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## SASB Standards International Applicability

Date	<b>April 2023</b>
Project	<b>International Applicability of the SASB Standards</b>
Topic	<b>Ratification of the Methodology Exposure Draft</b>
Contacts	<b>Corey Walrod</b> ( <a href="mailto:corey.walrod@ifrs.org">corey.walrod@ifrs.org</a> ) <b>Greg Waters</b> ( <a href="mailto:greg.waters@ifrs.org">greg.waters@ifrs.org</a> )

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<sup>®</sup> Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

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## Objectives

1. This paper's objectives are:
  - (a) to seek ratification by the ISSB of the Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates* (Methodology Exposure Draft);
  - (b) to seek the ISSB's agreement for a 90-day comment period for the Methodology Exposure Draft; and
  - (c) to ask the ISSB to confirm it is satisfied that it has complied with the applicable due process requirements to publish the Methodology Exposure Draft.
2. The SASB Standards Board Advisor Group has developed the proposed Methodology Exposure Draft presented in Agenda Paper 8B and recommends that the ISSB approve its publication for consultation. Therefore, in accordance with the due process agreed by the IFRS Trustees' Due Process Oversight Committee,<sup>1</sup> the Methodology Exposure Draft is presented to the full ISSB for ratification at this meeting.
3. Ratifying the Methodology Exposure Draft requires the same level of support from ISSB members as is required for any other ISSB exposure draft (nine members in favour). An ISSB member may dissent from ratifying the Exposure Draft. If that is the case, the dissent and the member's reasons for doing so will be stated in the approvals section of the Methodology Exposure Draft.
4. Following ratification, the staff will finalise the Methodology Exposure Draft to prepare for its publication by the ISSB.

## Papers for this meeting

5. The papers presented for discussion at this meeting are:
  - (a) Agenda Paper 8A—*Ratification of the Methodology Exposure Draft* (this paper); and
  - (b) Agenda Paper 8B—*Proposed Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*.

## Background

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<sup>1</sup> [IFRS Foundation Trustees Meeting Summary](#) [pdf], October 2022.

6. The ISSB has assumed responsibility for maintaining and enhancing the SASB Standards. The Methodology Exposure Draft proposes a procedure for the ISSB to amend the non-climate-related SASB Standards metrics to enhance their international applicability.
7. IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (S1) requires preparers to refer to and consider the SASB Standards in identifying sustainability-related risks and opportunities and in developing related disclosures, if no relevant IFRS Sustainability Disclosure Standard is available.<sup>2</sup>
8. Further background, procedural details and illustrative examples of the Methodology can be found in the March 2023 ISSB Meeting [Agenda Paper 8 International Applicability of the SASB Standards](#).
9. The Methodology Exposure Draft also includes proposals for updating the SASB Taxonomy to reflect the proposed amendments to enhance the international applicability of the SASB Standards.<sup>3</sup>

## Context

10. The SASB Standards are an important source of guidance for entities applying S1. Twenty per cent of SASB Standards metrics contain jurisdiction-specific references defining their scope, methods or parameters. The ISSB has developed a set of focused procedures (Methodology) to revise these specific SASB Standards metrics to make them more internationally applicable. The ISSB would use the Methodology to revise SASB Standards metrics that have not been amended at the date IFRS S2 *Climate-related Disclosures* (S2) is issued. These metrics are described as 'non-climate-related SASB Standards metrics' in the Methodology Exposure Draft.
11. By using these revised metrics, an entity would be able to apply the SASB Standards regardless of the entity's jurisdiction or the generally accepted accounting principles (GAAP) it applies. The Methodology preserves the SASB Standards' structure, completeness and original intention; therefore, the revised metrics will be more globally applicable for preparers without impairing their usefulness for users of general purpose financial reports or increasing the costs incurred by an entity applying the SASB Standards.
12. The Methodology's targeted procedural approach and limited objectives will enable the ISSB to enhance the international applicability of a large volume of content while supporting S1 implementation and application in a timely manner.
13. The proposed Methodology is only an initial phase of work related to the SASB Standards. This work is separate to the potential enhancements to the industry-specific disclosures included as guidance in S2, which the ISSB has agreed to consider later.

