
ISSB Meeting

Date **October 2022**
Topic **Industry-based materials**
Contacts **Greg Waters** (greg.waters@ifrs.org)
Devon Bonney (devon.bonney@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board (ISSB). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

Objective

1. The objective of this paper is to:
 - (a) discuss and begin alignment around the strategy for integrating industry-based materials into IFRS Sustainability Disclosure Standards; and
 - (b) discuss the staff's summary of and the staff's draft plan for navigating decisions the ISSB will need to make regarding:
 - (i) the role of the SASB Standards in Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* ([draft] S1);
 - (ii) the industry-based requirements in Appendix B of Exposure Draft IFRS S2 *Climate-related Disclosures* ([draft] S2);
 - (iii) improving the international applicability of the SASB Standards;
 - (iv) the ISSB's upcoming consultation on Agenda Priorities; and
 - (v) advancing SASB projects inherited by the ISSB.
2. The ISSB's input in this session will inform the staff's recommendations in future papers related to points (i)-(v) above.
3. The staff is not asking the ISSB to make any decisions in this meeting. While this paper contains a set of the staff's initial recommendations regarding items (i)-(v) above, these recommendations are intended primarily to draw attention to the ways in which the ISSB's decisions on these matters are interconnected.

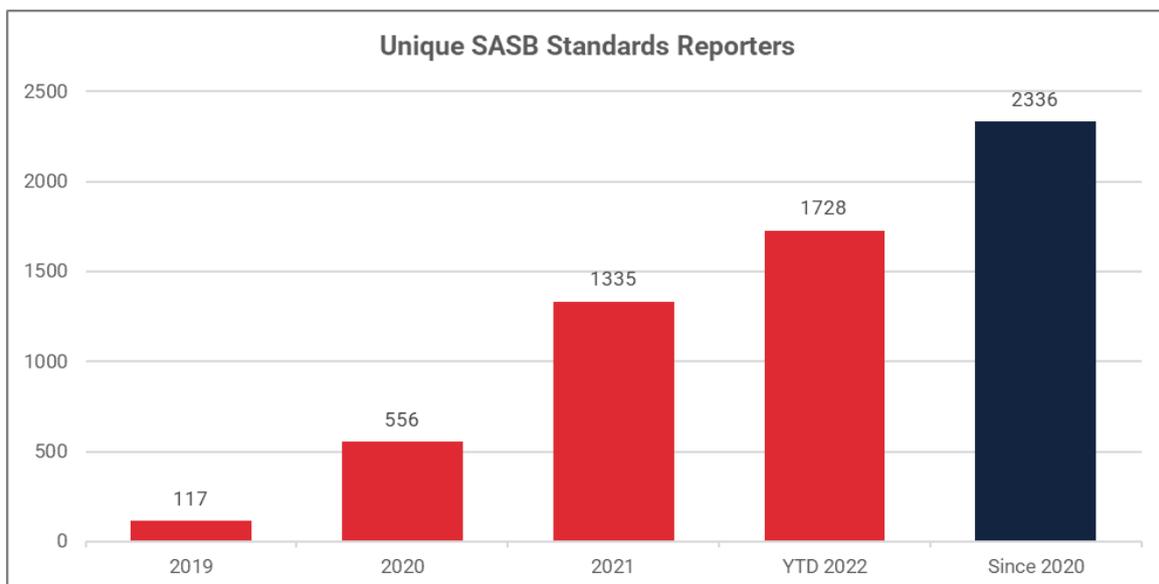
Structure of the paper

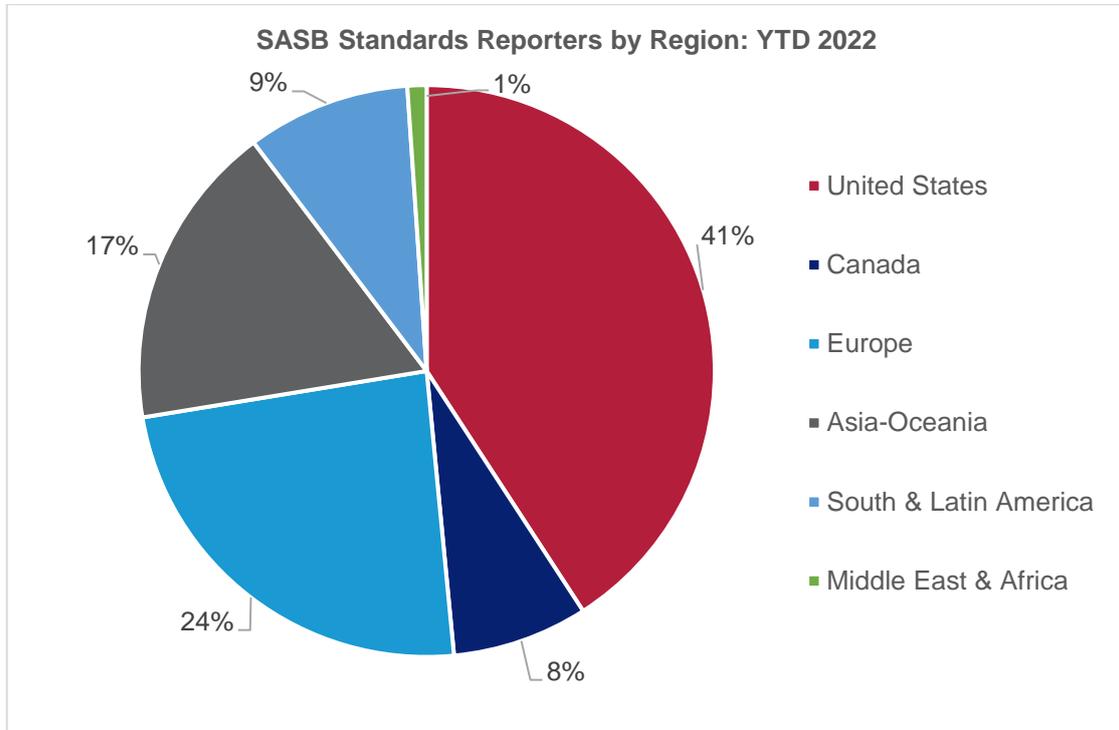
4. The paper is structured as follows:
 - (a) Background;
 - (b) Summary of feedback received regarding industry-based materials;
 - (c) The staff's analysis of decisions the ISSB will be required to make related to industry-based materials in future meetings;

