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## SASB Standards Process & Project Update

Date	<b>March 2023</b>
Project	<b>International Applicability of the SASB Standards</b>
Topic	<b>Project Update</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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## Objectives

1. The objective of this paper is to inform ISSB members regarding the process to maintain, enhance and improve the SASB Standards henceforth.
2. This paper also provides ISSB members with a status update of the International Applicability of the SASB Standards project and details the concepts and processes that guide that effort.
3. *This is an educational session for the ISSB. The ISSB is not asked to make any decisions. Consistent with the process approved by the Due Process Oversight Committee of the Trustees, the SASB Standards Board Advisor Group will make recommendations to the ISSB at a future meeting regarding this project. At that point, the ISSB will be asked to make decisions.*

## Summary

### International Applicability of the SASB Standards—Project Update

4. The ISSB has committed to improve the international applicability of the SASB Standards as part of its initial work plan. The SASB Standards will be essential to support preparers implementing IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1).
5. As discussed at the October 2022 ISSB meeting, pursuing timely enhancements to the international applicability of the SASB Standards is an important first step to ensure preparers can use these standards internationally to apply IFRS S1—specifically to develop disclosures regarding sustainability-related risks and opportunities in the absence of a specific ISSB Standard.
6. The International Applicability of the SASB Standards project is a targeted project to help preparers use the SASB Standards in multiple jurisdictions. This project is *separate* from the work the ISSB has discussed regarding climate-specific disclosures in IFRS S2 *Climate-related Disclosures* (IFRS S2) in which the ISSB has indicated an intention to require the use of these disclosures at a future date. This would be subject to consultation, and the ISSB may consider whether any amendments are necessary, including to ensure the international relevance of these disclosures.
7. More specifically, the objectives for the International Applicability of SASB Standards Project are as follows:
  - (a) identifying potential regional biases and jurisdictionally specific references throughout the SASB Standards that might be difficult for preparers operating in certain jurisdictions or across multiple jurisdictions to apply;

- (b) ensuring the SASB Standards are GAAP-agnostic without substantially altering the Standards' structure or original intent;
  - (c) removing jurisdictionally specific references without significantly altering the costs and benefits of application;
  - (d) replacing jurisdictionally specific references with internationally applicable references when available; and
  - (e) generalising applicable jurisdictional legal and regulatory references when necessary.
8. Amendments were proposed to the climate-related disclosures from the SASB Standards to achieve similar objectives in Appendix B of IFRS S2. The staff has taken the methodology used in that exposure draft, integrated feedback from the associated consultations, and developed a methodology to enhance the international applicability of the remaining non-climate-related SASB Standards content.
9. At the October 2022 IFRS Foundation Trustees meeting, the Due Process Oversight Committee (DPOC) agreed that:
- (a) a Board Advisor Group comprised of three to five ISSB members will provide proposed exposure drafts and final amendments related to the SASB Standards to the ISSB;
  - (b) the ISSB is permitted to consult on the *process and methodology* used to enhance the SASB Standards' international applicability rather than exposing amendments individually for comment, followed by an advanced draft of proposed amendments for public review; and
  - (c) the ISSB may rely upon the due process undertaken in issuing the Exposure Draft IFRS S2 *Climate-related Disclosures* (IFRS S2) as a basis for making corresponding changes to the SASB Standards.
    - (i) This DPOC decision permits the ISSB to update the climate-related content in the SASB Standards to align with the industry-based guidance published in IFRS S2 (currently planned for the end of Q2 2023) without further consultation.
    - (ii) In the future, if the ISSB proposes incorporating amended elements of the SASB standards into IFRS Sustainability Disclosure Standards, the ISSB will include those consequential amendments into the corresponding SASB Standards as part of its Exposure Draft to avoid divergent versions of the materials.<sup>1</sup>
10. In accordance with the process approved by the DPOC, the SASB Standards Board Advisors will recommend an exposure draft detailing the proposed methodology and processes to update the SASB Standards (beyond climate) for international applicability (the Methodology Exposure Draft) to the ISSB for ratification at a future meeting.
11. Staff's draft plan anticipates the publication of updated SASB Standards to address international applicability by the end of 2023.

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<sup>1</sup> IFRS Foundation Trustees meeting – Due Process Oversight Committee, Staff Paper, Agenda reference: 1G, October 2022, <https://www.ifrs.org/content/dam/ifrs/meetings/2022/october/dpoc/ap1g-sasbstandardsprocess.pdf>.

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## Process to maintain, enhance and improve the SASB Standards

12. The ISSB is responsible for determining the strategy regarding how to maintain, enhance and improve the SASB Standards.
13. The ISSB is responsible for any proposed amendments and changes made to the SASB Standards.
14. The SASB Standards Board Advisors Group is a mechanism to facilitate an efficient process. The SASB Standards Board Advisors will execute the ISSB's strategy working closely with the staff and make related recommendations to the ISSB for approval, such as releasing exposure drafts for public comment or ratifying an update to the SASB Standard.
15. The ISSB will approve exposure drafts published for public comment and ratify all updates to the SASB Standards.

## Process to implement the International Applicability project

16. As approved by the DPOC, the ISSB may consult on the process and methodology for improving the international applicability of the SASB Standards rather than exposing the individual amendments for comment. When the ISSB is asked to vote on the exposure draft, the SASB Standards Board Advisors will provide the ISSB with the rationale for this consultation approach.
17. The International Applicability project will propose amendments to the SASB Standards *other than the climate-related disclosures*. This is because the ISSB will update the *climate-related content* in the SASB Standards to align with the industry-based guidance published in the final IFRS S2 *Climate-related Disclosures* (IFRS S2) without further consultation as approved by the DPOC.
18. In addition to the Methodology Exposure Draft, the ISSB will publish drafts incorporating the detailed revisions (blacklines to highlight the edits) to the non-climate-related content for each of the SASB Standards for a public 'fatal flaw' review prior to updating the SASB Standards.

## Structure

19. This paper is structured as follows:
  - (a) Background (paragraphs 20-39);
  - (b) SASB Standards processes (paragraphs 40-41)
  - (c) Project Update: International Applicability of the SASB Standards (paragraphs 42-51);
  - (d) Next steps (paragraphs 52-56);
  - (e) Appendices;
    - (i) Appendix A – SASB Conceptual Framework;
    - (ii) Appendix B – Sustainable Industry Classification System (SICS);
    - (iii) Appendix C – SASB Standards structure;
    - (iv) Appendix D – SASB due process for standard-setting activities;
    - (v) Appendix E – Methodology to enhance international applicability; and

- (vi) Appendix F – Illustrative methodology examples.

## Background

20. Based on investor-focused objectives like the ISSB's and subject to a model of due process similar to that used by the ISSB and other leading global standard setters, the SASB Standards consist of 77 industry-based standards containing disclosure requirements for sustainability-related financial information in each industry. Each SASB Standard contains disclosure topics focused on specific sustainability-related risks or opportunities likely to be relevant to preparers within a given industry, as well as metrics associated with each disclosure topic providing specific information requirements. Reference Appendices A-C for more details on the structure of the SASB Standards.
21. A small subset of the SASB Standards incorporate references to specific jurisdictional laws and regulations which may be globally inapplicable, introduce regional bias, increase application costs, and decrease the comparability and decision-usefulness of the resulting disclosures.
22. With the August 2022 consolidation of the Value Reporting Foundation (VRF) with the IFRS Foundation, the ISSB took responsibility for SASB Standards stewardship.
23. Given the importance of the SASB Standards as an essential source of guidance in IFRS S1, enhancing the international applicability of the SASB Standards is a crucial step in the ISSB process to ensure successful preparer implementation and application of IFRS S1.
24. A brief summary of SASB Standards development follows in paragraphs 25-39. More complete documentation of SASB standard-setting activities is located in the [SASB Standard-setting Archive](#).

## History of the development of the SASB Standards

25. Initially published in 2018, the SASB Standards incorporate nine years of research examining emerging, existing and evolving sustainability-related issues and market consultation involving preparers, investors and subject matter experts.
26. The due process used to develop the SASB Standards included evidence-based market research, stakeholder feedback, public transparency, and independent board oversight and direction.

