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## ISSB Meeting

Date	<b>June 2024</b>
Project	<b>Maintenance of the SASB Standards</b>
Topic	<b>Enhancing the SASB Standards</b>
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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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## Objective

1. This paper:
  - (a) provides the International Sustainability Standards Board (ISSB) with the staff's analysis and initial views regarding the criteria that could be used for assessing the priority of workstreams focused on enhancing the Sustainability Accounting Standards Board (SASB) Standards; and
  - (b) solicits ISSB member feedback on the staff's analysis, including whether the ISSB should place particular emphasis on any of the criteria.
2. The ISSB is not being asked to make any decisions. Instead, the ISSB's feedback will be used to guide the staff in providing the ISSB with further analysis and recommendations regarding which SASB Standards enhancements should be prioritised.
3. The staff's analysis is informed by the stakeholder feedback regarding the SASB Standards summarised in Appendix A.

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## Background

### ***Enhancements to the SASB Standards***

4. At its March 2024 meeting, the ISSB decided that during its next two-year work plan, it will:
  - (a) place a high level of focus on supporting the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2); and
  - (b) place a slightly lower level of focus on enhancing the SASB Standards and on beginning new research projects and to give those activities equal attention.
5. These three key priorities in the ISSB's work plan are deeply connected. For example, the SASB Standards and related enhancements have been identified by the ISSB and stakeholders as an effective and proportionate way to support the implementation of IFRS S1 and IFRS S2.<sup>1</sup> Similarly, the ISSB's new research projects on biodiversity, ecosystems and ecosystem services (BEES) and human capital will involve industry-specific research of the risks and opportunities related to these topics, and an evaluation of whether the current SASB Standards content in these areas meets the informational needs of primary users of general purpose financial reports (hereafter referred to as investors).
6. At its May 2024 meeting, the ISSB decided:
  - (a) to continue to group entities into industries based on shared sustainability-related risks and opportunities that could reasonably be expected to affect an

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<sup>1</sup> The SASB Standards are a key source of guidance for IFRS S1 and IFRS S2. Specifically, in IFRS S1, the SASB Standards help entities develop decision-useful and comparable disclosures in the absence of specific IFRS Sustainability Disclosure Standards. The *Industry-based Guidance on Implementing Climate-related Disclosures* contains disclosure topics and metrics derived from the SASB Standards to help entities disclose industry-specific information to meet the requirements in IFRS S2.

entity's prospects, as represented by the Sustainable Industry Classification System (SICS), for the ISSB's next two-year work plan; and

- (b) to consider enhancing the industry groupings when it enhances the SASB Standards.

7. As such, the industry groupings in SICS will form the basis of enhancements to SASB Standards, with enhancements to those groupings being a component of any future technical work. As noted in the staff papers for the May ISSB meeting, the staff believes that enhancements to SICS and SASB Standards are mutually reinforcing, as research and consultation on one element can lead to insights into the other.

#### ***Process for enhancing the SASB Standards***

8. The staff notes that the ISSB previously used a special process when executing the [International Applicability of the SASB Standards project](#) because of the nature of the amendments. Specifically, the ISSB removed and replaced jurisdiction-specific references and definitions without significantly altering industry groupings, topics, or metrics. As a result, the ISSB decided to consult on the *process used* to make the amendments to the SASB Standards, rather than consulting on the individual amendments themselves.
9. Enhancements made as part of the work covered by this paper will be subject to full consultation, with stakeholders having an opportunity to review and provide comment on the specific proposed amendments to the SASB Standards.

#### ***Criteria for adding projects to the ISSB's work plan***

10. In February 2024, the ISSB voted on the criteria it would use to assess new projects to be added to its work plan. The [staff paper](#) for that meeting included analysis of stakeholder feedback on the criteria to be used.

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11. The criteria which the ISSB elected to use in evaluating projects to add to its work plan are as follows:
- (a) Criterion 1: the importance of the matter to investors;
  - (b) Criterion 2: whether there are any deficiencies in the way companies disclose information on the matter;
  - (c) Criterion 3: the types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others;
  - (d) Criterion 4: how pervasive or acute the matter is likely to be for companies
  - (e) Criterion 5: the potential project's interaction with other projects in the work plan and its interaction with the work of other relevant standard-setters;
  - (f) Criterion 6: the complexity and feasibility of the potential project and its solutions; and
  - (g) Criterion 7: the capacity of the ISSB and its stakeholders to make timely progress on the potential project.
12. The ISSB agreed not to rank the criteria or place emphasis on any criterion. Instead, relative priority of any criterion could vary depending on the circumstances surrounding a potential project.