- (d) The staff’s description of and rationale for a draft plan to advance industry-based materials under the ISSB across various projects;
- (e) Questions for the ISSB; and
- (f) Next steps.

Background

5. There exist a number of organisations dedicated to developing standards and frameworks regarding corporate disclosure of sustainability information. In connection with the establishment of the ISSB, two of these organisations—the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (home to the SASB Standards and the <IR> Framework)—consolidated into the IFRS Foundation. Several other organisations in the sustainability disclosure space—namely the Task Force on Climate-related Financial Disclosures (TCFD) and the World Economic Forum—were involved in the establishment of the ISSB, including through their participation in the Technical Readiness Working Group, which produced the prototypes that were a basis for the ISSB exposure drafts released in March 2022.
6. While most sustainability standards and frameworks produce guidance that is generally agnostic to business model, the SASB Standards are predominantly known for being the only sustainability standards that primarily use industry as the basis from which standards are developed. Following the consolidation of the Value Reporting Foundation (VRF) into the IFRS Foundation on August 1, 2022, the ISSB is now the steward of the SASB Standards.
7. Between January 1, 2020, August 31, 2022, 2,336 companies across 68 markets used the SASB Standards to produce sustainability disclosures. Two jurisdictions—Chile and Colombia—will soon require disclosures aligned with both the TCFD recommendations and SASB Standards from publicly listed companies.