### *Provisional Standards*

27. Between July 2013 and March 2016, the technical staff drafted and published a set of 79 industry-based provisional standards, issued sequentially by sector. This process involved:
- (a) collecting evidence regarding the specific sustainability-related issues likely to be relevant to entities operating in particular industries;
  - (b) preparing initial drafts of the provisional standards;
  - (c) forming Industry Working Groups (IWGs) consisting of global preparers, users of general purpose financial reporting, and subject matter experts to provide feedback on these drafts;
  - (d) vetting the draft standards and due process used to engage the IWGs with the Standards Advisory Council, the predecessor to the Sustainability Accounting Standards Board (SASB Standards Board);
  - (e) publishing provisional standards exposure drafts for public comment and analysing respondent feedback; and

- (f) developing provisional *Standards and Industry Research Brief* documents, which accompanied each provisional Standard, providing the evidence and rationale for including specific disclosure topics in each respective industry Standard.
28. The Standards Advisory Council ratified and published the provisional Standards to solicit stakeholder feedback on disclosure materiality, decision-usefulness, practical feasibility, and cost-effectiveness.
29. Responding to market participant feedback, the Standards Advisory Council later approved minor changes to the SASB Standards industry and sector structure. The subsequent codified SASB Standards would consist of the current 77 industries. These structural refinements combined some industries to reduce perceived overlaps.

### ***Codified Standards***

30. Between 2016 and 2018, the SASB Standards Board engaged market participants to improve the provisional standards through a codification process. This process involved:
- (a) developing a technical agenda for identifying and prioritising feedback on the provisional standards to develop proposed changes and refinements;
  - (b) conducting market participant outreach, analysing associated stakeholder feedback and producing consultation summaries for SASB Standards Board review;
  - (c) publishing exposure drafts of the proposed changes to the provisional standards and developing Basis for Conclusions documents outlining the rationale for proposed changes;
  - (d) analysing respondent feedback and developing potential revisions for SASB Standards Board consideration; and
  - (e) ratifying and publishing the codified SASB Standards and associated Basis for Conclusions.
31. The SASB Standards Board also prioritised examining the alignment of the proposed codified SASB Standards with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations released in 2017, when appropriate and consistent with a focus on investor information needs.

### ***Project-based model***

32. Following SASB Standards codification, the SASB Standards Board transitioned to a project-based approach (reference Appendix D). This new operating model permitted the SASB Standards Board to pursue broader sustainability-related themes, impactful regulatory changes, and other trends which might affect multiple industries, while continuing to research targeted, industry-specific issues when appropriate.
33. Working with the staff, the SASB Standards Board developed an initial set of criteria to prioritise projects. Noting that global markets and trans-national issues required international standards, the SASB Standards Board identified enhancing the international applicability of the SASB Standards among its top priorities.
34. The SASB staff subsequently began analysing the gaps in SASB Standards international applicability. This global gap analysis sought market feedback and advice regarding international SASB Standards application challenges and examined alignment with Climate Disclosure Standards Board (CDSB), and Global Reporting Initiative (GRI) recommendations, when appropriate and consistent with a focus on investor information needs, to simplify international SASB Standards application.

### ***ISSB stewardship***

35. The SASB Standards serve important roles in the first two ISSB Exposure Drafts issued in March 2022:
- (a) Exposure Draft IFRS S1 proposed that entities be required to consider SASB Standards content when identifying and disclosing likely material information regarding sustainability-related risks and opportunities in the absence of specific ISSB Standards; and
  - (b) Exposure Draft IFRS S2 included industry-based requirements originally developed in the SASB Standards incorporating incremental editing revisions including enhancements for the international applicability of selected climate-related metrics and disclosure topics.
36. Concurrent with publishing the Exposure Draft IFRS S1 and S2, the ISSB Chair and Vice-Chair communicated ISSB plans<sup>2</sup> to:
- (a) develop a global baseline for sustainability-related, industry-based disclosures;
  - (b) build upon the industry-based SASB Standards metrics in future ISSB standard-setting beyond climate-related disclosures;
  - (c) assume responsibility for SASB Standards stewardship by improving the international applicability of the SASB Standards; and
  - (d) transition all remaining active SASB projects to the ISSB to become part of the foundational work pursued as it engaged with stakeholders to develop the ISSB agenda.
37. The September 2022 ISSB Board Summary of comments staff paper<sup>3</sup> summarized respondent feedback on the industry-based disclosures in IFRS S2 Appendix B. Respondents expressed opinions on many aspects, but regarding the question of international applicability, most respondents, across multiple jurisdictions, agreed with the general approach to enhance the international applicability of the industry-based requirements. They indicated these modifications would enable entities to apply the requirements regardless of jurisdiction.
38. Included as part of the commitments articulated by the ISSB Chair and Vice-Chair in March 2022, identified in consultation feedback and confirmed as foundational work in the ISSB consultation on agenda priorities,<sup>4</sup> the ISSB has directed the staff to engage a geographically diverse set of preparers, users and subject-matter experts on an ad hoc basis to draft a set of potential SASB Standards revisions to improve their international applicability.
39. The ISSB also has redeliberated the role of the SASB Standards in response to the public comments received regarding Exposure Drafts IFRS S1 and S2. Specifically:
- (a) in its interim meeting held on 3 November 2022, the ISSB agreed to maintain the requirement that entities consider the SASB Standards in applying IFRS S1 ('shall consider'); and
  - (b) in its December 2022 meeting, the ISSB voted to transform the industry-based requirements in Appendix B of Exposure Draft IFRS S2 into examples that shall be considered by entities to provide industry-specific disclosures (but use is not required), while indicating the content eventually would become a reporting requirement at a future date subject to further consultation.

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<sup>2</sup> IFRS press release, March 31, 2022, <https://www.ifrs.org/news-and-events/news/2022/03/issb-communicates-plans-to-build-on-sasbs-industry-based-standards/>.

<sup>3</sup> ISSB Meeting (Sep 2022), AP4A – Climate-related Disclosures – Summary of comments, paragraphs 109-111, 119, and 123-124, <https://www.ifrs.org/content/dam/ifrs/meetings/2022/september/issb/ap4a-climate-related-disclosures-summary-of-comments.pdf>.

<sup>4</sup> ISSB Meeting (Sep 2022), A2 - ISSB Consultation on Agenda Priorities, paragraph 12(a)(i).



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## SASB Standards processes

40. As outlined in paragraph 9, in October 2022, the DPOC approved a process for the ISSB's stewardship of the SASB Standards.
41. As the first steps to develop and execute the ISSB strategy to maintain, enhance and improve the SASB Standards, the SASB Board Advisor Group, working with the staff, will:
  - (a) guide the development of the international applicability Methodology Exposure Draft and associated SASB Standards revisions, including:
    - (i) reviewing the Methodology Exposure Draft and developing recommendations for the approach to the exposure draft and its content for consideration by the ISSB;
    - (ii) seeking ISSB approval to publish the exposure draft for public comment;
    - (iii) considering respondent feedback to the Methodology Exposure Draft; and
    - (iv) assessing proposed revisions of the SASB Standards.
  - (b) work with the staff to develop a plan for the SASB legacy projects for ISSB consideration as part of the foundational work the ISSB has agreed to pursue.

## Project Update: International Applicability of the SASB Standards

42. Consistent with the process approved by the DPOC, the staff used the Exposure Draft IFRS S2 Appendix B approaches<sup>5</sup> to enhance the international applicability of the climate-related SASB Standard disclosure metrics as the starting point to assess the remaining non-climate-related SASB Standard disclosure metrics and to refine that methodology further.
43. The objective of this project is to ensure that the SASB Standards can be used by preparers internationally. The project is being undertaken in a manner that avoids changing the substance of the disclosures required and to prevent changes for those already using the SASB Standards.
44. To enhance the international applicability of the SASB Standards without significantly impairing their decision-usefulness or increasing the costs of application, the staff developed a methodology to:
  - (a) incorporate, when available, internationally applicable references for standards, definitions or calculation methodologies to redefine previously jurisdictionally specific references;
  - (b) provide, absent internationally applicable references, more generalised definitions for standards, definitions or calculation methodologies previously provided in jurisdictionally specific references;
  - (c) render, absent internationally applicable references, more generally defined jurisdictional references to permit applicable jurisdictional laws, regulations, methodologies or guidance to inform preparers and replace previously jurisdictionally specific references;
  - (d) remove, only when clearly warranted, disclosure metrics that are ill-adapted for international application or have no known international equivalents outside specific jurisdictions; and

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<sup>5</sup> Basis for Conclusions on [draft] IFRS 2 Climate-related disclosures, paragraphs BC133-141.

