In some circumstances, we think the approach might result in requirements that are less specific than the original requirements. This is understandable given the need for the standards to be internationally applicable. However, in order to ensure the final requirements do not lack clarity, we encourage the ISSB to include examples that may be jurisdiction specific to help illustrate what is expected.
3. In agreeing with the approach proposed, this should not be taken to mean that we think this is the final step in the process of incorporating industry specific requirements into the ISSB architecture – we believe that significant work is still required (see paragraphs 7-14). Given the need for speed and efficiency, we understand the reasoning behind the due process steps set out in paragraph IN10 of the Exposure Draft. However, we do not expect this mechanism to be applied for future amendments.

SUPPORT EXISTING SASB REPORTERS

4. Given the approach described in the Exposure Draft, we do not believe there are likely to be many significant changes affecting existing SASB Standards reporters, nonetheless there may still be some changes. Paragraph 8 of the Exposure Draft states that '*...an entity already using the SASB Standards could continue to provide the same disclosures irrespective of whether the SASB Standards are amended using this methodology*'. We are not convinced this would be true in all instances, for example, paragraph 9(e) which replaces jurisdiction specific metrics with something that preserves the integrity of the metric – this may not necessarily result in the same disclosure. In such instances, the ISSB should consider assessing the cost impact on reporters.
5. When the revision approach described in paragraph 9(a) is applied and a suitable international metric is used to replace a jurisdiction-specific metric, existing SASB Standards reporters may be unsure as to whether they are able to continue reporting the metric in the same way as they have previously. This is a further reason to suggest that the ISSB include examples to clearly demonstrate its expectation.
6. It is important that the ISSB provides a clear and timely schedule of the changes before those changes become effective so that reporters who are already using the SASB Standards are able to assess the impact on their individual reporting in time to apply them. Consideration may need to be given to transitional reliefs for existing reporters.

WIDER VISION FOR INDUSTRY SPECIFIC REQUIREMENTS

7. We are of the strong view that this enhancement project should only be viewed as a temporary measure while a wider vision and clear strategy for formally incorporating industry specific requirements into the ISSB architecture is articulated by the ISSB. Some aspects of

this wider vision and considerations for the ISSB when setting its strategy are discussed below.

Understanding the future architecture

8. Industry-specific considerations, based on content from the SASB Standards, have been included in IFRS S2 *Climate-related Disclosures*. Developing and finalising other topic-specific standards is likely to take some time and so we believe the ISSB should clearly set out its intention for the SASB Standards while these developments are progressing. We think that the SASB Standards form a natural basis for bringing industry-specific content into the IFRS Sustainability Disclosure Standards, but believe it is important the ISSB articulates clearly how industry-specific content is intended to fit in the overall architecture of its standards rather than maintaining the SASB Standards as a separate framework. In this context, we highlight paragraph BC23 in the Basis for Conclusions of IFRS S1 which explains how respondents welcomed the plan to consolidate several standards and frameworks to develop a single set of high-quality sustainability disclosure standards.
9. If the SASB Standards are intended to continue in their current form and structure for an extended period, it would be helpful to understand how the ISSB plans to remove duplication and/or highlight interoperability with IFRS S1 to help reporters understand how the SASB Standards connect with the ISSB Standards. In our view, removing duplication and highlighting interoperability would be a valuable exercise.

Guidance or mandatory requirements

10. It is well accepted that investors and other primary users believe that industry-specific disclosures are an essential factor that help them to understand and assess an entity. Therefore, integrating industry-specific requirements should be an integral part of the ISSB's strategy. When articulating this, the ISSB needs to be clear about its intention around keeping the industry guidance as something to consider when making decisions about what to disclose, or if the intention is to ultimately make the industry requirements mandatory. Should a more prescriptive approach be the ISSB's direction of travel, this significantly changes the lens through which the industry-based guidance is viewed.
11. We would be keen to emphasise that if the decision were made to make the SASB Standards mandatory at some point in the future, we would expect that sufficient due process would be followed and that the industry-specific requirements are properly exposed for stakeholder comment at that stage.

Develop a system for determining relevance

12. We think the ISSB should clarify what the system or approach is going to be to maintain and update the industry specific content. SASB undertook a rigorous process to determine disclosure topics that could be relevant to different industries, but we are not aware that this process has been refreshed since.
13. Matters relevant to specific industries may well have shifted with the backdrop of changes presented by the global pandemic, the energy crisis and ongoing geopolitical instability, reflecting the dynamic nature of sustainability matters. This needs to be reflected in industry specific disclosure requirements and we believe there needs to be a process for keeping the guidance relevant and up-to-date.

Further internationalisation

14. Internationalising the SASB Standards should be more than simply addressing jurisdiction-specific metrics and references. In our response to the IFRS S2 Exposure Draft, we

described our concern that the underlying research and development conducted when producing the SASB Standards has a US focus and does not necessarily address disclosure topics that might be more pertinent outside of the US environment. This concern remains, as well as whether or not the way in which the industries are split are reflective of global operations. We believe those tasked with reviewing and maintaining the industry specific content must be able to draw on experience of territories outside of the US.

15. To be clear, we would not want the aspects described above to slow down or interrupt the process of enhancing the international applicability of the SASB Standards as set out in this Exposure Draft. We also believe the scope of this exercise is (and should remain) constrained so that it can be achieved quickly. However, in our view, making progress towards presenting a clear ISSB vision for industry-specific requirements is an essential priority going forward.