8. From a user perspective, 380 organisations across 31 markets license the SASB Standards, often in the form of embedding them into investment decision-making processes. The SASB Standards are also supported by the ISSB Investor Advisory Group (IIAG), a group of over 60 global investors with global portfolios representing more than US\$53 trillion in assets as of May 2022.
9. On March 31, 2022, the ISSB Chair and Vice-Chair communicated plans for building upon the SASB Standards and for embedding SASB’s industry-based approach into the ISSB’s standards development process. This decision was based on the industry-based approach being valued by investors for producing decision-useful information and by preparers for producing cost-effective standards. The communication listed six ways in which the ISSB planned to pursue these objectives:
 - (a) Embedding the industry-based approach used by the SASB into the ISSB’s standard-setting process.
 - (b) Inclusion of the SASB Standards in the exposure drafts for S1 and S2:
 - (i) The industry-based requirements in [draft] S2 were derived from the SASB Standards.
 - (ii) In the absence of specific IFRS Sustainability Disclosure requirements, [draft] S1 requires companies to consider the SASB Standards to identify sustainability-related risks and opportunities and to develop appropriate disclosures.
 - (c) The ISSB committed to improving the international applicability of SASB Standards as part of its initial work plan. For example, [draft] S2 includes proposals to improve the applicability of SASB’s climate-related disclosure topics and metrics. The work to improve the international applicability of the remaining content beyond climate has been transitioned to the ISSB with the aim of producing proposed changes to the SASB Standards as soon as practicable.
 - (d) The Chair and Vice-Chair stated that the SASB Standards will serve as the starting point for the ISSB’s industry-based requirements.

- (e) Active SASB projects have been transitioned to the ISSB, which the IFRS Foundation continues to progress. The consultation on the ISSB's agenda priorities will inform the detailed delivery plan for these projects.
 - (f) The Chair and Vice-Chair actively encouraged preparers and users to continue to provide full support for and use of the SASB Standards during the transition phase.
10. With respect to items c) and e) above, Agenda Paper 2 for this meeting, regarding the ISSB's consultation on Agenda Priorities discusses the staff's recommendation that these projects inherited from the SASB Standards Board be included as part of the proposed work to build on the foundation established by S1 and S2, once finalised.
11. During the consultation period for [draft] S1 and [draft] S2, the ISSB solicited views on industry-based materials, including:
- (a) the proposed industry-based requirements contained in Appendix B of [draft] S2; and
 - (b) the SASB Standards, which were proposed as non-mandatory guidance for identifying and disclosing information regarding sustainability-related risks & opportunities in [draft] S1.
12. The staff believe that the ISSB's planning regarding the pathway to industry-based requirements should be informed by reviewing relevant feedback received on the two exposure drafts. As discussed in further detail below in paragraphs 13-20, respondents shared a variety of viewpoints regarding industry-specific disclosures in general, and the SASB Standards and the proposed industry-based requirements more specifically.

Summary of feedback regarding industry-based materials

13. The Invitation to Comment in [draft] S1 and [draft] S2 included several questions related to the use of the SASB Standards in [draft] S1 (Question 7) and the industry-based requirements in [draft] S2 (Questions 3 and 11). Additionally, the staff received input from stakeholders on these issues during outreach sessions conducted in connection with the public comment period. Much of this feedback was captured in [Agenda Paper 3A General Sustainability-related Disclosures—Summary of comments](#) and [Agenda Paper 4A Climate-related Disclosures—Summary of comments](#) presented at the September 2022 ISSB meeting, which summarise the comments received on [draft] S1 and [draft] S2, respectively.
14. Because the objective of this paper is to solicit ISSB members' input on the topic of industry-based materials holistically across [draft] S1 and [draft] S2, this paper summarises key themes related to industry-based materials that were surfaced across the exposure drafts. These key areas of feedback, as detailed further below, are as follows:
- (a) there is generally a high level of support for industry-specific disclosures in IFRS Sustainability Disclosure Standards on the whole, especially from investors; and
 - (b) some respondents have concerns with the ISSB issuing standards with mandatory industry-based requirements (ie mandatory) at this time for several reasons:
 - (i) a few respondents believe that the ISSB should focus on overarching standards;
 - (ii) some stated a belief that further improvements to the international applicability of the SASB Standards are required before being included as requirements; and
 - (iii) as the SASB Standards are new to many stakeholders in select regions, some stated a desire for more time to familiarise themselves with the content and engage with the standard-setting process.