### **Staff analysis: work plan criteria in the context of enhancements to SASB Standards**

13. Overall, the staff believes that the ISSB should approach SASB Standards enhancements with the objective of supporting the high-quality implementation of IFRS S1 and IFRS S2 in a timely manner. The staff believes this is an appropriate objective given the SASB Standards' important role in IFRS S1 and S2 and their potential value in helping entities disclose decision-useful information to their investors in a proportionate and cost-effective manner.

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14. There exists a wide range of opportunities to enhance the SASB Standards, particularly given the different components of the Standards described in Appendix D, and there exists a high degree of complexity in deciding which aspects of the SASB Standards the ISSB should prioritise enhancing. For example:
- (a) enhancements could encompass prioritising specific “verticals” of industries or sectors (for example, the Food & Beverage sector), “horizontal” cross-cutting topics that recur across many of the 77 different industry standards (for example, water management), or some combination of the two;
  - (b) there is a potential high degree of overlap and interaction with the ISSB’s new research projects on BEES and human capital because of the prevalence of these topics in the SASB Standards;
  - (c) any enhancements could have significant implications on interoperability with the work of other standard-setters, some of which are developing sector-specific sustainability reporting standards; and
  - (d) the ISSB—and, prior to the consolidation of the Value Reporting Foundation into the IFRS Foundation, the SASB Standards Board—has received feedback on numerous potential enhancements to the disclosure topics, metrics and technical protocols in the SASB Standards across many industries.
15. The staff therefore believes that the ISSB should consider using a set of criteria to assist in prioritising this work. The ISSB is familiar with the criteria used to assess the projects added to its work plan and the staff believes that these criteria are well-suited to the task of prioritising SASB Standards enhancements.
16. This section of the paper provides staff analysis which puts the criteria used by the ISSB to assess the projects it added to its work plan in the context of enhancements to the SASB Standards and SICS.

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***Criterion 1: the importance of the matter to investors***

17. In addition to considering the direct feedback received from investors, the ISSB could consider the overall size or market capitalisation of companies in key industries—that is, those that are ‘high impact’ from the perspective of global capital markets. These could be high-growth industries where sustainability-related risks and opportunities are rapidly evolving, or industries that make up a significant percentage of global investment portfolios. Appendix C contains a table which displays the aggregate market capitalisation of the entities in the S&P Global 1200 Index, sorted by the 20 largest industries as defined by SICs, for illustrative purposes.
18. As with other respondents, investor feedback from previous ISSB consultations has ranged from general to specific feedback, with specific feedback varying by industry and disclosure topic (see Appendix A for more details). In general, investors have consistently emphasised the relevance of the industry-based approach, as well as the need to continue enhancing the ISSB’s industry-based materials, particularly for the sake of international applicability. Investors have also pointed to the SASB Standards as a key starting point for addressing thematic research topics like BEES and human capital.
19. Emphasising this criterion could result in more narrowly-scoped enhancements where the ISSB identifies acute informational needs of investors, even if the risk or opportunity being evaluated is limited to a single industry or small number of industries.

***Criterion 2: whether there are any deficiencies in the way companies disclose information on the matter***

20. From 2022 until April 30, 2024, nearly 3500 entities in over 80 jurisdictions used the SASB Standards to disclose information to their investors. This means that the ISSB has a significant body of reporting practice from which it can draw insights. For example, a relative lack of disclosure aligned with a specific metric could indicate that entities don’t consider the metric useful in providing material information to

investors, or that the methodology for calculating information has evolved. Analysis of past disclosures could also provide insights into SICS enhancements, or broader trends in disclosure aligned with other frameworks and standards that could be incorporated into the SASB Standards.

21. Using this criterion could lead to projects aimed at addressing deficiencies in SICS, within specific industries, or specific types of metrics that appear across the SASB Standards. The staff notes that projects selected using this criterion likely couldn't be identified or properly scoped until the underlying disclosure analysis is completed.

***Criterion 3: the types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others***

22. Regarding pervasiveness of matters across jurisdictions, while the ISSB has made significant progress in enhancing the international applicability of the SASB Standards, the international applicability project had a limited scope. There are likely opportunities to further enhance the international applicability of the SASB Standards, such as revising SICS industry groupings or their related descriptions and ensuring that disclosure topics are appropriately framed.
23. The staff believes that emphasising this criterion could have a particularly powerful impact on the proportionality of the ISSB's Standards, as it could expand the universe of preparers that are able to use the SASB Standards to implement IFRS S1 and IFRS S2.
24. Emphasising this criterion with a focus on enhancing international applicability could lead to a project execution approach that starts with broader consultations regarding the international applicability of industry groupings and disclosure topics across multiple industries or sectors.