- (e) develop, only when necessary, after the removal of a jurisdictionally specific metric, a replacement metric to preserve disclosure topic completeness while substantially aligning with the intent of the previous metric to the extent that is feasible based on research.
45. Details and examples regarding these five approaches are located in Appendices D and F, respectively.
  46. The staff developed the methodology to make the SASB Standards more internationally applicable and GAAP-agnostic without altering the intent or underlying concepts of any specific disclosure topic or metric. By constraining revisions to these limited objectives, the methodology focuses on procedural revisions and avoids substantive revisions of the SASB Standards' original content.
  47. The methodology's narrow scope balances making important SASB Standards international applicability enhancements across a significant volume of content in a timely manner. Further, more expansive opportunities to improve international applicability may be pursued in future standard-setting projects as prioritised by the ISSB.
  48. For example, some respondents to Exposure Drafts IFRS S1 and IFRS S2 raised concerns regarding the international applicability of the SICs. A more general research project that explores the SICs and its relationship and interoperability with other industry classification systems may yield information that could improve the international applicability of the SASB Standards in the future. Nevertheless, such an effort would be time- and resource-intensive and might delay more immediate standards enhancements, which the ISSB has determined are a priority as part of its foundational work. Such an exercise lies outside the methodology limited scope of work.
  49. After conducting appropriate research and consultation to assess the multi-jurisdictional implications, the staff determined the appropriate methodology to revise each targeted metric and documented the research and rationale underpinning those proposed revisions.
  50. The staff has completed the initial proposed SASB Standards revisions reflecting the methodology and is working with the SASB Board Advisor Group to prepare the materials necessary to support the request for ISSB ratification at a future ISSB meeting.
  51. The staff also has incorporated many minor improvements across the SASB Standards to align them with IFRS Foundation Style Guide drafting principles. This effort focused on changing US to UK English, correcting grammatical and punctuation errors, improving word choice, and removing hyperlinks and non-substantial references.

## Next steps for the SASB Standards

52. Regarding the climate-related SASB Standards content, aligned with the DPOC decision referenced in paragraph 9(c), during the balloting process for IFRS S2, the ISSB will vote on consequential amendments to the SASB Standards to align them with the industry-based guidance accompanying IFRS S2.
53. The recommendations of the SASB Standards Board Advisor Group including the proposed Methodology Exposure Draft will be presented to the ISSB for ratification at a future meeting.
54. During the Methodology Exposure Draft public comment period, the staff will:
  - (a) conduct global, consultations regarding both the methodology and some specific metrics revisions;
  - (b) consult with a broad, diverse group of stakeholders focused on jurisdictions less familiar with the SASB Standards in which regulatory or preparer capacity may be constrained; and

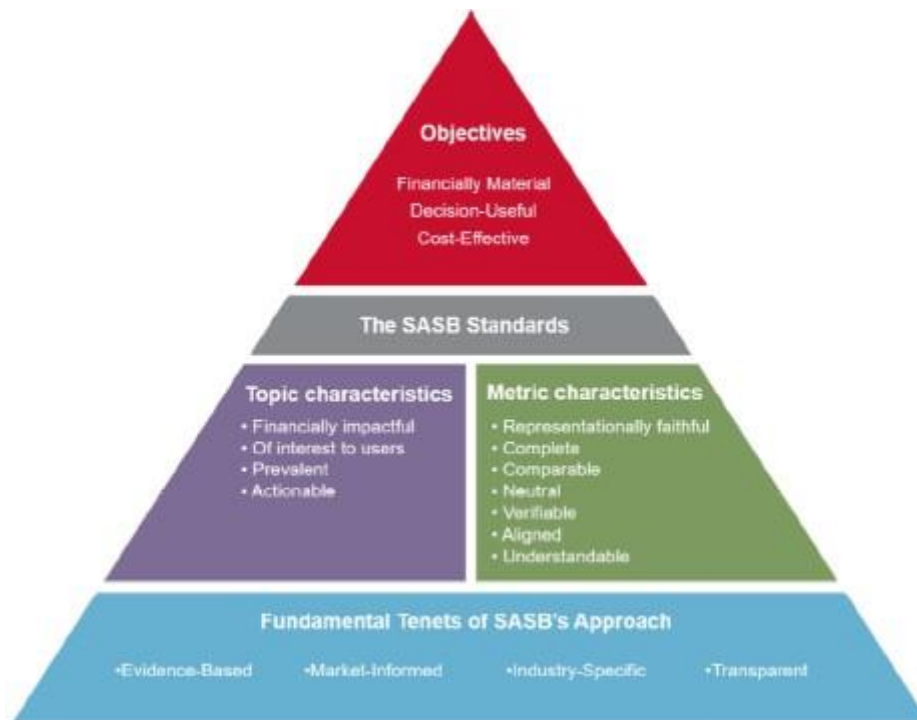


- (c) take inputs received from respondents and during consultations and use them to develop further enhancements to the methodology and associated changes to the SASB Standards.
- 55. The objective is that the International Applicability of SASB Standards project should publish updated SASB Standards by the end of 2023. This deadline is important to enable entities internationally to reference the SASB Standards when implementing IFRS S1 from the effective date in 2024.
- 56. During bilateral consultations, staff will identify further SASB Standards research and standard-setting opportunities to pursue work beyond the limited scope used in the methodology. The staff will undertake such efforts aligned with the ISSB's future work plan and which intersect with various other agenda priorities, including:
  - (a) opportunities to pursue interoperability with voluntary standard-setters and jurisdictional initiatives, from the metric level to the industry classification level;
  - (b) ISSB research projects on biodiversity, human capital, and human rights; and
  - (c) capacity-building initiatives across multiple jurisdictions.

## Appendix A – SASB Conceptual Framework

- A1. While advancing the SASB Standards, the SASB Standards Board developed the *SASB Conceptual Framework*. Originally published in 2013, updated in 2017 and further refined in a 2020 exposure draft, the *SASB Conceptual Framework* contains the basic concepts, principles, definitions and objectives that guided the SASB standard-setting process. The SASB drafted the *SASB Conceptual Framework* relying upon similar schemes used by financial accounting standard setters as exemplars, including the IASB. The *SASB Conceptual Framework* established the basic concepts, principles, definitions, and objectives that guided the SASB and staff in sustainability disclosure standard-setting.<sup>6</sup>
- A2. The *SASB Conceptual Framework* also serves to communicate these concepts, principles, definitions, and objectives to external stakeholders.
- A3. The SASB Standards facilitate an entity’s disclosure of sustainability-related information that is financially material, decision-useful, and cost effective. The *SASB Conceptual Framework* identifies eleven characteristics of decision-useful information that guided the selection of disclosure topics and metrics. The fundamental tenants of SASB standard-setting ensured the process was evidence-based, market-informed, industry-specific, and transparent.

**Figure 2. Illustration of SASB Conceptual Framework** (2020 Exposure Draft)



### Fundamental tenets

- A4. Evidence-Based - Identifying evidence of financial impact associated with sustainability topics from robust and diverse sources of credible evidence and evaluating evidence based on the underlying

<sup>6</sup> 2020 *SASB Conceptual Framework* Exposure Draft & Basis for Conclusions, [https://www.sasb.org/wp-content/uploads/2021/07/PCP-package\\_vF.pdf](https://www.sasb.org/wp-content/uploads/2021/07/PCP-package_vF.pdf).

industry structure, regulatory environment, industry financial drivers, and long-term trends rather than anecdotal impacts from a specific corporation or stakeholder.