General support for industry-specific disclosures

15. Many respondents, including almost all respondents from North America, indicated their support for industry-specific disclosures and encouraged the ISSB to continue building upon existing, widely adopted frameworks such as the TCFD and SASB Standards in [draft] S1 and [draft] S2. A few respondents noted that they appreciated that the SASB Standards can evolve relatively quickly to address emerging sustainability-related issues.
16. Many investors indicated their support for industry-specific disclosures based on the variability of sustainability-related risks and opportunities by industry. These investor respondents also noted that industry-specific disclosures enable better comparisons between peer companies, which is aligned with how these respondents conduct research and make investment decisions. Like investor respondents, some preparer respondents noted the importance of industry-based disclosure based on their belief that such an approach aligns with how they identify, manage and/or report sustainability-related risks and opportunities.
17. While many European respondents supported industry-based requirements and the ISSB leveraging the SASB Standards, some also suggested that any industry-based requirements should be further evolved to align with other standards, such as Global Reporting Initiative (GRI) and European Sustainability Reporting Standards (ESRS) to better enable interoperability and ease of reporting.

Concerns with including industry-based requirements in the near-term

18. Respondents to both [draft] S1 and [draft] S2 noted some key challenges in the short-term related to implementing industry-based materials. Some respondents, consisting mostly of preparers and regulators, stated their belief that the industry-based requirements in [draft] S2 should not be mandatory based on these concerns.
19. These respondents highlighted several specific concerns with the industry-based materials:
 - (a) some respondents, including many from Asia-Oceania, encouraged the ISSB to seek additional market input to ensure that the industry-based disclosure requirements are more internationally applicable and take into consideration both sector-based and geographically based sustainability-related risks and opportunities;
 - (b) a few respondents stated that the SASB Standards lacked completeness, as they lack comprehensive, industry-agnostic disclosure requirements regarding material sustainability-related issues, such as human capital;
 - (c) a few respondents stated that it is challenging for preparers with a conglomerate structure to identify the appropriate industry (or industries) they should use for reporting, and to separate sustainability information by business segment; and
 - (d) a few respondents shared concerns that the industry-based requirements would place a significant additional reporting burden on small enterprises.
20. Lastly, some preparers, especially from markets less familiar with the SASB Standards, stated that further guidance regarding how companies should apply industry-based requirements is needed. Specifically, a few preparers expressed interest in further guidance regarding:
 - (a) how to identify the appropriate industry standards on which to report; and
 - (b) how and when it is appropriate to modify or omit disclosure of specific topics or metrics from the industry-based materials which do not apply to an entity's business model.

Future ISSB decisions regarding industry-based materials

21. The ISSB's commitment to embedding an industry-specific approach to standards development and the feedback received during the recent comment period will have near-term implications on the ISSB's redeliberations for [draft] S1 and [draft] S2.
22. The staff believe those decisions should be made with a vision for how industry-based materials fit into future IFRS Sustainability Disclosure Standards issued by the ISSB beyond S1 and S2. Further, these decisions should also account for how the ISSB intends to approach the maintenance and evolution of the SASB Standards given the significant application and use of those standards, and the ISSB's stated commitment for using the SASB Standards as the basis for future industry-based requirements.
23. For example, the approach and timeline for improving the international applicability of the SASB Standards should be developed with the SASB Standards' future status in [draft] S1 in mind. Similarly, decisions regarding industry-based requirements in [draft] S2 should be consistent with the ISSB's longer-term vision for industry-based requirements overall.
24. The sections below provide further detail into the areas related to industry-based materials on which the ISSB will need to make decisions in the coming months:
 - (a) the role of the SASB Standards in [draft] S1;
 - (b) the industry-based requirements in Appendix B of [draft] S2;
 - (c) efforts to improve the international applicability of the SASB Standards;
 - (d) the ISSB's upcoming consultation on agenda priorities; and
 - (e) advancing active SASB projects inherited by the ISSB.