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25. Emphasising this criterion would also potentially lend itself to the ISSB identifying and prioritising enhancements to “cross-cutting” themes that are prevalent in many industries.

***Criterion 4: how pervasive or acute the matter is likely to be for companies***

26. Sustainability-related risks and opportunities evolve over time. Given that the SASB Standards have not been significantly amended for a number of years, there are likely gaps in the SASB Standards as a result.
27. As with criterion 3, focusing on pervasive matters could result in the ISSB selecting projects on cross-cutting themes applying across many industries in the SASB Standards.
28. Alternatively, using this criterion with a focus on acute matters could lead to the ISSB prioritising enhancements to specific industries, topics or metrics where it has identified a pressing need based on stakeholder feedback. For example, in response to the ISSB’s Request for Information *Consultation on Agenda Priorities*, a major pharmaceutical industry association told the ISSB that the entire Biotechnology & Pharmaceuticals industry Standard needs significant amendments to keep pace with that industry’s evolution and reflect how entities approach the related sustainability-related risks and opportunities.

***Criterion 5: the potential project’s interaction with other projects in the work plan, and its interaction with the work of other relevant standard-setters***

*Interaction with ISSB research projects*

29. The SASB Standards contain many disclosure topics and metrics related to BEES and human capital. For example, many of the SASB Standards include BEES-related



disclosure topics and metrics covering water and wastewater management, ecological impacts, materials sourcing, product design and lifecycle management and more.

Human capital-related disclosure topics and metrics in the SASB Standards cover workforce health and safety, labour conditions in the value chain, diversity, equity and inclusion and more.

30. The ISSB's research projects will involve an industry-based research component that includes evaluating the current content in the SASB Standards related to BEES and human capital and analysing the related disclosures from preparers applying the SASB Standards. These activities will help the staff understand whether that content meets the informational needs of investors, and potential gaps in the SASB Standards in those areas. Such research could result in the identification of opportunities to enhance the SASB Standards. Therefore, there is a high degree of overlap between the activities to be undertaken as part of the ISSB's research projects on BEES and human capital and the work to enhance the SASB Standards.
31. The staff also notes that the ISSB's research projects on BEES and human capital could result in future standard-setting that uses the SASB Standards as a starting point for industry-based guidance or requirements (similar to IFRS S2). In that scenario, the ISSB would likely seek to align the SASB Standards with those industry-based materials.
32. Emphasising this element of criterion 5 could lead to the ISSB placing a high degree of focus on enhancing BEES- and human capital-related topics or metrics in the SASB Standards, including through prioritising industries or sectors where these topics and their related risks and opportunities are particularly prevalent.
33. Alternatively, the ISSB could focus SASB enhancements on projects it is *not* actively pursuing at this time such as human rights topics outside of an entity's own workforce or workers in its value chain, or other topics that were contemplated during the agenda consultation but ultimately not prioritised by the ISSB. This would be a way for SASB enhancements to be complementary to the ISSB research projects.

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*Interaction with the work of other standard-setters*

34. During the ISSB’s May 2024 session regarding industry classification systems, some ISSB members stressed the importance of establishing interoperability between the SASB Standards and the sector standards of other standard-setters—including at the level of industry classification—as an important consideration when enhancing the SASB Standards.
35. Some standard-setters that are in the process of developing sector-based sustainability reporting standards include the Global Reporting Initiative (GRI) and the EFRAG Sustainability Reporting Board (SRB). The EFRAG SRB is in the process of developing a set of roughly 35 sector standards as part of its European Sustainability Reporting Standards, with exposure drafts of a first batch of sectors set to be released as soon as this year. Meanwhile, the GRI has established a sector program through which it intends to develop standards for 40 sectors, beginning with those that have “the highest impact”. The GRI has released four Sector Standards to date: Oil and Gas (GRI 11), Coal (GRI 12), Agriculture, Aquaculture and Fishing (GRI 13) and Mining (GRI 14). The Taskforce on Nature-related Financial Disclosures (TNFD) is also developing sector-specific guidance.
36. Emphasising this element of criterion 5 could involve the ISSB prioritising a set of sectors or industries that overlap with the work of other standard-setters, such as EFRAG, TNFD and GRI,<sup>2</sup> although the ISSB’s focus on investors and other standard-setters’ focus on a wider group of stakeholders would need to be considered. Enhancing the industry Standards that overlap with priority sectors of other standard-setters could achieve a higher degree of interoperability and enable those standard-setters to more easily build from the ISSB’s global baseline of industry-based disclosures. Such an outcome would benefit entities that anticipate preparing disclosures in accordance with both ISSB Standards and other standards through reduced implementation and application costs. Aligning priority sectors might also

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<sup>2</sup> The staff notes that the sector standards of GRI are particularly relevant to SASB Standards enhancements in light of the [recent joint announcement](#) between the IFRS Foundation and GRI regarding their planned collaboration.

benefit stakeholders that wish to review the ISSB’s proposals alongside those of other standard-setters.

