

## ISSB ED Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy updates – Comment Letter

International Sustainability Standards Board  
IFRS Foundation  
Opernplatz 14  
60313 Frankfurt am Main  
Germany  
9 August 2023

Dear Mr. Faber

### Re: ED Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates

On behalf of EFRAG, I am writing to comment on the *Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*, issued by the ISSB on 11 May 2023 (the 'ED'). This letter is intended to contribute to the ISSB's due process.

EFRAG follows with attention the future developments on the SASB Standards, as they are one of the sources for the development of sector-specific ESRS. EFRAG has started preparatory work and expects to issue in the next few years sector-specific ESRS as foreseen by the CSRD to cover the entire spectrum of the 77 SASB industries through about half that number of sector standards (classified following the NACE definition of sectors which is commonly used in the European Union). As for the sector agnostic standards, interoperability is key also at sector level and EFRAG stands ready to contribute to and support the ISSB's work as from the first stages of standard setting, to enhance future interoperability. The Commission Delegated Regulation supplementing Directive 2013/34/EU as regards sustainability reporting standards, ESRS 1 (as published on 31 July 2023 – consult [here](#)) allows for the use of other recognised pronouncements as a possible source of addition to the ESRS disclosure requirements and related datapoints. It also foresees a transition provision that allows ESRS preparers to refer to SASB indicators as a source of sector guidance, pending the issuance of the ESRS standards.

EFRAG generally agrees that the proposed methodology would improve the international applicability of the SASB standards but points to the following improvements that could be made: i) keeping an acceptable comparability level when working with national references and ii) taking stock of the ratification status of international references by jurisdictions.

EFRAG considers the proposed methodology a reasonable transition approach, pending a more extensive standard setting effort to enhance the SASB Standards, as done for S2 Climate. Nevertheless, already in this transition phase the ISSB should consider possible changes, when such changes would bring meaningful improvements to the requirements.

In particular, EFRAG considers that there is room for further improvements of the SASB standards beyond the internationalisation of these standards. For example by requiring contextual narrative disclosures.

EFRAG also notes that any potential future change in the nature of the SASB standards from inspirational to mandatory should be accommodated by a robust due process (including public consultation).

The ISSB should develop a gap analysis between the SASB standards and sustainability reporting frameworks developed more recently or which are being developed. The results of this gap analysis should then serve as a basis for updates to the SASB standards. We identify in our detailed answer to Question 5 examples of areas where we see room for improvement, across a variety of sectors, such as the quantification of scope 3 and use of sold products emissions or information on assets at risk and stranded assets in the Oil and Gas industry.

In addition, both in the transition phase and in the future more extensive standard setting exercise on the SASB Standards, the ISSB should consider the development of more recent frameworks on sustainability reporting or frameworks under development, including ESRS and GRI.

Subject to the considerations above, EFRAG agrees that the revision approaches will improve the international applicability of the SASB standards.

EFRAG cautions that some metrics are only available behind a payment wall. When being relied upon these increase the cost/benefit ratio of the future standards, (as would be the case for the IEA datasets). More importantly such a situation is not acceptable in principle and has been avoided for the elaboration of ESRS especially as the ESRS are mandatory by law and cover more than 50.000 entities across the EU and therefore should not require the use of data behind payment walls.

EFRAG agrees to update the SASB XBRL Taxonomy to reflect the amended SASB standards accordingly, as suggested. EFRAG invites the ISSB to work with EFRAG on an harmonisation of the sector specific digital XBRL taxonomies of the ESRS and ISSB standards.

Finally, some of EFRAG constituents are concerned about i) the suitability of the SASB standards to reflect the business model of European banks and ii) how the SASB standards can be used proportionally to unlisted SMEs as part of the value chain. EFRAG has working streams in both areas (i.e. sector standards development for the financial industry and development of sustainability standards for SME's) and hence is not able – at this stage – to provide an answer on these areas to the ISSB. EFRAG intends to continue its work in these areas, including a public consultation on the future proposals, and will inform the ISSB of the outcome of these workstreams subsequently.

EFRAG's detailed comments and responses to the questions in the ED are set out in the Appendix.

If you would like to discuss our comments further, please do not hesitate to contact Pedro Faria or myself.