Role of the SASB Standards in [draft] S1

25. [Draft] S1 contains a requirement stating that, in addition to IFRS Sustainability Disclosure Standards, entities 'shall consider' the disclosure topics in the SASB Standards (among other sources) to identify sustainability-related risks and opportunities. Further, [draft] S1 states that, in the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity, entities shall consider the metrics associated with the disclosure topics in the SASB Standards.
26. The staff note that there are a variety of options available to the ISSB regarding the status of the SASB Standards in [draft] S1, including:
 - (a) continuing to require that entities consider the contents of the SASB Standards in identifying sustainability-related risks & opportunities and disclosing related information;
 - (b) making the consideration of SASB Standards non-mandatory (eg by stating that an entity 'may consider' these standards); or
 - (c) requiring that the SASB Standards be applied in order to satisfy the disclosure requirements in [draft] S1 in the absence of IFRS Sustainability Disclosure Standards addressing the relevant disclosure topics and metrics.

27. The staff intend to present a recommendation on this topic in a future staff paper based on further research, analysis of comments, and feedback from the ISSB.¹

Industry-based requirements in [draft] S2

28. [Draft] S2 contains industry-based requirements derived from the SASB Standards. As noted in [Agenda Paper 4A *Climate-related Disclosures—Summary of comments*](#) presented at the September 2022 ISSB meeting and discussed above, while there is significant support for industry-specific disclosures overall, the ISSB received mixed feedback from respondents regarding the specific industry-based requirements detailed in Appendix B of [draft] S2.
29. The staff note that there are a variety of options available to the ISSB regarding the contents of Appendix B of [draft] S2, including:
- (a) maintaining the disclosure topics and metrics in Appendix B as industry-based requirements; or
 - (b) making the disclosure topics and metrics in Appendix B non-mandatory implementation guidance.
30. The staff intend to present a recommendation on this topic in a future staff paper for the Climate-related Disclosures project and that is based on further research, analysis of comments, and feedback from the ISSB.
31. The staff note that while the industry-based requirements in Appendix B are derived from the SASB Standards, they are not identical. This is because some of the disclosure topics and metrics in Appendix B contain revisions to improve the international applicability of current SASB topics and metrics.² Further, Appendix B contains new disclosure topics and metrics for some financial institutions on the topic of financed and facilitated emissions.
32. Given these differences between the current SASB Standards and the topics and metrics proposed in Appendix B, any future publication of Appendix B (regardless of its status as mandatory requirements or non-mandatory guidance) may have implications on the current users of the SASB Standards.

A note on scalability/proportionality:

As discussed in [Agenda Paper 3C & 4C *General Sustainability-related Disclosures and Climate-related Disclosures—Scalability*](#) regarding scalability/proportionality mechanisms for [draft] S1 and [draft] S2, the SASB Standards can assist preparers in identifying which sustainability-related risks opportunities matter to users of general purpose financial reporting, including specific disclosure requirements. As such, the ISSB may wish to consider the use of the SASB Standards in [draft] S1 and [draft] S2 as a scalability mechanism that eases the application of IFRS Sustainability Disclosure Standards for preparers. The staff notes, however, that this is not a universally held view.

¹ The staff note that a future recommendation regarding the role of the SASB Standards in [draft] S1 is likely to be just one part of a broader recommendation regarding [draft] S1's references to non-mandatory sources of guidance for identifying and disclosing information related to sustainability-related risks and opportunities.

² For more information regarding how the staff approached improving the international applicability of the topics and metrics in Appendix B, please refer to paragraphs BC130-142 of the Basis for Conclusions on [draft] S2.

Improving the international applicability of the SASB Standards

33. As noted in paragraph 9, the ISSB has committed to improving the international applicability of the SASB Standards as part of its initial work plan. While this work pre-dates the consolidation of the VRF into the IFRS Foundation³, it was accelerated in order to propose changes to climate-related SASB topics and metrics in connection with the drafting of the content in Appendix B of [draft] S2.
34. The staff's approach to developing improvements to the international applicability of the SASB Standards covering the topics beyond climate is the same as the approach taken to develop the revisions proposed in Appendix B (as described in paragraphs BC130-142 of the Basis for Conclusions for [draft] S2). Specifically, the staff has focused on identifying and addressing the most pressing barriers to international applicability without attempting to change the underlying concepts that the topics and metrics are designed to measure.
35. The staff anticipate bringing forward recommendations regarding the international applicability of the SASB Standards beginning early next year.