37. For a list of sectors being prioritised by EFRAG and GRI at the time of writing, please refer to Appendix B of this paper.

***Criterion 6: the complexity and feasibility of the potential project and its solutions***

38. The ISSB will have flexibility in determining the scope of SASB enhancements projects—from evaluating entire sectors or cross-cutting themes, down to enhancing individual metrics.
39. For example, the ISSB could select a portfolio of projects with various scopes to tackle discrete areas of the SASB Standards. The portfolio could include a mix of widely-scoped projects examining whole industries or cross-cutting themes alongside more targeted or narrow-scope projects.
40. Given the overall objective of supporting implementation of IFRS S1 and IFRS S2 on a timely basis, emphasising this criterion could lead to the ISSB prioritising enhancements which it assesses to have limited complexity and a high likelihood of feasible solutions. For example, the ISSB could seek to pursue finalising projects which the SASB Standards Board had identified as addressing pressing investor needs and advanced to a relatively late stage at the time of the consolidation of the Value Reporting Foundation into the IFRS Foundation in August 2022:
- (a) [alternative products](#) in the Food & Beverage sector (3 industries);
  - (b) [content governance](#) in the Internet Media & Services industry; and
  - (c) [plastics risks & opportunities](#) in the Chemicals industry.
41. While selecting one or more of these “inherited” projects could have the benefit of efficiently making targeted enhancements, the ISSB would need to consider whether

these projects remain high-value and attractive relative to other potential priorities, especially in the context of the ISSB and its stakeholders.

*Climate-related content in the SASB Standards*

42. The staff notes that one element that could bring additional complexity to the ISSB's execution of SASB enhancements is amendments to climate-related content. This content is identical to the *Industry-based Guidance on Implementing Climate-related Disclosures* (IFRS S2 Industry-based Guidance) and the ISSB maintained alignment between the two resources.
43. The staff believes it is important for the ISSB to consider revising the climate-related content in the SASB Standards as part of enhancements work because:
  - (a) it is a significant portion of the overall body of SASB Standards, meaning excluding it would limit the comprehensiveness of enhancements overall;
  - (b) there is significant overlap between climate-related content and BEES topics (such as water management); and
  - (c) enhancing the climate-related content could improve the quality of implementation of IFRS S2 if the ISSB chooses to update the corresponding IFRS S2 Industry-based Guidance.
44. Nonetheless, given that this content is also in the IFRS S2 Industry-based Guidance, the ISSB will need to take extra steps to ensure it is comfortable making any amendments, given that entities may already be using these materials as they begin to implement IFRS S2. Such considerations should include transitional reliefs and effective dates.

***Criterion 7: the capacity of the ISSB and its stakeholders to make timely progress on the potential project***

45. The staff believes that the [process](#) the ISSB has established for the SASB Standards—which leverages the use of a Board Advisor Group to draft exposure drafts and final

amendments (subject to ratification by the full ISSB) while ensuring robust stakeholder input—means that SASB enhancements can be made at a good pace to support preparers as they implement IFRS S1 and IFRS S2.

46. The ISSB could consider introducing SASB enhancements in phases to manage risks around capacity for both the ISSB and its stakeholders, although this would come with a trade-off of potential inconsistencies between Standards for a period of time.
47. Using this criterion could lead to the selection of a number of more narrow-scoped projects that can be added to the workplan as the ISSB’s capacity evolves.

### **Initial staff views**

48. The staff believes that the ISSB should consider the above criteria in the context of the overall objective of supporting the high-quality implementation of IFRS S1 and IFRS S2 in a timely manner. Based on the feedback received on the SASB Standards and the considerations above, the staff believes that emphasising some of the criteria will better serve the ISSB in achieving this overall objective. While staff do believe that all the criteria are useful and relevant and should be considered in the selection of projects, placing emphasis on some of them may provide the ISSB with additional clarity regarding its desired strategic direction for SASB Standards enhancements over the next two years. Further, the staff notes that depending on the criteria emphasised, the work of enhancing the SASB Standards could take different strategic pathways, and the ISSB should therefore consider the implications for project selection noted above.
49. The staff’s initial view is that the ISSB should emphasise the following criteria in prioritising enhancements to the SASB Standards:
  - (a) criterion 1: the importance of the matter to investors;
    - (i) the staff believes that this is a foundational element of any enhancements the ISSB should consider;