Yours sincerely,



**Patrick de Cambourg**  
**EFRAG SRB Chair**

## Appendix - EFRAG's responses to the questions raised in the ED

### Question 1 – Methodology objective

#### Question 1 – Methodology objective

This Exposure Draft describes the proposed methodology to amend non-climate-related SASB Standards metrics to enhance their international applicability when they contain a jurisdiction-specific reference.

(a) Are the scope of the intended enhancements and the objective of the proposed methodology stated clearly in paragraph 8? If not, why not?

(b) Are the constraints of the objective as listed in paragraph 8 (preserving structure and intent, decision-usefulness and cost-effectiveness) appropriate? Why or why not?

(c) Should any other objective(s) or constraint(s) be included in the proposed methodology? If so, what alternative or additional objective(s) or constraint(s) would you suggest? How would these add value to the proposed methodology?

### EFRAG's response

**While the scope of the intended enhancements is clearly described in the Exposure Draft, EFRAG is of the view that there are improvements to be made in the methodology that, if not addressed, can stand in the way of fulfilling the objective of enhancing the international applicability of the SASB Standards.**

**EFRAG also notes that a potential future change in the nature of the SASB standards from inspirational to mandatory should be accommodated by a robust due process (including public consultation).**

**In addition, the ISSB should consider possible changes, when such changes would bring meaningful improvements to the requirements and should consider as well the development of more recent frameworks on sustainability reporting or frameworks under development including ESRS and GRI.**

### Question 1(a)

- 1 While the scope of the intended enhancements is clearly described in the Exposure Draft, EFRAG is of the view that there are improvements to be made to the methodology that, if not addressed, can stand in the way of fulfilling the objective. Those improvements relate to:
  - (a) The ratification status of internationally applicable references for standards; and
  - (b) The impact on comparability when integrating jurisdictional references.
- 2 For more detailed information on these issues, please refer to our answer to Question 3.

### Question 1 (b)

- 3 EFRAG considers the proposed methodology a reasonable transition approach, pending a more extensive standard setting effort to enhance the SASB Standards, as done for S2 Climate. Nevertheless, already in this transition phase the ISSB should consider possible changes, when such changes would bring meaningful improvements to the requirements. This refers in particular to the methodology's constraints to the possible changes, such as when an entity already using the SASB Standards could continue to provide the same disclosures irrespective of whether the SASB Standards are amended using this methodology.

- 4 In addition, both in the transition phase and in the future more extensive standard setting exercise on the SASB Standards, the ISSB should consider the development of more recent frameworks on sustainability reporting or frameworks under development, including ESRS and GRI.
- 5 EFRAG understands that the ISSB proposals are based upon the Recommendations of the Technical Readiness Working Group (TRWG) in building a cohesive sustainability reporting framework partly based on existing sources. EFRAG further notes that the ISSB framework will consist of thematical standards (to be developed over several years) and industry disclosures, besides general requirements (S1 General Requirements for Disclosure of Sustainability-related Financial Information). Finally, EFRAG understands that thematical standards are to find inspiration from the white paper of the World Economic Forum report on Measuring Stakeholder Capitalism – Towards Common Metrics and Consistent Reporting of Sustainable Value Creation, September 2020.
- 6 EFRAG understands that the SASB standards are one of several sources (for example the CDSB Framework application guidance for water- and biodiversity-related disclosures) an entity needs to consider identifying sustainability-related risks and opportunities.
- 7 Thematical standards such as S2 Climate also provide revisions of the existing industry-based metrics, in order to enhance international applicability. EFRAG expects this to be similar with future thematical standards. In this regard having an overall view of the target universe of topical standards that will further change the SASB disclosures is absolutely necessary.
- 8 In this regard the future status of the industry-based disclosure requirements (related to S2 and other future topical standards) is to be specified more clearly. EFRAG understands that the ISSB may have the intention to make these requirements mandatory in the future, subject to prior consultation. Moving from an inspirational status to a mandatory status is not trivial and should be considered with extreme prudence until the contemplated extensive standard setting exercise, performed on these standards under the ISSB robust due process, has been initiated and finalised. EFRAG therefore recommends following a robust technical due process which includes public consultation before changing the status from inspirational to mandatory.
- 9 EFRAG understands and agrees to the approach to publish a draft of proposed amendments to the SASB standards on the Foundation website for public review, instead of including all the proposed amendments in the ED for public comment, as per paragraph IN10 of the ED. This is because we understand that future topical standards will still make amendments to the SASB disclosures as well as there will be further targeted changes to them. Some of EFRAG constituents are concerned about the suitability of the SASB standards to reflect the business model of European banks. EFRAG has dedicated working groups with the aim of providing guidance to the development of sector specific standards for the financial sector including its value chain. EFRAG will inform the ISSB of the outcome of these discussions upon conclusion.