ISSB consultation on agenda priorities

36. As discussed in Agenda Paper 2 for this meeting regarding the ISSB's upcoming consultation on Agenda Priorities, the staff recommends that the ISSB frame the request for information into two primary categories of work:
 - (a) work that builds on the foundation established by S1 and S2, once finalised; and
 - (b) new research and standard setting.
37. ISSB members will discuss Agenda Paper 2 for this meeting and be asked to provide their views on whether to include improvements to the international applicability of the SASB Standards and SASB projects inherited by the ISSB as part of the foundational work referenced in point (a) above.

Advancing legacy SASB projects inherited by the ISSB

38. As noted in paragraph 9, the ISSB inherited active SASB projects in connection with the consolidation of the VRF into the IFRS Foundation. Of these projects, three had reached an advanced stage:
 - (a) Alternative Products in the Food & Beverage Sector;
 - (b) Content Governance in the Internet Media & Services Industry; and
 - (c) Plastics Risks and Opportunities in the Chemicals Industry.
39. In June 2022, the SASB Standards Board released 'Recommended Changes' to five industry standards in connection with these three projects, which it stated represented changes the SASB Standards Board would have pursued through the publication of exposure drafts, including an invitation to comment, if there were sufficient time to advance the projects through the next phases of

³ The technical staff of the VRF performed a comprehensive analysis of the international applicability of the SASB Standards in 2019 and found that roughly 18% of the metrics in the SASB Standards exhibited a regional bias that would impede the application of the SASB Standards internationally. This bias typically takes the form of references to US laws and regulations. At the time of the consolidation of the VRF into the IFRS Foundation, there was an active project, titled the "Internationalization Advancement Project", which focused on developing a strategy for executing the technical work required to further address the international applicability of the SASB Standards. As with other active SASB projects, the ISSB has inherited the Internationalization Advancement Project upon the closing of the consolidation of the VRF.

due process prior to the consolidation. The SASB Standards Board published the changes for the ISSB's consideration, and for market participants interested in following the continued efforts to maintain and improve the SASB Standards.

40. The staff also note that two other active SASB projects, Greenhouse Gas Emissions in the Marine Transportation Industry and Renewable Energy in the Electric Utilities & Power Generators Industry, had been significantly advanced by the VRF technical staff at the time of the consolidation.
41. The staff anticipate bringing forward recommendations regarding how to advance these active projects next year.

The staff's draft plan for advancing industry-based materials

42. Below is the staff's draft plan for how the ISSB could address industry-based materials in [draft] S1 and [draft] S2 with a view to establishing industry-based requirements derived from the SASB Standards in the future.
43. **While this draft plan contains initial staff recommendations, the staff is not seeking decisions from the ISSB on these matters at this time.** The staff's primary objective in presenting this initial plan is to illustrate the interrelated nature of the decisions the ISSB will need to make. The staff also hope the draft plan can serve as a catalyst for discussion amongst ISSB members regarding the desired path towards industry-based requirements in the future.

Summary of the draft plan

44. The staff's draft plan, which includes the staff estimates of when different actions could be taken, is summarised as follows:
 - (a) Q4 2022: The staff recommend maintaining the role of the SASB Standards in [draft] S1 as materials that shall be considered by preparers.
 - (b) Q4 2022: The staff recommend that the contents of Appendix B of [draft] S2 be made non-mandatory implementation guidance, and that the ISSB state its intention to make the topics and metrics mandatory in the future following additional research, consultation and revisions.
 - (c) Early 2023: The staff recommends including legacy SASB projects and the international applicability of SASB Standards as 'foundational' work in connection with the ISSB's consultation on Agenda Priorities;
 - (d) Early 2023: Work is advanced by the ISSB on improvements to the international applicability of SASB Standards covering topics beyond climate.
 - (e) Mid 2023: The ISSB seeks public input on changes to address the international applicability of the SASB Standards on topics beyond climate.
 - (f) Mid 2023: If agreed as part of the work to build on the foundations of S1 and S2, the ISSB issues exposure drafts of proposed changes to five industry standards in connection with the three active SASB projects on which the SASB Standards Board previously released 'recommended changes'.
 - (g) Late 2023: the ISSB issues updates to the SASB Standards that improve their international applicability and states its intention to continue research, consultation and revisions to the SASB Standards to evolve them into industry-based requirements in the future.