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- (b) criterion 3: the types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others;
    - (i) the staff believes that stakeholder feedback clearly indicates that further enhancements to international applicability, including to the industry groupings in SICs, should be a central part of enhancements work, and that such work will help improve proportionality for preparers implementing IFRS S1 and IFRS S2;
  - (c) criterion 5: the potential project's interaction with other projects in the work plan and its interaction with the work of other relevant standard-setters;
    - (i) the staff believes that emphasis on this criterion is necessary to achieve optimal results related to interoperability with the work of other standard-setters and synergies with the ISSB's research projects on human capital and BEES;
  - (d) criterion 6: the complexity and feasibility of the potential project and its solutions;
    - (i) the staff believes that the ISSB should prioritise projects that have a high likelihood of feasible solutions, to support the implementation of IFRS S1 and S2 in a timely manner.
50. Emphasising these criteria could lead to a project approach as follows:
- (a) the ISSB identifies and prioritises enhancements to a set of industries that overlap with those prioritised by other standard-setters, with an approach to project execution that:
    - (i) starts with consulting on the need for enhancements to the industry groupings and disclosure topics in each of those industries with a specific focus on international applicability; and
    - (ii) places particular emphasis on disclosure topics and metrics related to BEES and human capital;

- (b) the ISSB supplements these industry-focused workstreams with a portfolio of other projects that meet urgent investor needs.
51. As part of this project approach, the staff believes that the ISSB could place a special emphasis on aligning the concepts and terminology in the SASB Standards with those in IFRS Accounting and Sustainability Disclosure Standards—especially those in IFRS S1—when drafting enhancements. These amendments can help ensure that preparers new to the SASB Standards can utilise them effectively in the context of IFRS S1 and IFRS S2. Further, the staff believes that these amendments could help simplify any eventual transition of the SASB Standards content into the ISSB’s system of Standards at a later date.

## Next Steps

52. The ISSB’s feedback will be used to guide the staff in providing the ISSB with further analysis and recommendations regarding which SASB Standards enhancements should be prioritised.

## Questions for the ISSB

53. The staff presents the following questions for the ISSB.

### Questions for the ISSB

1. Does the ISSB have any comments or clarifying questions on the matters discussed in this paper?
2. Does the ISSB believe that it should place particular emphasis on any of the above criteria?
3. Does the ISSB have further input for the staff as it prepares recommendations on enhancements to the SASB Standards and SICS?

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## Appendix A: summary of comments on SASB Standards

- A1. This Appendix includes a summary of comments received by the ISSB during three public consultations in which it received feedback on the content of the SASB Standards. This includes the consultations on the exposure drafts of IFRS S1 and IFRS S2 (closed July 2022), the consultation on the exposure draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Taxonomy Updates* (closed August 2023) and the Request for Information *Consultation on Agenda Priorities* (closed September 2023).
- A2. Much of the relevant feedback from the ISSB’s public consultations concerned broader questions like the general role of industry-based disclosures, the importance of enhancing the SASB Standards relating to other potential items in the ISSB’s workplan, or the need to continue enhancing the SASB Standards. The ISSB has discussed this feedback in previous meetings and decided on appropriate actions. This Appendix highlights feedback that is relevant to the ISSB’s planned enhancements to the SASB Standards.

### ***Consultations on the Exposure Drafts of IFRS S1 and IFRS S2***

- A3. The consultation on the Exposure Draft of IFRS S1 included a question on the sources of guidance to identify sustainability-related risks and opportunities in IFRS S1, one of which is the SASB Standards. Question 7B asked: “Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures?” The responses to this question were presented in Agenda Paper 3A [General Sustainability-related Disclosures—Summary of comments](#) from the September 2022 ISSB meeting (paragraphs 78-81). The ISSB did not receive substantial feedback on the technical contents of the SASB Standards in response to this question.
- A4. The consultation on the Exposure Draft of IFRS S2 included a question on the IFRS S2 Industry-based Guidance, which requirements were derived from the SASB Standards. Question 3B asked “Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in



the identification and description of climate-related risks and opportunities?” The responses to this question were presented in Agenda Paper 4A [Climate-related Disclosures—Summary of comments](#) from the September 2022 ISSB meeting (paragraphs 33-34).