*Question 1 (c)*

- 10 EFRAG is of the view that the ISSB should consider, in updating the SASB standards, interoperability with other sustainability frameworks including ESRS and GRI. In this context it is important to note that in the development of ESRS, EFRAG has been required to consider a coordinated standard setting approach that leverages on existing sectoral reporting requirements, to avoid duplications and to support the implementation of data infrastructure to serve the users' needs of financial market participants that are subject to such sectoral reporting

requirements. An example is the EU Pillar 3 ESG framework and its relevance for financial institutions.

*Question 2 – Overall methodology*

**Question 2 – Overall methodology**

This Exposure Draft explains the proposed methodology to amend the SASB Standards metrics to enhance their international applicability when they contain jurisdiction specific references.

(a) Do you agree that the proposed methodology would enhance the international applicability of the SASB Standards metrics? If not, what alternative approach do you suggest and why?

*EFRAG's response*

**EFRAG generally agrees that the proposed methodology would improve the international applicability of the SASB standards but points to the following improvements that could be made: i) keeping an acceptable comparability level when working with national references and ii) taking stock of the ratification status of international references by jurisdictions.**

*Question 2 (a)*

- 11 EFRAG generally agrees that the proposed methodology would improve the international applicability of the SASB standards but points to some improvements that can be made.
- 12 EFRAG also points out that by working with international sources by reference, the updated SASB standards run the risk of future changes that are out of control of the ISSB itself.

*Comparability when working with national references*

- 13 EFRAG notes that particular attention may be useful to maintain the comparability of SASB standards when adopting generalised jurisdictional references '(step 3). As jurisdictionally bound references can and do differ between jurisdictions, comparability between undertakings reporting will be affected. EFRAG understands that where this will be the case, priority is to be given to comparability at jurisdictional level instead of comparability at international level. EFRAG suggests, where possible, reliance on internationally applicable regulations as much as possible.

*Ratification status of international references*

- 14 A further complexity is the degree of national or regional ratification of international sources. The applicability of ISSB standards may not always be fully aligned with the references to international regulations or methodologies rendering the reference in ISSB standards rather theoretical.
- 15 When relying on internationally applicable references, one needs to consider whether these references have been ratified. International references do not become applicable automatically in all jurisdictions. In general, these are first to be ratified by national authorities before this is the case. This implies that international applicability may differ in geographical spread as well over time. EFRAG suggests the ISSB to make a mapping available on its website that demonstrates for all internationally applicable references used in their standards, in which countries these have been ratified.
- 16 A short description of the ratification process in the European Union can be found [here](#).

- 17 In case of important gaps between the applicability of ISSB standards and an international reference used, EFRAG suggests replacing that international reference with an ISSB developed metric or target. Important gaps may occur in two ways: i) by the number of countries that have not or not yet ratified an international agreement or ii) the absence of (or delay in) ratification by jurisdictions that could be considered vulnerable to environmental or social shortcomings.
- 18 For example, the UN Global Biodiversity Framework agreed upon in December 2022 in Montreal, Canada may, at the day of writing this comment letter, not yet be ratified by a lot of jurisdictions.

*Question 3 – Revision approaches*

**Question 3 – Revision approaches**

This Exposure Draft explains five revision approaches to enhance the international applicability of non-climate-related SASB Standards metrics. Every disclosure topic, metric and technical protocol amended using the methodology will apply these five revision approaches, either individually or in combination. The methodology begins with Revision Approach 1, which uses internationally recognised frameworks and guidance to define relevant terms of reference.

(a) Do you agree that replacing jurisdiction-specific references with internationally recognised frameworks and guidance—if identified—should be the first course of action? If not, why not?

(b) If Revision Approach 1 is not feasible, do you agree that using the remaining four revision approaches would enhance the international applicability of the SASB Standards? Why or why not?

(c) Could the revised metrics resulting from any specific revision approaches or combination of approaches pose problems for the preparers applying them? Why or why not?

(d) Do you agree with the criteria for determining which of the proposed revision approaches applies in different circumstances? Why or why not? What changes to the criteria would you recommend and why?