- (h) 2024 and beyond: the technical staff engages in targeted research & consultations to pursue further improvements to the SASB Standards in alignment with the ISSB's agenda priorities, including other active projects inherited by the ISSB.
- (i) 2025: the ISSB issues exposure drafts of industry-based requirements derived from the SASB Standards as new IFRS Sustainability Disclosure Standards.

The staff's rationale for the draft plan

45. While emphasising that the above plan primarily should be used as an illustration of the interconnections between decisions the ISSB will be making regarding industry-based materials, the staff's rationale for this draft plan is detailed below.

Initial staff recommendation: maintain the role of the SASB Standards in [draft] S1

46. The staff believe there are several reasons why the ISSB may wish to maintain the requirement that entities consider the disclosure topics and related metrics in the SASB Standards when preparing their disclosures to comply with S1⁴:
- (a) The SASB Standards were developed to meet investor needs and to provide information consistent with the objectives of [draft] S1.
 - (b) The SASB Standards have been widely adopted by preparers and investors across many jurisdictions on a voluntary basis, reflecting their utility in facilitating the disclosure of material information regarding sustainability-related risks & opportunities. The disclosure topics and metrics in the SASB Standards could be particularly useful for preparers implementing S1 in the absence of IFRS Sustainability Disclosure Standards covering topics beyond climate.
 - (c) Given the ISSB's stated intention to develop industry-based requirements derived from the SASB Standards in the future, the continued inclusion of the SASB Standards in [draft] S1 would provide preparers with an opportunity to familiarise themselves with the SASB Standards and begin engaging with the ISSB and staff on ways to further improve the international applicability of the disclosure topics and metrics.
 - (d) Since the requirement is solely to consider the SASB Standards in preparing disclosures, the current approach in [draft] S1 does not place a significant reporting burden on preparers.

Initial staff recommendation: make Appendix B of S2 non-mandatory

47. The staff believe there are several reasons for why the ISSB may wish to retain the requirement that an entity provide industry-specific disclosures and make the industry-based requirements in Appendix B of [draft] S2 non-mandatory implementation guidance- while making a commitment to make them mandatory in the future (subject to a future consultation):
- (a) Doing so would be responsive to the concerns raised by many respondents while still being consistent with the ISSB's longer-term commitment to developing industry-based requirements derived from the SASB Standards.
 - (b) Maintaining Appendix B, even in a non-mandatory status, would still provide useful guidance to preparers that are implementing S2, particularly in meeting the requirement to include industry-specific disclosures.

⁴ This does not preclude other materials from also being required to be considered.

- (c) This approach balances the need to meet urgent market demand for standardised climate-related disclosures with the need to further improve the international applicability of the SASB Standards, which would benefit from more time and resources.
- (d) This approach will enable the ISSB to monitor the application of guidance in Appendix B to determine whether any additional revisions are needed to address comments raised about the need for further changes (beyond those already proposed) to improve the international applicability of these requirements. It will also enable the ISSB to consider the interoperability of Appendix B with requirements of others, including the European Union.
- (e) It is consistent with other elements of this draft plan, which include prioritising an initial set of key improvements to the international applicability of the SASB Standards in their status as non-mandatory guidance for [draft] S1 and as recommended for [draft] S2 in the near-term, whilst pursuing further improvements prior to exposing them for comment in the form of mandatory requirements in the future.