## Comment period

14. Paragraph 6.7 of the IFRS *Due Process Handbook* specifies that the ISSB normally allows a minimum period of 120 days for comment on an exposure draft. However, if the matter is narrow in scope and urgent, the ISSB may reduce the comment period with Due Process Oversight Committee (DPOC) approval.
15. The staff's view is that the Methodology Exposure Draft is both narrow in scope and urgent. It is not the draft of a standard that preparers will implement—it is a focused document describing the procedure to amend the SASB Standards without substantially changing the metrics or their application. The staff regards a 90-day comment period as long enough for respondents to consider the proposals and related

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<sup>2</sup> The ISSB has tentatively decided to introduce a transition relief in S1 to allow an entity to report only climate-related risks and opportunities (as set out in S2) in the first year it applies S1 and S2. Disclosures on other sustainability-related risks and opportunities information would be required in the second year when applying the two Standards. [IFRS - Supplementary ISSB Update April 2023](#)

<sup>3</sup> For further details, please refer to the [Due Process Oversight Committee Meeting Summary](#) [pdf], March 2023.

questions in the Methodology Exposure Draft and respond to the ISSB, even allowing the time required for translation.

16. In addition, a 90-day comment period would facilitate timely completion of the amendments to the SASB Standards. The timing is important because S1—effective for annual reporting periods beginning on or after 1 January 2024—will reference the SASB Standards as supporting materials. A 90-day comment period would enable the ISSB to publish the amended SASB Standards before the end of the year.
17. Therefore, the staff recommends that the ISSB set a comment period of 90 days for the Methodology Exposure Draft. This period would be long enough for respondents to consider and respond to the Exposure Draft Methodology and would allow staff to integrate that feedback into the technical work in a timely and efficient manner.<sup>4</sup> The DPOC agreed that the ISSB could set a 90-day comment period at its March 2023 meeting.

## Confirmation of due process steps

18. The staff note that the ISSB has undertaken the necessary due process steps to date to publish the Methodology Exposure Draft. Appendix A summarises the due process steps.

### Question for the ISSB

1. Does the ISSB agree to ratify the Methodology Exposure Draft, as proposed in Agenda Paper AP8B?
2. Does the ISSB agree to set a 90-day comment period for the Methodology Exposure Draft?
3. Does the ISSB confirm it is satisfied that it has complied with the applicable due process steps?

<sup>4</sup> For further details, please refer to the [Due Process Oversight Committee Meeting Summary](#) [pdf], March 2023.

## Appendix A—Due process steps

- A1. For further details regarding the approved due process for the ISSB to maintain, enhance and improve the SASB Standards with the support of the SASB Standards Board Advisor Group, please refer to the October 2022 IFRS Foundation Trustees [Meeting Summary](#).
- A2. Table A1 lists the necessary due process steps for developing the Methodology Exposure Draft, and the actions that will satisfy these steps if the ISSB decides to ratify the Methodology Exposure Draft.

Table A1—Due process steps for the Methodology Exposure Draft

Step	Actions
<b>The ISSB considers recommendations from the SASB Standards Board Advisory Group in an ISSB meeting and ratifies the Exposure Draft</b>	The ISSB will consider the topic in public at its April 2023 meeting.
<b>Finalisation</b>	
<b>The ISSB reviews the due process steps</b>	This paper asks the ISSB to review the due process steps.
<b>The Exposure Draft has an appropriate comment period</b>	This paper asks the ISSB to set the comment period.
<b>Drafting</b>	
<b>The Translations team and the IFRS Taxonomy team are included in the review process</b>	The Translations and IFRS Taxonomy teams have reviewed the Exposure Draft.
<b>Publication</b>	
<b>Exposure Draft published</b>	The Exposure Draft will be made available on the project website when published.
<b>News release to announce the publication of the Exposure Draft</b>	A news release will be published on the IFRS website with the Exposure Draft.