*EFRAG's response*

**Subject to our comments made to Question 2, EFRAG agrees that the revision approaches will improve the international applicability of the SASB standards.**

**EFRAG cautions that some metrics are only available behind a payment wall - such as the IEA datasets. When being relied upon these increase the cost/benefit ratio of the future standards. More importantly such a situation is not acceptable in principle and has been avoided for the elaboration of ESRS especially as the ESRS are mandatory by law and cover more than 50.000 entities across the EU and therefore should not require the use of data behind payment walls.**

**In step 3, EFRAG suggests that undertakings making use of jurisdictional references should disclose an exact description and reference to them, permitting verification by stakeholders.**

*Question 3 (a)*

- 19 EFRAG agrees with this first step in the methodology but notes that this step should be complemented with:
- (a) a mapping of the ratification status of international references used; and

(b) in the case of important gaps, a replacement metric or target developed by the ISSB itself.

- 20 The mapping should be accompanied by a clarification why a particular international reference has been chosen and in particular an assessment of the international relevance of the issue the metric is assessing.

*Question 3 (b)*

- 21 EFRAG generally agrees that the four other revision approaches can also improve international applicability of the SASB standards. As per our answer to Question 2, we urge the ISSB to take special care to address comparability issues when relying on jurisdictional references.
- 22 When adopting generalised jurisdictional references (step 3), EFRAG suggests that undertakings making use of such jurisdictional references should disclose an exact description and reference to those, permitting verification by stakeholders.
- 23 In the area of biodiversity EFRAG is aware of concerns that no internationally established standardised metrics exist so far. In developing its own Biodiversity standard ESRS E4, EFRAG addressed this by permitting preparers to choose between relevant metrics (ESRS E4-5). We suggest the ISSB to consider this in updating the SASB standards in the biodiversity area. In addition, EFRAG suggests identifying the global relevance of any metric to understand if jurisdictional-specific references are feasible to be reported globally.

*Question 3 (c)*

- 24 EFRAG notes that some metrics are only available behind a payment wall. Relying on such metrics should be avoided as these increase the cost/benefit analysis of the future standards significantly in a negative way. Such a situation is not acceptable in principle and has been avoided for the elaboration of ESRS especially as the ESRS are mandatory by law and cover more than 50.000 entities across the EU and therefore should not require the use of data behind payment walls.
- 25 EFRAG suggests the ISSB to clarify the process supporting the selection of metrics coming from the revision approaches. A clear process would allow to clarify which metrics have been considered, which ones have been rejected and for which reasons and finally which ones have been retained.

*Question 3 (d)*

- 26 EFRAG agrees with the criteria determining which of the approaches are to be applied in different circumstances.

*Question 4 – SASB Standards Taxonomy Update objective*

**Question 4 – SASB Standards Taxonomy Update objective**

This Exposure Draft describes the proposed approach to updating the SASB Standards Taxonomy to reflect amendments to the SASB Standards.

(a) Do you agree with the proposed methodology to update the SASB Standards Taxonomy to reflect changes to the SASB Standards? Why or why not? If you do not agree, what alternative approach would you recommend and why?

*EFRAG's response*

**EFRAG supports the update of the SASB XBRL Taxonomy to reflect the amended SASB standards accordingly, as suggested. EFRAG invites the ISSB to work with EFRAG on an harmonisation of the sector specific digital XBRL taxonomies of ISSB and ESRS.**

*Question 4 (a)*

- 27 EFRAG supports the update of the SASB XBRL Taxonomy to reflect the amended SASB standards accordingly, as suggested. We would like to emphasise that a sector specific XBRL taxonomy will progressively be developed by EFRAG. EFRAG expects to consult on the first Exposure Drafts of sector-specific ESRS in 2024. An ESRS XBRL taxonomy will follow after the issuance of the final drafts. EFRAG considers that the XBRL taxonomy has a role to play in facilitating and implementing interoperability. We would like to encourage the ISSB to implement a technical reference as part of the XBRL taxonomy as well, reflecting the interoperability status of each specific datapoint.

*Question 5 – Future SASB Standards refinements*

**Question 5 – Future SASB Standards refinements**

This Exposure Draft focuses specifically on the first phase of narrow-scope work to amend the SASB Standards metrics in accordance with the proposed methodology to enhance their international applicability when they contain jurisdiction-specific references. In subsequent phases, the ISSB will consider further enhancements to the SASB Standards to improve their decision-usefulness, balance their cost-effectiveness for preparers and ensure their international relevance.