- A5. Market-Informed - Soliciting input and carefully weighing the perspectives of preparers, investors, creditors, lenders, and subject matter experts in considering which sustainability topics warrant standardized disclosure and in determining how to frame, describe, and measure those topics for the purposes of standardization.
- A6. Industry-Specific - Developing sustainability disclosure standards at the industry level to focus on issues closely tied to resource use, sustainability impacts, business models, regulation, and other factors involving an industry.
- A7. Transparent - Providing stakeholders with insight into the SASB Standards Board's agenda, activities, deliberations, and decisions and ensuring that the SASB Standards reflect market input.

## Disclosure topic characteristics

- A8. The *SASB Conceptual Framework* describes two key disclosure topic characteristics:
  - (a) Financially impactful. Sustainability disclosures are likely to be decision-useful to investors, lenders, and other creditors when the impact of the topics can be linked to operational or financial performance through at least one of the following channels: (1) revenues or costs, (2) assets or liabilities, or (3) cost of capital or risk profile.
  - (b) Of interest to users. Similar to the IASB concept of 'relevance',<sup>7</sup> sustainability disclosures are likely to be decision-useful to investors, lenders, and other creditors when the topics identified relate to issues they typically monitor and incorporate into capital allocation decisions, engagement strategies, voting decisions, due diligence, and other investment processes.
- A9. The *SASB Conceptual Framework* also describes two secondary disclosure topic characteristics:
  - (a) Prevalent. The decision-usefulness of sustainability disclosures is likely to be enhanced when the topics identified apply to many entities, both within a given industry and across geographies.
  - (b) Actionable. The decision-usefulness of sustainability disclosures is likely to be enhanced when the topics identified are captured in a way that is actionable by entities. Topics are captured in a way that is actionable when they are linked to the strategic and operational decisions made by entities.

## Metric characteristics

- A10. The *SASB Conceptual Framework* describes two key metric characteristics:
  - (a) Representationally faithful. Similar to the IASB concept of 'faithful representation',<sup>8</sup> a metric is representationally faithful if an entity's performance on the metric correlates with performance on the disclosure topic that the metric addresses. This is substantially the same characteristic cited in Exposure Draft IFRS S1 Appendix C Qualitative characteristics of useful sustainability-related financial information.
  - (b) Complete. Similar to the IASB concept of 'complete depiction',<sup>9</sup> a set of metrics is complete if individually, or as a set, the metrics provide enough information to understand and interpret an

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<sup>7</sup> *IASB Conceptual Framework*, paragraphs 2.6-2.10.

<sup>8</sup> *IASB Conceptual Framework*, paragraphs 2.12-2.19.

<sup>9</sup> *IASB Conceptual Framework*, paragraph 2.14.

entity's performance on the disclosure topic. This is substantially the same characteristic cited in [draft] IFRS S1 Appendix C Qualitative characteristics of useful sustainability-related financial information.

- A11. SASB Conceptual Framework also describes other metric characteristics such as being:
- (a) **Comparable.** Metrics are comparable if they permit users to identify which entities have similar versus different performance on a particular sustainability topic.
  - (b) **Neutral.** Metrics are neutral if they are free from bias and value judgment; the metrics yield an objective measure of performance related to the disclosure topic they are intended to capture.
  - (c) **Verifiable.** Metrics are verifiable if their calculation or production can be replicated by others following the same guidance. Verifiability supports the development of effective internal controls and enable external assurance.
  - (d) **Aligned.** Metrics are aligned if they are based on or consistent with other standards or regulations, common industry practices, or guidance already in use within an industry. Aligned metrics may allow entities to use one metric for multiple reporting purposes.
  - (e) **Understandable.** Metrics are understandable if the primary users can understand the information encompassed by that metric and can use the metrics in their investment decisions.

### Objectives of the SASB Standards

- A12. **Financially Material - Information** is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value.
- A13. **Decision-useful - Information** is decision-useful if investors, lenders and other creditors can incorporate it into a diverse set of capital allocation decision processes using quantitative metrics that can be compared across entities and reported consistently across time periods, along with qualitative disclosures that provide context for the quantitative metrics.
- A14. **Cost-effective - Information** is cost-effective if the benefits resulting from the use of the SASB Standards justify the preparers' costs of implementing the SASB Standards.

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## Appendix B – Sustainable Industry Classification System (SICS)

- B1. The SASB developed the Sustainable Industry Classification System (SICS) to provide a unique industry classification to meet the needs of users of general purpose financial reporting by aggregating industries based on business model, resource intensity and sustainability impacts, and sustainability innovation potential.
- B2. Entities use SICS to identify appropriate industry-based disclosure requirements, but entities may use other systems for other purposes to balance granularity and practicality without undermining the system's usefulness for comparing sufficiently large groups of entities.
- B3. The more narrowly defined a set of industries or activities, the fewer entities are included in each one and, in turn, information comparability among potential competitors may diminish.
- B4. Traditional classification systems may pursue either a supply-side, production-oriented approach or a demand-side, market-oriented approach to classifying entities. SICS may have implications for either side.
- B5. SICS builds upon and complements traditional classification systems by grouping entities into industries based on the value creation model, resource intensity, sustainability-related impacts, and sustainability innovation potential.
- B6. The most commonly used industry classification systems, such as the Global Industry Classification Standard (GICS), the Bloomberg Industry Classification System (BICS), and the Industry Classification Benchmark (ICB) incorporate financial concepts such as identifying revenue sources to assign entities to a given industry or sector. These systems often result in categorisations being too detailed or insufficiently detailed to understand the sustainability-related risks and opportunities the industries or sectors share in common.
- B7. For example, GICS identifies five industries related to Technology Hardware and Equipment, including communications equipment entities, technology hardware entities, and electronic equipment entities. Although these industries' financial characteristics may differ, they produce similar products in similar regulatory environments. Such a granular industry classification would create overlap and repetition between the industry sustainability accounting standards. With SICS, these types of entities all belong in the Technology & Communications sector (TC) to one industry, Hardware (TC-HW).
- B8. Alternatively, GICS identifies the Oil, Gas and Consumable Fuels industry, which includes oil and gas exploration entities as well as oil and gas refining and marketing entities. Through the lens of sustainability-related risks and opportunities, these entities have different characteristics. Investors are likely to benefit from different disclosures from each. SICS separates oil and gas entities into three distinct industries in the Extractives and Minerals Processing (EM) sector: Exploration & Production (EM-EP), Midstream (EM-MD), and Refining & Marketing (EM-RM).
- B9. Just as investors assess a price-to-earnings ratio in an industry context (since different industries have different norms for this ratio), sustainability-related data analysis, such as greenhouse gas emissions or workforce safety rates, also may benefit from using an industry-specific context.
- B10. Using industry-by-industry basis also balances cost-effectiveness and decision-usefulness. By grouping disclosure topics and metrics by industry, entities focus on reporting information most relevant to their corresponding sustainability risks and opportunities. Narrowing the disclosure scope to only relevant material information reduces a preparer's reporting cost burden. Structuring disclosures to focus on the most relevant information for financial analysis and assessing industry-specific value drivers supports decision-usefulness.
- B11. Although each industry has a unique resource use profile to create goods and services, some sustainability-related issues may impact many industries. Climate change is the most common example.

However, even while the potential impacts of climate change are ubiquitous, the specific impacts may manifest differently across different industries.