Initial staff recommendation: pursue an initial set of improvements to the international applicability of SASB Standards (beyond climate) as expeditiously as possible

- 48. Beyond the previous statement referenced in paragraph 9 that improving the international applicability of the SASB Standards is a priority for the ISSB, the staff believe there are a number of other reasons for pursuing this work as soon as practicable.
- 49. While complex in some specific cases, the initial technical revisions to improve the international applicability of the SASB Standards in their status as non-mandatory implementation guidance are largely intended to be procedural in nature and not a comprehensive re-evaluation of the industry classification system, disclosure topics, and associated metrics.
- 50. The staff believe that prioritising an initial set of improvements to the international applicability of the SASB Standards is also consistent with maintaining the role of the SASB Standards in [draft] S1. If the ISSB believes that the SASB Standards are useful for preparers in identifying and disclosing material information about sustainability-related risks and opportunities, it follows that the most pressing international applicability issues in the SASB Standards should be addressed as soon as practicable.
- 51. The staff also believe that expeditiously publishing updated SASB Standards with a 'first round' of revisions to address the most pressing international applicability issues could free up capacity to begin the planning and execution of a more long-term and comprehensive process to revise the SASB Standards and convert them into industry-based requirements under the ISSB. The staff believe this is consistent with the feedback heard during the comment period:
 - (a) many respondents emphasised the importance of the ISSB continuing to move at pace;
 - (b) there is broad support for industry-specific disclosures; and
 - (c) some respondents believe additional market input and due process is required prior to the establishment of mandatory industry-based requirements.
- 52. In addition to engaging with preparers, users, and jurisdictions on further improvements to the international applicability of the SASB Standards, the ISSB could also begin integrating other agenda priorities into this industry-based work, resolving active SASB projects inherited by the ISSB, and evaluating opportunities to improve the interoperability of the SASB disclosure topics and metrics with other prominent standards and frameworks, such as the GRI and ESRS.

Initial staff recommendation: continue to prioritise the improvement of SASB Standards in the ISSB's work plan

53. The staff recommend that the work to improve the SASB Standards – both in terms of international applicability and resolving projects inherited by the ISSB – be included in the list of activities that build on the foundation of [draft] S1 and [draft] S2, as further discussed in Agenda Paper 2 for this meeting, due to the important role the SASB Standards play in both [draft] S1, as essential application guidance, and [draft] S2, as the basis for the industry-based requirements of Appendix B, as well as the widespread market adoption of and support for the SASB Standards. The SASB Standards projects for which recommended changes were published in June 2022 already benefit from significant work undertaken by the SASB working with stakeholders and are designed to satisfy identified investor information needs. By including these activities as foundational work, the ISSB will have an opportunity to extend the application of IFRS S1 across a range of sustainability-related subject matters that investors consider in their assessment of an enterprise value, while maintaining momentum and supporting the adoption and application of the IFRS Sustainability Disclosure Standards.
54. The staff believe that including work to improve the SASB Standards as foundational work is consistent with this draft plan's vision for the role of industry-based materials in [draft] S1 and [draft] S2. As outlined above, if the ISSB believes that the SASB Standards should play an important role as non-mandatory implementation guidance both for [draft] S1 and [draft] S2, it follows that the ISSB should prioritise improvements to the SASB Standards in the near term in order for those standards to be as useful to as many users as possible.

Summary of the staff's rationale for the draft plan

55. Overall, the staff believe that this plan outlines a consistent approach to advancing industry-based materials under the ISSB across its various projects and priorities. Further, the staff believe that this approach presents a clear pathway towards the ISSB's desired long-term destination of industry-based requirements, whilst being responsive to the concerns of stakeholders regarding the industry-based requirements in Appendix B of [draft] S2, prioritising an initial set of improvements to the international applicability of the SASB Standards in the interim, and providing opportunities to seek interoperability with other standards and frameworks over the medium-term.

Questions for the ISSB

56. Staff present the following questions to the ISSB.

Questions for the ISSB

1. Does the ISSB have any questions or comments about the matters described in this paper?
2. Is there any information provided that is unclear?
3. Does the ISSB have any concerns with the potential plan outlined by staff in this paper?

Next steps

57. The staff anticipate bringing formal recommendations to the ISSB regarding the status of the SASB Standards in [draft] S1 and Appendix B of [draft] S2 at future ISSB meetings. The staff further anticipate the commencement of deliberations regarding the international applicability of the SASB Standards and legacy SASB projects in early 2023.