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## Revisions to the SASB Standards in connection with the issuance of S2

Date	<b>May 2023</b>
Project	<b>Maintenance of the SASB Standards</b>
Topic	<b>Ratification of consequential amendments to the SASB Standards</b>
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## Objectives

1. This paper's objectives are:
  - (a) to seek ratification by the ISSB of consequential amendments to the SASB Standards in connection with the issuance of IFRS S2 – *Climate-related Disclosures* (S2); and
  - (b) to ask the ISSB to confirm it is satisfied that it has complied with the applicable due process requirements to publish the climate-related revisions to the SASB Standards.
2. The SASB Standards Board Advisor Group has approved the consequential amendments and recommends that the ISSB ratify them to maintain alignment between the SASB Standards and S2.
3. Staff notes that the topic of this paper is the climate-related contents of the SASB Standards. This content was subject to consultation as part of the exposure draft of S2. The revisions discussed in this paper are separate from the proposed revisions to the non-climate-related SASB Standards content discussed in the Exposure Draft *Methodology to Enhance the International Applicability of SASB Standards and SASB Standards Taxonomy Updates* (the Methodology Exposure Draft), which has been the subject of prior ISSB discussions.
4. Ratifying the consequential amendments requires the same level of support from ISSB members as is required for any other ISSB exposure draft (nine members in favour).
5. Following ratification, the staff will finalise the consequential amendments for issuance by the ISSB. The SASB Standards Board Advisor Group recommends that the consequential amendments be issued concurrently with S2.

## Background

6. The ISSB is responsible for maintaining and enhancing the SASB Standards.
7. Appendix B of the Exposure Draft for S2 ([draft] S2) contained a set of industry-based requirements that was derived from the climate-related topics and metrics in the SASB Standards. These requirements included proposed revisions to a small number of metrics to enhance their international applicability and the addition of topics and metrics regarding financed emissions. At its October 2022 meeting, the IFRS Trustees' Due Process Oversight Committee (DPOC) agreed that no further public consultation on those revisions would be required in order to proceed with corresponding amendments to the SASB Standards given that the revisions had been exposed for public comment as part of [draft]

S2.<sup>1</sup> Essentially, the ISSB has benefited from input on these revisions through the feedback received on [draft] S2.

8. At its December 2022 meeting, the ISSB voted to make the disclosure requirements proposed in Appendix B non-mandatory guidance accompanying S2. The ISSB intends to issue this *Industry-based Guidance on Implementing S2 Climate-Related Disclosures* (the “industry-based guidance”) with S2 (which is planned to occur before the end of Q2 2023). The industry-based guidance contains the revisions to the current SASB Standards content as proposed in Appendix B of [draft] S2 and additional revisions discussed at the ISSB’s December 2022 meeting.<sup>2</sup>
9. Appendix B of [draft] S2 also included new proposed disclosure requirements for preparers in the Financials sector on the topic of financed and facilitated emissions. The ISSB discussed these specific requirements at its October and December meetings. At its December meeting, the ISSB voted to include financed emissions disclosures for three industries as application guidance in the main body of S2 and therefore as required disclosures separate from the industry-based guidance, which is non-mandatory.

## SASB Standards Board Advisor Group Recommendation

10. The SASB Standards Board Advisor Group has approved revisions to the SASB Standards to ensure their full alignment with S2 and recommends that the ISSB ratify them. Specifically, these consequential amendments involve:
  - (a) revising climate-related SASB Standards content to make it identical to the industry-based guidance to S2; and
  - (b) adding disclosure topics and metrics on the topic of financed emissions in SASB Standards.
11. The SASB Standards Board Advisor Group recommends that the ISSB ratify these consequential amendments because:
  - (a) the revisions to the SASB Standards make enhancements to the international applicability of several metrics, an outcome which was supported by respondents during the comment period for [draft] S2; and
  - (b) maintaining alignment between S2 and the SASB Standards is important for several reasons, including:
    - (i) the existence of multiple versions of the same metrics across the SASB Standards and the industry-based guidance runs contrary to the ISSB’s mission to simplify the sustainability disclosure landscape and could cause confusion;
    - (ii) misalignment could lead to increased costs for preparers for example for those interested in implementing the SASB Standards in preparation for applying the IFRS Sustainability Disclosure Standards; and
    - (iii) misalignment could negatively impact users of the disclosures because of a lack of comparability between disclosures of preparers that use the SASB Standards as a standalone resource and those that implement S2.