- B12. When operating in multiple industries, an entity may require more than one SICS industry to address the full array of sustainability-related information reasonably likely to be material. After an entity determines which SICS industries are most relevant to its operations, entity management reviews the related SASB disclosure topics for each industry and identifies which disclosure topics are material to its specific business model.
- B13. The ISSB will be responsible for the continuing maintenance and refinement of the SICS. As entities transform business models to adapt to evolving competitive landscapes, future trends may inform ISSB standard-setting to pursue increasingly accurate characterisations of specific sustainability-related industry risk profiles.
- B14. During the public comment period for Exposure Drafts IFRS S1 and S2, the ISSB received comments regarding SICS use. Specifically:
- (a) some respondents preferred using the Global Industry Classification System (GICS) to classify industries as a basis for establishing industry-based disclosure requirement applicability; and
  - (b) a few respondents thought that the SICS industry categories may not apply in certain countries or jurisdictions and questioned their global applicability.
- B15. Each SASB metric has a unique metric code. These alphanumeric SICS metric codes serve as integral components of the proposed digital IFRS Sustainability Disclosure Taxonomy. The code indicates [sector]-[industry]-[disclosure topic].[number]. For example, in the Extractives & Minerals Processing (EM) sector, the Oil & Gas – Exploration & Production (EM-EP) industry contains a Water Management disclosure topic (140a) containing four metrics. For reporting produced water and flowback volumes, the second metric of these four is labelled ‘EM-EP-140a.2’.
- B16. The following is complete list of the 11 SASB sectors (a)-(k) and associated 77 industries arranged alphabetically by their SICS designations ([*sector*]-[*industry*]) and including the respective Exposure Draft IFRS S2 Appendix B volumes (vol Box), if applicable (68 of the 77 industries).
- (a) Consumer Goods (CG)
    - (i) Apparel, Accessories & Footwear (CG-AA) / (vol B1)
    - (ii) Appliance Manufacturing (CG-AM) / (vol B2)
    - (iii) Building Products & Furnishings (CG-BF) / (vol B3)
    - (iv) E-Commerce (CG-EC) / (vol B4)
    - (v) Household & Personal Products (CG-HP) / (vol B5)
    - (vi) Multiline and Specialty Retailers & Distributors (CG-MR) / (vol B6)
    - (vii) Toys & Sporting Goods (CG-TS)
  - (b) Extractives & Minerals Processing (EM)
    - (i) Construction Materials (EM-CM) / (vol B8)
    - (ii) Coal Operations (EM-CO) / (vol B7)



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(iii)	Oil & Gas - Exploration & Production	(EM-EP) / (vol B11)
(iv)	Iron & Steel Producers	(EM-IS) / (vol B9)
(v)	Oil & Gas - Midstream	(EM-MD) / (vol B12)
(vi)	Metals & Mining	(EM-MM) / (vol B10)
(vii)	Oil & Gas - Refining & Marketing	(EM-RM) / (vol B13)
(viii)	Oil & Gas - Services	(EM-SV) / (vol B14)
(c)	<u>Food &amp; Beverage</u> (FB)	
(i)	Alcoholic Beverages	(FB-AB) / (vol B21)
(ii)	Agricultural Products	(FB-AG) / (vol B20)
(iii)	Food Retailers & Distributors	(FB-FR) / (vol B22)
(iv)	Meat, Poultry & Dairy	(FB-MP) / (vol B23)
(v)	Non-Alcoholic Beverages	(FB-NB) / (vol B24)
(vi)	Processed Foods	(FB-PF) / (vol B25)
(vii)	Restaurants	(FB-RN) / (vol B26)
(viii)	Tobacco	(FB-TB)
(d)	<u>Financials</u> (FN)	
(i)	Asset Management & Custody Activities	(FN-AC) / (vol B15)
(ii)	Commercial Banks	(FN-CB) / (vol B16)
(iii)	Consumer Finance	(FN-CF)
(iv)	Security & Commodity Exchanges	(FN-EX)
(v)	Investment Banking & Brokerage	(FN-IB) / (vol B18)
(vi)	Insurance	(FN-IN) / (vol B17)
(vii)	Mortgage Finance	(FN-MF) / (vol B19)
(e)	<u>Health Care</u> (HC)	
(i)	Biotechnology & Pharmaceuticals	(HC-BP)
(ii)	Health Care Distributors	(HC-DI) / (vol B29)
(iii)	Drug Retailers	(HC-DR) / (vol B27)
(iv)	Health Care Delivery	(HC-DY) / (vol B28)

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(v)	Managed Care	(HC-MC) / (vol B30)
(vi)	Medical Equipment & Supplies	(HC-MS) / (vol B31)
(f)	<u>Infrastructure (IF)</u>	
(i)	Engineering & Construction Services	(IF-EN) / (vol B33)
(ii)	Electric Utilities & Power Generators	(IF-EU) / (vol B32)
(iii)	Gas Utilities & Distributors	(IF-GU) / (vol B34)
(iv)	Home Builders	(IF-HB) / (vol B35)
(v)	Real Estate	(IF-RE) / (vol B36)
(vi)	Real Estate Services	(IF-RS) / (vol B37)
(vii)	Waste Management	(IF-WM) / (vol B38)
(viii)	Water Utilities & Services	(IF-WU) / (vol B39)
(g)	<u>Renewable Resources &amp; Alternative Energy (RR)</u>	
(i)	Biofuels	(RR-BI) / (vol B40)
(ii)	Fuel Cells & Industrial Batteries	(RR-FC) / (vol B41)
(iii)	Forestry Management	(RR-FM) / (vol B42)
(iv)	Pulp & Paper Products	(RR-PP) / (vol B43)
(v)	Solar Technology & Project Developers	(RR-ST) / (vol B44)
(vi)	Wind Technology & Project Developers	(RR-WT) / (vol B45)
(h)	<u>Resource Transformation (RT)</u>	
(i)	Aerospace & Defence	(RT-AE) / (vol B46)
(ii)	Chemicals	(RT-CH) / (vol B47)
(iii)	Containers & Packaging	(RT-CP) / (vol B48)
(iv)	Electrical & Electronic Equipment	(RT-EE) / (vol B49)
(v)	Industrial Machinery & Goods	(RT-IG) / (vol B50)
(i)	<u>Services (SV)</u>	
(i)	Advertising & Marketing	(SV-AD)
(ii)	Casinos & Gaming	(SV-CA) / (vol B51)

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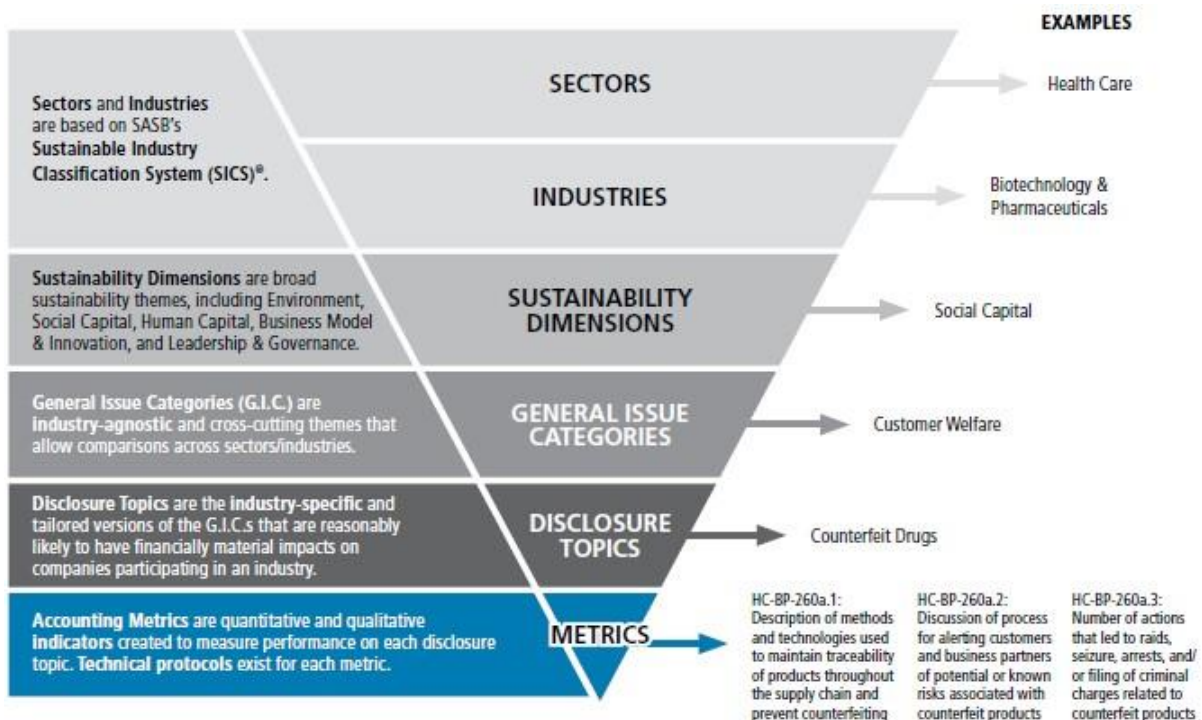
(iii)	Education	(SV-ED)
(iv)	Hotels & Lodging	(SV-HL) / (vol B52)
(v)	Leisure Facilities	(SV-LF) / (vol B53)
(vi)	Media & Entertainment	(SV-ME)
(vii)	Professional & Commercial Services	(SV-PF)
(j)	<u>Technology &amp; Communications</u> (TC)	
(i)	Electronic Manufacturing Services & Original Design Manufacturing	(TC-ES) / (vol B54)
(ii)	Hardware	(TC-HW) / (vol B55)
(iii)	Internet Media & Services	(TC-IM) / (vol B56)
(iv)	Semiconductors	(TC-SC) / (vol B57)
(v)	Software & IT Services	(TC-SI) / (vol B58)
(vi)	Telecommunication Services	(TC-TL) / (vol B59)
(k)	<u>Transportation</u> (TR)	
(i)	Air Freight & Logistics	(TR-AF) / (vol B60)
(ii)	Airlines	(TR-AL) / (vol B61)
(iii)	Auto Parts	(TR-AP) / (vol B62)
(iv)	Automobiles	(TR-AU) / (vol B63)
(v)	Cruise Lines	(TR-CL) / (vol B65)
(vi)	Car Rental & Leasing	(TR-CR) / (vol B64)
(vii)	Marine Transportation	(TR-MT) / (vol B66)
(viii)	Rail Transportation	(TR-RT) / (vol B67)
(ix)	Road Transportation	(TR-RO) / (vol B68)