- A5. As presented in that paper, a few respondents had general concerns about the content in the IFRS S2 Industry-based Guidance that could be relevant for future enhancements work. These respondents pointed to jurisdictional applicability challenges and concerns that stakeholders had insufficient time to review and engage with the materials prior to the publication of the Standard.
- A6. In addition, in response to this question, the ISSB received over 500 comments on the technical contents of the IFRS S2 Industry-based Guidance from 60 respondents, including two investors and a large association of global and European institutional investors. This feedback covered the topics, metrics and technical protocols for ten sectors, with content in the Extractives & Mineral Processing (25%) and Financials (25%) sectors receiving the most comments, followed by the Infrastructure sector (15%). Other sectors receiving significant comments were: Resource Transformation (7%), Transportation (7%), Technology & Communications (6%), Renewable Resources (6%), and Food & Beverage (6%). The staff notes that the topics and metrics included in the IFRS S2 Industry-based Guidance were all climate-related, and sectors like Health Care and Services, which received fewer comments, have less climate-related content overall than other sectors.
- A7. These responses included comments relating to over 200 unique topics and metrics included in the IFRS S2 Industry-based Guidance, reflecting the wide breadth of areas of focus of respondents. Other comments related to cross-cutting sub-topics or themes under the general theme of climate, like water management – the most common topic overall after GHG emissions (6% of the feedback items) – or physical risk exposure.
- A8. Some key characteristics of these 500 pieces of input include:
- (a) about half advocated for the removal, replacement or alteration of specific metrics, with an additional 15% advocating for a specific change of wording in the technical protocols of a metric;

- (b) over a quarter requested additional guidance and detail in the disclosure requirements, generally because they thought the requirements were too vague or lacked sufficient specificity to apply to a particular situation, most pronounced in the Health Care and Financials sectors;
  - (c) 11% claimed that specific disclosure requirements were too US-centric, or not applicable in a jurisdiction. The most common sectors identified for this type of comment were Financials and Extractives & Mineral Processing. However, respondents also identified requirements in several other sectors;<sup>3</sup> and
  - (d) 9% claimed that specific metrics were too costly or difficult to calculate.
- A9. Many investors responded in their capacity as preparers in the Financials sector, and of these many provided comments on the requirements related to financed emissions in various industries and physical risk exposure in the Insurance industry.
- A10. Investors also provided comments on requirements in the Extractives and Mineral Processing sector and the Automobiles industry Standard. For example, the association of institutional investors highlighted the need for the disclosure of the volume of steel and cement produced in the Construction Materials industry. An investor stated that preparers in the Automobiles industry should disclose the total volume of electric vehicle (EV) sales, including disaggregation of pure EV and plug-in hybrid sales.

### ***Consultation on the exposure draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Taxonomy Updates***

- A11. The consultation on the Exposure Draft of *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Taxonomy Updates* included question 5B “Do you have any specific comments or suggestions for the ISSB to consider in planning future enhancements to the SASB Standards?”

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<sup>3</sup> The staff notes that some, though not all, of these comments were addressed in the project on the International Applicability of the SASB Standards

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- A12. Many respondents provided comments on the general approach and direction of SASB enhancements, as well as on structural elements of the SASB Standards. This feedback was presented in Agenda Paper 8 [International Applicability of SASB Standards - Results of the public comment period for the Methodology Exposure Draft](#) from the October 2023 ISSB meeting (paragraphs 28-50). This feedback primarily concerned the following topics (which are further explained in the paper):
- (a) publication of blackline documents, and the lack of opportunity for respondents to comment on specific revisions;
  - (b) interoperability of the SASB Standards' disclosure requirements with comparable Global Reporting Initiative (GRI) and European Sustainability Reporting Standards (ESRS) disclosure requirements;
  - (c) proposed transition reliefs, including the potential classification of 'core' and 'expanded' metrics, transition plans for current SASB Standards reporters, and the applicability of the IFRS S1 and IFRS S2 transitional reliefs to the revised SASB Standards;
  - (d) use of third-party references in the SASB Standards;
  - (e) Sustainable Industry Classification System (SICS); and
  - (f) future use of the SASB Standards, including clarity on the future of the SASB Standards and the structure of IFRS Sustainability Disclosure Standards, due process for future SASB enhancements and future work on the international applicability of the SASB Standards.
- A13. In addition, over 30 respondents, including six investors, provided over 50 pieces of feedback on the technical contents of the SASB Standards. These comments were spread relatively evenly through ten SASB sectors, with the most comments (20%) on the Extractives and Minerals Processing sector (including from a major oil and gas industry association).
- A14. The feedback was varied, covering the different components of the SASB Standards. A few of these respondents raised issues with specific industry classifications. For example, a bank commented that the seven separate industries in the Financials sector

do not reflect the economic reality of the sector, where many banks are both commercial and investment banks and provide other services. A preparer advocated for the creation of a separate industry for pension plans, which matches feedback that a few other pension plan respondents have provided in other consultations.