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

<sup>2</sup> [Staff Paper AP4C](#) [pdf], December 2022.

12. The SASB Standards Board Advisor Group has voted that the consequential amendments are effective for annual reporting periods beginning or after Jan 1, 2024. This is consistent with the effective date of S1 and S2. The SASB Standards Board Advisor Group also has voted that early application is permitted.

## Summary of consequential amendments

13. 'Consequential amendments' is a term used to describe amendments to a standard that arise 'as a consequence' of other standard setting activity. In this case, as a consequence of the industry-based metrics included with S2, amendments are proposed to align the SASB Standards with these materials.
14. The consequential amendments to the SASB Standards can be separated into two categories:
- (a) revisions to align the SASB Standards with the application guidance in S2 on the topic of financed emissions; and
  - (b) revisions to align the SASB Standards with the industry-based guidance to S2. Of these revisions, there are five types of revisions that would be made relative to the current SASB Standards:
    - (i) revisions to metrics to enhance international applicability;
    - (ii) revisions to metrics to remove unnecessary inconsistencies across industries;
    - (iii) removal of metrics where staff has not identified a feasible way to improve international applicability;
    - (iv) revisions to convert units of measure to the International System of Units (SI) (for example, changing "square feet" to "square metres"); and
    - (v) editorial revisions to apply the IFRS Style Guide, change the language to UK English, remove hyperlinks, and increase clarity and concision.
15. A list of the metrics affected by the consequential amendments described in paragraph 14 (a) and (b) (i) – (iii) can be found in Appendix B to this paper.

## Consequential amendments to align with S2 application guidance – financed emissions

16. As noted in paragraph 9, Appendix B to [draft] S2 included disclosure topics and metrics on the topic of financed emissions for four industries in the Financials sector. Following additional research and consultation by staff and redeliberations by the ISSB, a revised version of that content will be included in the main body of S2 as application guidance.
17. The SASB Standards Board Advisor Group has approved revisions to the Asset Management & Custody Activities, Commercial Banks and Insurance SASB Standards to include disclosure topics and associated metrics covering the topic of financed emissions.
18. To ensure maximum alignment and consistency of application between preparers that apply S2 and those that apply SASB Standards on a standalone basis, the guidance underlying the new metrics in the SASB Standards will refer directly to the relevant paragraphs of the application guidance to S2 that contain the financed emissions disclosure requirements. The SASB Standards metrics will also reference key concepts from IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (S1) to ensure that preparers applying the SASB Standards on a standalone basis have the same context as preparers applying S1 and S2, such as disaggregation and estimation principles. This approach is taken to enable alignment of the resulting disclosures irrespective of whether an entity is using S2 or the SASB Standards.

19. There are two metrics in the Financials sector which, in addition to having international applicability challenges, contain overlapping and potentially duplicative disclosure requirements to the financed emissions metrics. As a result, the SASB Standards Board Advisor Group has approved the removal of those metrics.

## Consequential amendments to align with the industry-based guidance to S2

### *Enhancements to international applicability*

20. Some of the metrics in the SASB Standards contain references to specific jurisdictional laws and regulations that impede international application. Appendix B of [draft] S2 included proposed revisions to enhance international applicability without altering the intent or underlying concepts of these metrics.
21. The intention of those revisions, which were exposed for public comment along with S2, was to improve the ease with which preparers in various jurisdictions could apply the guidance in Appendix B while preserving the decision-usefulness for users of general purpose financial reports. For example, a preparer already using the SASB Standards could, wherever practicable, continue to provide the same disclosures irrespective of whether the SASB Standards are amended as a result of the consequential amendments.
22. Staff notes that the revision approaches for these enhancements to international applicability are similar to the revision approaches outlined in the Methodology Exposure Draft. However, the enhancements to climate-related metrics discussed here are not in the scope of the Methodology Exposure Draft, which is a document focused on SASB metrics that are not climate-related. That work is advancing on a different timeline and subject to further public input.

### *Removing unnecessary inconsistencies between similar metrics*

23. As outlined in Staff Paper AP4C for the December 2022 meeting of the ISSB, staff identified inconsistencies between the same metric (or similar metrics) used in multiple industries within Appendix B of [draft] S2. Those amendments were reviewed and approved by the ISSB at the December 2022 meeting.