## Appendix C – SASB Standards structure

### Overview

- C1. Organized by individual industries, each SASB Standard is comprised of the following components:
  - (a) an industry description describing the scope of business activities covered;
  - (b) a set of disclosure topics and related summaries describing likely sustainability-related risks or opportunities that industry entities manage;
  - (c) one or more metrics associated with each disclosure topic measuring entity performance relating to the disclosure topic; and
  - (d) a set technical protocols for each metric containing definitions, guidance and other details regarding how entities should develop and disclose material, decision-useful information.
- C2. Sustainability-related risks and opportunities may manifest differently depending on each entity's business model. Therefore, each industry standard contains a unique set of disclosure topics.
- C3. Many disclosure topics involve sustainability-related risks and opportunities broadly relevant to multiple industries (for example, hazardous waste management). Often, metrics for similar disclosure topics may be similar or even identical across multiple industry standards to improve comparability.
- C4. A combined set of broadly relevant metrics or unique industry-specific metrics may be required to render the associated disclosure topics decision-useful and complete. Likewise, the technical protocols for broadly relevant metrics may be customized to suit the unique individual characteristics of each industry.

Figure 3. SASB Standards Structure (2021 Fundamentals of Sustainability Accounting Credential Level I Study Guide)



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## Sustainability Dimensions

- C5. SASB organized the universe of sustainability risks and opportunities that entities might face into five broad sustainability dimensions: 1) environment, 2) social capital, 3) human capital, 4) business model and innovation, and 5) leadership and governance.
- C6. The environment dimension includes the direct environmental impacts linked to the entity's ability to create value over time from activities such as natural resource extraction, land cultivation, product manufacturing, and energy and water use. Impacts may include greenhouse gas emissions, water consumption, waste generation, and biodiversity loss. Environmental impacts arising from the use of an entity's products or services are under the 'Business Model and Innovation' dimension.
- C7. The social capital dimension encompasses the entity's impact on external stakeholders and the management of stakeholder relationships, including the entity's license to operate. External stakeholders include customers, communities, regulators, and the public. Impacts may relate to human rights, protection of vulnerable groups, economic development, access to and quality of products and services, affordability, responsible marketing practices, and customer privacy. Stakeholders directly or indirectly employed by the entity are under the 'Human Capital' or 'Business Model & Innovation' dimensions.
- C8. The human capital dimension incorporates an entity's workforce, often the key resource to delivering long-term value creation. This dimension includes workforce health and safety, labour practices, organizational culture, employee engagement, and diversity which may affect productivity and employee retention, and workforce skills procurement in competitive or constrained labour markets.
- C9. The business model and innovation dimension addresses how an entity integrates environmental, human, and social issues into the value-creation process. This includes developing business model resilience, integrating sustainability considerations into the development, production and sales of products or services, and managing climate change physical impacts on assets, key resources availability and supply chain compliance. The direct environmental, social, and human capital impacts an entity generates are captured under the 'Environment', 'Social Capital', and 'Human Capital' dimensions, respectively.
- C10. The leadership and governance dimension involves managing issues that may create conflicts among broader stakeholder interests which may generate liabilities or impair an entity's license to operate. The dimension includes conducting business activities in accordance with industry laws and regulations or the industry's leading standards of professional integrity. Issues may include anticompetitive practices, ethical business conduct, and regulatory engagement involving environmental, social, and human impacts. This dimension also addresses the management of risks related to low-probability, high-impact accidents and emergencies that may generate a multitude of sustainability-related impacts.

## General Issue Categories

- C11. General issue categories are sustainability themes that span multiple industries which further define the previous five sustainability dimensions. General issue categories serve as a high-level organizing structure for the topics covered in the SASB Standards.

## Disclosure Topics

- C12. Each disclosure topic reflects an industry-specific impact within a general issue category. They manifest differently depending on what may be financially material to entities in a given industry.
- C13. Each disclosure topic examines specific channels of financial impact. The staff assessed four primary financial drivers: revenue or costs, assets and liabilities, and cost of capital. This helps investors understand the topics reasonably likely to impact an entity's financial performance.

- C14. The decision-usefulness of each disclosure topic is assessed for financial impact, level of interest in the topic among providers of capital (including how the topic relates to information investors and lenders typically use and monitor), prevalence among industry entities, and how actionable the information is for entity management.
- C15. If a disclosure topic in a particular industry standard does not apply to an entity, the entity may choose to omit the topic from its sustainability-related reporting. In these cases, as a best practice, an entity should disclose the omission as well as the rationale for doing so.

## Metrics

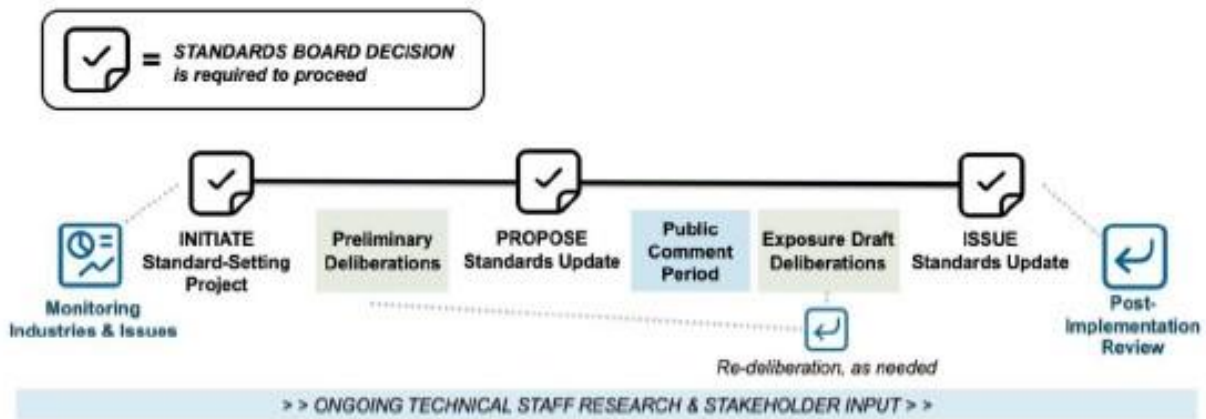
- C16. Users of general purpose financial reporting may employ SASB metrics to measure entity performance on each industry-specific disclosure topic. A metric is representationally faithful if performance on the metric correlates with performance on the disclosure topic in which it is included.
- C17. When selecting or developing related metrics for each disclosure topic, the SASB considered whether most entities were collecting the data already or it could be collected in a timely manner and at a reasonable cost. Along with this consideration, to the extent possible, the SASB aligned with metrics from other reporting standards or regulations, and with metrics already widely used in each industry.
- C18. The decision-usefulness of a set of metrics is assessed based on whether the metrics faithfully represent disclosure topic performance, provides a complete set of information to interpret performance, is comparable between entities and over time, is neutral and free from bias, is verifiable and could be replicated by others following the same guidance, is aligned with existing industry standards and best practices, and is understandable when incorporated into investment decisions.
- C19. If a metric in a particular disclosure topic does not apply to an entity, the entity might choose to omit the topic from its reporting. In these cases, recommended as a best practice, an entity may disclose the omission as well as the rationale for doing so.
- C20. Different from the sustainability-related accounting metrics, activity metrics do not measure performance on a particular disclosure topic. Rather, they quantify the scale of a business and are used in conjunction with accounting metrics to normalize data and facilitate comparison.