- A15. Some of these respondents commented on cross-industry themes or topics. For example, a major assurance provider stated that the ISSB should work to establish consistency in similar requirements across various industries. A different assurance provider raised the point that many industries are likely incomplete in terms of the sustainability topics they covered, pointing to human capital issues and waste runoff as examples of issues that should appear in additional industry Standards.
- A16. A few of these respondents identified topics that they believed were missing from the Standards. For example, a major international business council noted that the Electric Utilities industry Standard does not comprehensively cover investment in renewable capacity, generation, development of transmission and distribution, storage, customer solutions and demand-side response. This respondent also noted that the Automobiles industry Standard does not cover investment into battery development and performance. A national sustainability standard-setter noted that the Media & Entertainment industry Standard seemed focused on large preparers such as broadcasters, but failed to include topics or framing that were relevant to content producers. This respondent made the broader point, echoed by a few respondents in other consultations, that the Standards have not been updated to keep pace with the impacts of information and technology development.
- A17. Some of these respondents raised issues with specific metrics. For example, a major oil and gas industry association commented that the estimation and disclosure of probable reserves should be optional, as this estimation could create legal and regulatory risks. A major pharmaceutical industry association commented that many metrics in the Biotechnology & Pharmaceutical industry Standard would still not be internationally applicable after applying the proposed methodology.

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***ISSB's Request for Information Consultation on Agenda Priorities***

- A18. The Request for Information [Consultation on Agenda Priorities](#) (Request for Information) included “Enhancing the SASB Standards” as one of the suggested priorities for ranking. Many respondents commented on enhancing the SASB Standards, or on the existing content of the Standards, to explain their ranking or to address the type of work the ISSB should prioritise. This feedback was presented in Agenda Paper 2A [ISSB Consultation on Agenda Priorities - Feedback summary—Strategic direction and balance of the ISSB's activities](#) from the November 2023 ISSB meeting (paragraphs 22-29). The feedback received from users was presented in Agenda Paper 2 [ISSB Consultation on Agenda Priorities - Feedback summary—Users of general purpose financial reporting](#) from the December 2023 ISSB meeting (paragraphs 23-25).
- A19. As noted in the November 2023 paper, of the respondents who commented on work involved in enhancing the SASB Standards, many stated that enhancing industry-based disclosures would support the ISSB’s other priorities, including supporting the implementation of IFRS S1 and IFRS S2, as well as potential projects on BEES, human capital and human rights. Some respondents noted that these topics are included in the SASB Standards, and that expanding or improving on those disclosure topics and associated metrics could be a starting point for developing industry-based requirements or guidance on a range of sustainability topics. These types of comments were particularly common among investor respondents.
- A20. Some of the respondents who commented on enhancing the SASB Standards urged the ISSB to prioritise integrating the SASB Standards with ISSB Standards, although respondents suggested different approaches to that integration. Many respondents noted the importance of enhancing the international applicability of the SASB Standards, with a few specifically suggesting that the ISSB should conduct a broader evaluation of the international applicability of the content of the SASB Standards following the completion of the relatively narrow-scope project on international applicability in December 2023. Comments about the need to continue enhancing international applicability were also common among investors.

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- A21. Seventeen respondents, including three investors, provided feedback on the technical content of the SASB Standards. These included eight comments relating to the Consumer Goods sector, and a few each relating to the Financials, Food & Beverage, Healthcare, Infrastructure, and Technology & Communications sectors.
- A22. Some of these respondents identified specific cross-cutting themes or topics in the SASB Standards that needed improvement. The most common of these were human capital, human rights, climate and BEES, which were the specific topics suggested for research projects as part of this consultation. For example, a similar comment letter sent by two public interest organisations and an investor suggested that the current SASB Standards have significant gaps in their coverage of human capital and human rights issues. As examples, this letter noted that the topic of ‘Labour Practices’ is not included in the Apparel, Accessories & Footwear; Meat, Poultry & Dairy; or Processed Foods industry Standards – despite evidence, as claimed in the letter, that management of this topic has affected the prospects of companies in these industries. A different public interest organisation urged the ISSB to resume the work undertaken by the Value Reporting Foundation on developing more robust human capital disclosures.
- A23. Some of these respondents raised issues with specific metrics. For example, an industry association representing nuclear power generators stated that the changes to metrics in the Nuclear Safety & Emergency Management topic of the Electric Utilities & Power Generators industry guidance included as part of the IFRS S2 Industry-based Guidance constituted a scope change from the original SASB metrics that the respondent disagreed with. This respondent urged the ISSB to review these metrics as well as metrics included in future SASB enhancements in consultation with industry bodies to ensure that sector knowledge is incorporated.