### *Removal of metrics*

24. Six climate-related metrics in the SASB Standards are ill-adapted for international application or have no identified international equivalents outside specific jurisdictions. The SASB Standards Board Advisor Group has approved the removal of these metrics and does not believe their removal will negatively affect the completeness of the SASB Standards.
25. None of these six metrics were included in Appendix B of [draft] S2 because of these international applicability challenges.

## Confirmation of due process steps

26. The staff note that the ISSB has undertaken the necessary due process steps to date to publish consequential amendments. Appendix A summarises the due process steps.

### Questions for the ISSB

1. Does the ISSB agree to ratify these consequential amendments to the SASB Standards?

2. Does the ISSB confirm it is satisfied that it has complied with the applicable due process steps?

## 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 approving the consequential amendments, and the actions that will satisfy these steps if the ISSB decides to ratify the consequential amendments.

*Table A1—Due process steps for the consequential amendments*

Step	Actions
<b>The ISSB considers recommendations from the SASB Standards Board Advisory Group in an ISSB meeting and ratifies the consequential amendments</b>	The ISSB will consider the topic in public at its May 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>Publication</b>	
<b>Consequential amendments published</b>	The consequential amendments will be made available on the sasb.org website when published.
<b>News release to announce the issuance of the consequential amendments</b>	A news release will be published on the IFRS website regarding the consequential amendments.

## Appendix B—metrics subject to consequential amendments

- B1. There are a number of revisions to the current SASB Standards that will become effective should the ISSB ratify the consequential amendments from S2.
- B2. For the readers' benefit, staff has omitted from these lists metrics that were subject to minor revisions such as conversion to UK English, editorial revisions to incorporate the IFRS Style Guide, and changes to SI units of measurement.

### New metrics covering financed emissions

- B3. The SASB Standards Board Advisor Group has approved the addition of financed emissions topics and associated metrics in three industries to align with the corresponding requirements in S2:
- (a) Asset Management & Custody Activities:
    - (i) FN-AC-410b.1: Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3;
    - (ii) FN-AC-410b.2: Total amount of assets under management (AUM) included in the financed emissions disclosure;
    - (iii) FN-AC-410b.2: Percentage of total AUM included in the financed emissions calculation; and
    - (iv) FN-AC-410b.3: Description of methodology used to calculate financed emissions.
  - (b) Commercial Banks:
    - (i) FN-CB-410b.1: Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3;
    - (ii) FN-CB-410b.2: Gross exposure for each industry by asset class;
    - (iii) FN-CB-410b.3: Percentage of gross exposure included in the financed emissions calculation; and
    - (iv) FN-CB-410b.4: Description of methodology used to calculate financed emissions.
  - (c) Insurance:
    - (i) FN-IN-410c.1: Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3;
    - (ii) FN-IN-410c.2: Gross exposure for each industry by asset class;
    - (iii) FN-IN-410c.3: Percentage of gross exposure included in the financed emissions calculation; and
    - (iv) FN-IN-410c.4: Description of methodology used to calculate financed emissions.
- B4. The establishment of new metrics in the SASB Standards requires that the metrics be mapped to one of 26 General Issue Categories (GICs) in order to generate new metric codes. The SASB Standards Board Advisor Group has determined that the financed emissions topic best applies to GIC 410, Product design & lifecycle management.

## Significant metric revisions

- B5. Table B1 below includes a list of SASB Standards metrics that will be revised in connection with the consequential amendments from S2 and the nature of the revision. This list excludes the new metrics listed above and the removed metrics listed below. This list is organised by sector and industry, with the metric codes provided for reference.
- B6. The staff notes that these revisions have either been exposed for public comment through their inclusion in Appendix B [draft] S2 or were redeliberated by the ISSB at its December session on Appendix B of [draft] S2.

*Table B1: list of revised SASB metrics*

Metric Code	Current SASB metric title	Revised SASB metric title	Nature of Revision
<b>CG-AM-410a.1</b>	Percentage of eligible products by revenue certified to the ENERGY STAR® program	Percentage of eligible products by revenue certified to an energy efficiency certification	Int'l applicability
<b>CG-AM-410a.2</b>	Percentage of eligible products certified to an Association of Home Appliance Manufacturers (AHAM) sustainability standard	Percentage of eligible products by revenue certified to an environmental product lifecycle standard	Int'l applicability
<b>EM-CM-140a.1</b>	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Consistency of measurement
<b>EM-CO-140a.1</b>	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Consistency of measurement
<b>EM-EP-140a.1</b>	(1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Consistency of measurement
<b>EM-IS-140a.1</b>	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Consistency of measurement
<b>EM-RM-140a.1</b>	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Consistency of measurement
<b>EM-RM-410a.1<sup>3</sup></b>	Percentage of Renewable Volume Obligation (RVO) met through: (1) production of renewable fuels, (2) purchase of "separated" renewable identification numbers (RIN)	Volumes of renewable fuels for fuel blending: (1) net amount produced, (2) net amount purchased	Int'l applicability
<b>EM-SV-110a.3</b>	Percentage of engines in service that meet Tier 4 compliance for non-road diesel engine emissions	Percentage of engines in service that comply with the highest level of emissions	Int'l applicability