## Appendix D – SASB due process for standard-setting activities

- D1. The SASB’s standard-setting process included: evidence-based research; broad and balanced participation from investors, entities, and subject matter experts through public comment periods and other means of consultation and market input; and oversight and approval from an independent standard-setting board.
- D2. An overview of the SASB standard-setting process is at: <https://www.sasb.org/standards/process/>.

Figure 1. SASB due process for standard-setting activities (2020 Exposure Draft)



- D3. SASB due process involved three distinct but interrelated key board decisions:
- initiating a standard-setting project;
  - proposing a standards update; and
  - issuing a standards update.
- D4. The SASB Standards Board either conducted formal votes in public meetings or, if balloted outside of a public meeting, reported the formal votes publicly.
- D5. Public board meetings were open to the public with meeting agendas issued at least seven days prior. Some permitting in-person attendance, the SASB Standards Board generally broadcast and recorded its meetings. The SASB Standards Board made the recordings or meeting summaries detailing decisions publicly available afterward.
- D6. The SASB Standards Board and staff convened public consultations when such meetings, hearings, and other public forums were necessary for the SASB Standards Board to make informed decisions. The SASB Standards Board made the transcripts, recordings or meeting minutes of these consultations available to the public, to the fullest extent possible.

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## Initiating a SASB standard-setting project

- D7. After identifying an opportunity to improve the SASB Standards, the staff would discuss the project proposal with the SASB Standards Board during a public meeting. If the board approved a proposed project, it would be added to the SASB Standards Board public standard-setting agenda.
- D8. In evaluating the public standard-setting agenda, the board assessed the project's potential to improve the availability and communication of material information to investors in a decision-useful and cost-effective manner, based on the evidence and market input presented by the staff.
- D9. Adding a project to the standard-setting agenda required approval by a majority of the SASB Standards Board and initiated the formal SASB standard-setting process.
- D10. During preliminary deliberations, the SASB Standards Board and staff would discuss project research and consultation findings and preliminary conclusions at public board meetings.

## Proposing a Standards Update

- D11. After gathering sufficient evidence and market input to support an informed conclusion, the staff would recommend whether to proceed with an update or remove the project from the SASB Standards Board agenda. A voting majority of the board determined how to proceed.
- D12. If approved, the SASB Standards Board released the proposed standards updates for public comment (generally for a 90-day period) to solicit formal comments from entities, investors, subject matter experts, and other interested parties on the proposed standard or amendment. The staff posted the respondent comment letters on the SASB website to ensure transparency.
- D13. Upon closing the public comment period, the staff produced feedback summaries and documented other related research or consultations. Considering this information, the SASB Standards Board conducted exposure draft deliberations on whether to vote to approve the proposed standards update, direct the staff to conduct additional research and consultation in order to re-evaluate the proposed update or consider alternatives, or terminate the project altogether.

## Issuing a Standards Update

- D14. If the SASB Standards Board determined that a vote on a proposed standards update was appropriate, this vote (like other votes by the SASB) required an affirmative simple majority vote. Dissenting members provided commentary detailing the reasons for their dissent.
- D15. Upon an affirmative vote to update the SASB Standards, the SASB Standards Board made the new or amended standard publicly available on the SASB website in a timely fashion. The posting included a supporting summary of the research and consultation conducted, the rationale informing the update, and any other supporting information, as determined by the SASB.
- D16. After issuing a new or amended standard, the SASB Standards Board and staff assessed the market's use and implementation to ensure the standard accomplished the intended purpose cost-effectively. Post-implementation review consisted of additional research or consultation with entities, investors, or other subject matter experts. Information gathered through post-implementation review might spur additional proposals to resolve issues or to pursue refinements.

## Appendix E – Methodology to enhance international applicability

- E1. By constraining the methodology to narrowly scoped revisions incorporating limited objectives, staff focused on identifying the simplest procedural edits to improve international applicability.

### *Industries*

- E2. As a starting point, staff reviewed the industry descriptions to ensure the business activities described remained relevant across multiple jurisdictions. The objective of this review was not to ensure that industry descriptions describe activities undertaken by entities in every possible jurisdiction. Rather, the staff conducted research to ensure that the industry descriptions described activities in multiple jurisdictions and revised these descriptions to remove unnecessary jurisdictional references.

### *Disclosure Topics*

- E3. The methodology scope involves no substantial disclosure topic revisions based on the stated objective of maintaining the intent and underlying concepts of the SASB Standards.
- E4. ISSB staff reviewed disclosure topic summaries and conducted research to determine whether the summaries described sustainability-related risks or opportunities that applied to entities operating in various jurisdictions. The staff also revised topic summaries to remove specific jurisdictional references.
- E5. Some disclosure topics may warrant refinements, more significant improvements, or substantial overhauls as the sustainability-related disclosure landscape evolves and as the ISSB receives additional feedback regarding how different regional or cultural contexts influence sustainability-related risks or opportunities.

### *Metrics & Technical Protocols*

- E6. When evaluating the international applicability of individual metrics, the staff used the key metric qualitative characteristics (representationally faithful, complete) to guide the scope of the revisions.
- E7. When applying the methodology, staff members asked: 1) what concepts and references does the metric incorporate; 2) are any of the references jurisdictionally specific; and 3) is revision is required?
- E8. After considering these questions, the staff examined and sorted each metric in the SASB Standards according to whether it: a) was unsuitable for international application (a candidate for using the methodology); b) could be refined with simple, non-substantive, editorial changes to improve international applicability; or c) required no changes to apply globally.
- E9. Of the 659 non-climate-related metrics in the SASB Standards examined, this sorting process identified 196 metrics across 62 industries as suitable candidates for considering revisions under the methodology. Of the metrics identified, 55% of the proposed revisions involved only changes to the technical protocols.

### *Detailed revision approaches*

- E10. Paragraphs E11-E15 detail the key concepts underpinning the revisions incorporated into each of the five approaches that the staff developed for the methodology. Reference Appendix F for illustrative examples of each of the revision approaches.
- E11. Revision Approach 1—the staff revised a metric by referring to an internationally recognized, globally applicable standard, definition or calculation method in relation to which:
- (a) most jurisdictions abide;

- (b) jurisdictional equivalents are generally not meaningfully different from the prevalent international standard, definition or calculation methodology; and
  - (c) examples of jurisdictional equivalents might be provided when relevant to enhance understandability and implementation.
- E12. Revision Approach 2—the staff otherwise revised a metric by providing a general definition if:
- (a) an internationally applicable standard, definition or calculation methodology is absent;
  - (b) the underlying concept is widely understood such that a general definition or calculation methodology would be broadly acceptable; or
  - (c) a definition, standard or calculation methodology could enhance comparability.
- E13. Revision Approach 3—the staff otherwise revised a metric by referencing applicable jurisdictional requirements if:
- (a) an internationally applicable standard, definition or calculation methodology is absent; and
  - (b) when jurisdictional level standards, definitions or calculation methodologies may apply.
- E14. Revision Approach 4—the staff removed a metric after careful consideration of all possible known alternatives, thorough research, and appropriate staff leadership oversight and concurrence.
- E15. Revision Approach 5—the staff developed a similar, congruent metric after the removal of a metric (Approach 4) left a disclosure topic incomplete after careful consideration, thorough research, and appropriate staff leadership guidance to preserve completeness.