## Appendix B: likely priority sectors of ESRS and GRI

### B1. EFRAG sector standards development\*:

Sector	Status
Oil and Gas	Early Draft - Approval
Coal, Quarries and Mining	Early Draft - Approval
Road Transport	Early Draft - Validating
Agriculture, Farming and Fisheries	Early Draft - Drafting
Motor Vehicles	Early Draft - Research
Energy Production and Utilities	Early Draft - Research
Food and Beverages	Early Draft - Research
Textiles, Accessories, Footwear and Jewellery	Early Draft - Research

\*The staff notes that the calendar of EFRAG sector standards development is based on the most recent publicised information and is subject to change.

### B2. GRI sector standards development:

Sector	Status
Oil and Gas	Published
Coal	Published
Agriculture, Aquaculture and Fishing	Published
Mining	Published
Financial Services	Exposure draft development
Textiles and Apparel	Exposure draft development

B3. Comparison with relevant SASB sectors and industries:

EFRAG Sector	GRI Sector	SASB Industry	SASB Sector
Oil and Gas*	Oil and Gas	Oil & Gas–Exploration & Production	Extractives & Mineral Processing
		Oil & Gas–Midstream	
		Oil & Gas–Refining & Marketing	
		Oil & Gas–Services	
Coal, Quarries and Mining*	Coal	Coal Operations	
	Mining	Metals & Mining	
Road Transport*		Road Transportation	Transportation
Motor Vehicles**		Car Rentals & Leasing	
		Automobiles	
		Auto Parts	
Textiles, Accessories, Footwear and Jewellery**	Textiles and Apparel*	Apparel, Accessories & Footwear	Consumer Goods
Energy Production and Utilities**		Electric Utilities & Power Generators	Infrastructure
		Gas Utilities & Distributors	Renewable Resources & Alternative Energy
		Solar Technology & Project Developers	
		Wind Technology & Project Developers	
Agriculture, Farming and Fisheries*	Agriculture, Aquaculture and Fishing	Agricultural Products	Food & Beverage
		Meat, Poultry & Dairy	
		Tobacco (partly)	
Food and Beverages**		Alcoholic Beverages	
		Non-alcoholic Beverages	
		Processed Foods	
		Food Retailers & Distributors	
Capital Markets***	Financial Services*	Asset management and custody activities	Financials
Credit Institutions***		Investment banking and brokerage	
		Securities & Commodities Exchanges	
		Commercial Banks	
		Mortgage Finance	
		Consumer Finance	
Insurance***		Insurance	
	Managed Care		

Stage of development for standards that have not yet been published:

\*Exposure draft development

\*\*Early research

\*\*\*Not publicly scheduled



## Appendix C: SICS industries by market capitalisation

- C1. Below is a table which displays, as of May 2024, the aggregate market capitalisation of the entities in the S&P Global 1200 Index, sorted by the 20 largest industries as defined by SICS.
- C2. While staff recognises that the S&P Global 1200 Index is not a representation of the market as a whole and skews results towards large entities, staff believe this list is helpful in providing a rough illustration of the SICS industries likely to be of most interest to global investors.

SICS Industry	SICS Sector	Market Capitalisation (Billions USD)
Software & IT Services	Technology & Communications	\$ 7,708
Internet Media & Services	Technology & Communications	\$ 7,043
Semiconductors	Technology & Communications	\$ 6,226
Biotechnology & Pharmaceuticals	Health Care	\$ 5,033
Commercial Banks	Financials	\$ 4,432
Hardware	Technology & Communications	\$ 4,405
Insurance	Financials	\$ 3,024
Oil & Gas – Exploration & Production	Extractives & Minerals Processing	\$ 2,739
Multiline and Specialty Retailers & Distributors	Consumer Goods	\$ 2,335
E-Commerce	Consumer Goods	\$ 2,289
Medical Equipment & Supplies	Health Care	\$ 2,197
Electrical & Electronic Equipment	Resource Transformation	\$ 2,056
Automobiles	Transportation	\$ 1,930
Electric Utilities & Power Generators	Infrastructure	\$ 1,661
Apparel, Accessories & Footwear	Consumer Goods	\$ 1,548
Industrial Machinery & Goods	Resource Transformation	\$ 1,547
Telecommunication Services	Technology & Communications	\$ 1,517
Chemicals	Resource Transformation	\$ 1,365
Household & Personal Products	Consumer Goods	\$ 1,320
Metals & Mining	Extractives & Minerals Processing	\$ 1,264

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## Appendix D – structure of the SASB Standards

1. Each SASB Standard contains:
  - (a) **Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.
  - (b) **Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.
  - (c) **Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity’s performance for a specific disclosure topic.
  - (d) **Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.
  - (e) **Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point c to normalise data and facilitate comparison.
2. On average, each SASB Standard contains six disclosure topics and 13 metrics.