<sup>3</sup> The revision to this metric was significant enough to warrant a new metric code, as the unit of measurement is changing from a percentage to an absolute number measured in barrels of oil equivalent (BOE). The new metric code will be **EM-RM-410a.3**.



		standards for non-road diesel engine emissions	
<b>FB-MP-160a.2</b>	Percentage of pasture and grazing land managed to Natural Resources Conservation Service (NRCS) conservation plan criteria	Percentage of pasture and grazing land managed to conservation plan criteria	Int'l applicability
<b>FB-MP-160a.3</b>	Animal protein production from concentrated animal feeding operations (CAFOs)	Animal protein production from confined animal feeding operations	Int'l applicability
<b>HC-DY-450a.1</b>	Description of policies and practices to address: (1) the physical risks due to an increased frequency and intensity of extreme weather events and (2) changes in the morbidity and mortality rates of illnesses and diseases, associated with climate change	Description of policies and practices to address: (1) the physical risks because of an increased frequency and intensity of extreme weather events, (2) changes in the morbidity and mortality rates of illnesses and diseases associated with climate change and (3) emergency preparedness and response	Int'l applicability; disclosure topic completeness resulting from removal of HC-DY-450a.2
<b>IF-EU-540a.1</b>	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column	Total number of nuclear power units, broken down by results of most recent independent safety review	Int'l applicability
<b>IF-GU-540a.1</b>	Number of (1) reportable pipeline incidents, (2) Corrective Action Orders (CAO), and (3) Notices of Probable Violation (NOPV)	Number of (1) reportable pipeline incidents, (2) corrective actions received and (3) violations of pipeline safety statutes	Int'l applicability
<b>IF-HB-410a.1</b>	(1) Number of homes that obtained a certified HERS® Index Score and (2) average score	(1) Number of homes that obtained a certified residential energy efficiency rating and (2) average rating	Int'l applicability
<b>IF-HB-410a.2</b>	Percentage of installed water fixtures certified to WaterSense® specifications	Percentage of installed water fixtures certified to a water efficiency standard	Int'l applicability
<b>RT-EE-410a.2</b>	Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria	Percentage of eligible products, by revenue, certified to an energy efficiency certification	Int'l applicability
<b>TC-HW-410a.3</b>	Percentage of eligible products, by revenue, meeting ENERGY STAR® criteria	Percentage of eligible products, by revenue, certified to an energy efficiency certification	Int'l applicability
<b>TC-TL-550a.1</b>	(1) System average interruption frequency and (2) customer average interruption duration	(1) System average interruption duration, (2) system average interruption frequency and (3) customer average interruption duration	Int'l applicability; consistency of measurement

### Removal of metrics from the SASB Standards

- B7. The SASB Standards Board Advisor Group has approved the removal of six metrics from the SASB Standards. The metrics listed in (a) and (b) also contain overlapping and duplicative requirements with the new financed emissions metrics. The metrics are as follows:
- (a) FN-CB-410a.1: Commercial and industrial credit exposure, by industry;
  - (b) FN-IN-410a.1: Total invested assets, by industry and asset class;
  - (c) HC-DY-450a.2: Percentage of health care facilities that comply with the Centers for Medicare and Medicaid Services (CMS) Emergency Preparedness Rule;
  - (d) IF-EU-110a.4: (1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfillment of RPS target by market;

- (e) IF-EU-420a.1: Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM); and
  - (f) IF-GU-420a.1: Percentage of gas utility revenues from rate structures that (1) are decoupled or (2) contain a lost revenue adjustment mechanism (LRAM).
- B8. The SASB Standards Board Advisor Group does not believe that the removal of these metrics from the SASB Standards will have a negative impact on the completeness of disclosures provided by preparers, with the exception of HC-DY-450a.2. For this reason, HC-DY-450a.1 will be revised to include a new qualitative disclosure requirement regarding emergency preparedness and response.