## Appendix F – Illustrative methodology examples

***Example of Revision Approach 1 revised with reference to an internationally applicable standard, definition or calculation method.***

- F1. Under the Antibiotic Use in Animal Production disclosure topic in the Meat, Poultry & Dairy industry (FN-MP), the SASB metric FB-MP-260a.1 measures the percentage of animal production (for example, pork, beef, chicken or turkey), that receives 'medically important' and 'not medically important' antibiotics. The technical protocol for this metric defines medically and not medically important antibiotics in accordance with the US Food and Drug Administration’s (FDA) Veterinary Feed Directive (VFD) antibiotics list, which is applicable only in the US.
- F2. The staff revised the metric to replace the FDA VFD reference defining medically and not medically important antibiotics with the globally applicable World Health Organization (WHO)'s list of Critically Important Antimicrobials (CIA). Many jurisdictions reference the WHO CIA list, including the EU, Australia, Japan and Hong Kong. Staff research indicates that jurisdictions lacking specific livestock production antimicrobial drug lists likely use the WHO list as a basis since this issue is becoming increasingly prominent globally.<sup>10</sup>
- F3. To align the metric with the WHO CIA list, staff also has revised the phrasing medically and not medically important to 'critically' and 'not critically important' to align with the WHO nomenclature.

**Table 1 - Revision Approach 1 to enhancing international applicability of the SASB Standards**

SASB Standards	Proposed Revision
Percentage of animal production that received (1) medically important antibiotics and (2) not medically important antibiotics, by animal type	Percentage of animal production that received (1) critically important antibiotics and (2) not critically important antibiotics, by animal type
1.1 Medically important antibiotics (or 'medically important antimicrobial drugs') are defined according to the US Food and Drug Administration’s (FDA) Veterinary Feed Directive (VFD) as all three tiers ('critically important', 'highly important', and 'important') of antimicrobial drugs listed in Appendix A to its Guidance for Industry (GFI) #152 to be 'medically important'.	1.1 Critically important antibiotics are defined as all antimicrobial drugs included in the World Health Organization (WHO)'s Critically Important Antimicrobials (CIA) list.

***Example of Revision Approach 2 revised by providing a general definition.***

- F4. Under the E-Commerce disclosure topic in the Consumer Goods industry (CG-EC), the SASB Standards metric IF-HB-410b.3 measures the percentage of technical employees who are H-1B visa holders, a categorization applicable only under US immigration law. Likewise, US Bureau of Labor Statistics' (BLS) Standard Occupation Classification (SOC) system defines which staff may constitute technical employees.

<sup>10</sup> Methodology Basis for Conclusions: Workstream FB2 - Antibiotics.

- F5. To improve the global applicability of this metric, the staff revised references to US H-1B visa holders simply as ‘foreign nationals’ and generalized the definition of technical staff.<sup>11</sup>

**Table 2 - Revision Approach 2 to enhancing international applicability of the SASB Standards**

SASB Standards	Proposed Revision
Percentage of technical employees who are H-1B visa holders	Percentage of technical employees that are foreign nationals
1.1 Technical staff includes employees categorised in the 15-0000 group (Computer and Mathematical Occupations) or 17-0000 group (Architecture and Engineering Occupations) of the Standard Occupation Classification (SOC) system from US Bureau of Labour Statistics (BLS).	1.1 The percentage shall be calculated as the number of technical employees that are foreign nationals divided by the total number of the entity’s technical employees.
1.2 The percentage shall be calculated as the number of technical employees with valid H-1B visas divided by the total number of technical employees.	1.2 Technical employees generally are defined as employees who perform highly skilled or highly qualified work generally categorized in the computer, mathematical, architecture, and engineering occupations.

**Example of Revision Approach 3 revised with reference to applicable jurisdictional requirements.**

- F6. Under the Management of Leachate & Hazardous Waste disclosure topic in the Waste Management industry (IF-WM), the SASB Standards metric IF-WM-150a.2 measures the number of 'corrective actions' an entity conducts to remediate 'landfill releases' to achieve 'groundwater protection standards'. Reliant upon US federal regulations to frame the elements involved in these corrective actions, IF-WM-150a.2 is applicable only in the US.
- F7. Given the general lack of internationally accepted definitions within this metric's scope, the staff revised IF-WM-150a.2 to require an entity to draft the disclosure based on relevant terms defined under applicable jurisdictional laws or regulations.<sup>12</sup>
- F8. While this approach may complicate cross-jurisdictional data comparisons among entities operating across varying regulatory regimes, intra-jurisdictional comparability remains preserved. The entity generally also must disclose the relevant applicable jurisdictional laws or regulations used to define the corrective actions to provide clarity for users.

<sup>11</sup> Methodology Basis for Conclusions: Workstream CG4 - H-1B Visas.

<sup>12</sup> Methodology Basis for Conclusions: Workstream IF3 - Landfill Releases.



**Table 3 - Revision Approach 3 to enhancing international applicability of the SASB Standards**

SASB Standards	Proposed Revision
Number of corrective actions implemented for landfill releases	Number of corrective actions implemented for landfill releases
1.1 Corrective actions are defined as control and clean up of landfill releases of constituents detected at a statistically significant level above the established background level (as defined in Appendix I of US 40 CFR Part 258) to achieve the groundwater protection standards in US 40 CFR Part 258.50 Subpart E—Ground-Water Monitoring and Corrective Action.	1.1 Corrective actions include the control and clean up of landfill releases of constituents detected at a statistically significant level above the established background level to achieve the groundwater protection standards as defined under applicable jurisdictional laws or regulations.  ...3 The entity shall disclose the applicable jurisdictional laws or regulations used to define corrective actions.

#### Approach 4

- F9. Under the Affordability & Pricing disclosure topic in the Biotechnology & Pharmaceuticals industry (HC-BP), the SASB Standards metric HC-BP-240b.1 measures the number of settlements of Abbreviated New Drug Application (ANDA) litigation involving payments or provisions to delay bringing an authorized generic product to market. The ANDA process guides pharmaceutical entities seeking approval to sell generic drugs in the US. The US federal code<sup>13</sup> governs the parameters of such ANDA processes and associated litigation under the 1984 US Drug Price Competition and Patent Term Restoration Act (Hatch-Waxman Act).
- F10. Research indicates no global equivalents to ANDA. The staff found nothing resembling the ANDA process or associated litigation after researching multiple non-US jurisdictions in Europe, Asia-Pacific, Africa and South America. Administratively, global jurisdictions span a wide continuum of state-controlled, free-market and hybrid economic healthcare models encompassing drug sales and distribution. Likewise, jurisdictional legal processes and their relationship to the domestic pharmaceuticals distribution may vary significantly across different countries.
- F11. Nevertheless, the staff has assessed that the two remaining HC-BP pricing metrics, with some minor modifications, substantially preserve the disclosure topic's completeness. As a result, the staff has removed HC-BP-240b.1 without developing a replacement.<sup>14</sup>

#### Approach 5

- F12. Under the Supply Chain Management disclosure topic in the Air Freight & Logistics industry (TR-AF), the SASB Standards metric TR-AF-430a.1 measures an entity's percentage of carriers exceeding a pre-set safety scoring system hurdle. The Federal Motor Carrier Safety Administration's (FMCSA) Behaviour Analysis and Safety Improvement Categories (BASIC) tool is useful only in the US, however.
- F13. A part of the US Department of Transportation (DOT), the FMCSA's Safety Measurement System (SMS) captures a broad range of US carrier data and calculates the BASIC percentiles in a customised data system to highlight carrier safety performance issues and prioritize possible US federal regulatory authority intervention.

<sup>13</sup> US 21 CFR Part 314, Applications for FDA Approval to Market a New Drug.

<sup>14</sup> Methodology Basis for Conclusions: Workstream HC1- Affordability & Pricing.

- F14. The BASIC tool applies only to US motor carrier safety and is impossible to apply globally. No known global equivalent to the BASIC tool and safety measurement data system exists.
- F15. To fill the gap resulting from the potential removal of this metric, the staff developed a metric patterned on language used in other similar metrics throughout the SASB Standards as a basis to assess an entity's policies and strategies to identify, assess and manage business disruption risks associated with contract carrier safety. The staff removed the quantitative TR-AF-430a.1 metric and replaced it with a qualitative metric to preserve disclosure topic completeness.