- (a) What other methods, considerations or specific amendments would be useful to guide the ISSB's future work of refining the SASB Standards to support the application of IFRS S1? Why would they be useful?
- (b) Do you have any specific comments or suggestions for the ISSB to consider in planning future enhancements to the SASB Standards?

*EFRAG's response*

**The ISSB should develop a gap analysis between the SASB standards and sustainability reporting frameworks developed more recently or which are being developed. The results of this gap analysis should then serve as a basis for updates to the SASB standards. We provide in our detailed answer some examples of identified areas of improvement.**

*Question 5 (a)*

- 28 Please refer to our answer to Question 1(b).

*Question 5 (b)*

*Interaction of SASB within the ISSB framework*

- 29 After the transition phase targeted to internationalisation, EFRAG is of the view that the ISSB's goal should be to bring a much wider update of the SASB standards including updates through future topical standards as well as sectoral development with recent developed sustainability frameworks or frameworks under development. Also clarification is sought on how the SASB standards interoperate with IFRS S1 thereby avoiding potential duplication of topics addressed.

- 30 EFRAG is aware that sustainability matters relevant to specific industries may have shifted over time for example as a result of the pandemic and other global events, hence a regular update of the research on identifying industry-specific disclosure topics may be useful.
- 31 Beyond a mere “replacing” of existing US-based metrics, a further suggestion is to be thoughtful of issues that are more pertinent outside of the US environment. EFRAG suggests the ISSB also to reflect on the purpose of the disclosures in an international context as well as significant gaps from that international context.
- 32 Further, clarification is sought by some of our respondents on how the SASB standards can incorporate proportionality when voluntarily being applied to non-listed SMEs in the value chain of ISSB framework preparers. EFRAG is currently still working – and will still consult upon – proposals for SMEs (for listed ones and separately for non-listed ones). EFRAG proposes to inform the ISSB about the outcome of its consultations upon finalisation.

*Interaction of ISSB (including SASB) with other sustainability frameworks*

- 33 The ISSB should develop a gap analysis between the SASB standards and sustainability reporting frameworks developed more recently or which are being developed. The results of this gap analysis should then serve as a basis for updates to the SASB standards. Examples of areas where we see room for improvement, across a variety of sectors, are:
- (a) The disclosure of scope 3 emissions related to Use of Sold Products (USP);
  - (b) The use of transition plans in the biodiversity area; and
  - (c) The expansion of metrics in the social disclosures area.
- 34 Furthermore, based on its own experience with SASB standards, EFRAG is of the view that SASB is too focused on quantitative metrics. EFRAG suggests that in addition to quantitative metrics, further work is done on developing required contextual narrative disclosure. This would allow to contextualise quantitative disclosures, as well as to provide meaningful information to investors on material topics that are not necessarily quantifiable.
- 35 Below we provide as examples a number of areas where we see room for improvement of the SASB Standards in relation to environmental topics, on the basis of our preparatory work performed to date. While these are largely climate-related we still are of the view these are relevant for the further development of the ISSB framework.

*SASB O&G Upstream*

- 36 SASB O&G Upstream focuses on Scope 1 emissions, but does not require the quantification of Scope 3, Use of Sold Products (USP) emission in the products. We believe this is an important omission, considering the size of Scope 3 emissions compared to Scope 1 and discussions on historical contributions to climate change as well as responsibility for climate change. The existing disclosure EM-EP-420a.2 related to "estimated carbon dioxide emissions embedded in proved hydrocarbon reserves" although very relevant, does not cover the aspect of yearly introduction of carbon fossil fuels into the world's economy. Likewise, aspects related to physical risk (assets at risk) as well as transition risk (stranded assets) are insufficiently characterised. Some of the evolutions of recent years, like scenario analysis, are absent and are in our view very important for this sector.
- 37 Disclosure EM-EP-110a.3 on "Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets" focuses too narrowly on Scope 1 emissions.

- 38 A full transition plan should address main emissions (Scope 1 + Scope 3 - USP) deriving impacts, as well as issues related to investments and fundamental changes in the business model. Although there are other disclosures in SASB that address some of these issues, EM-EP-110a.3 should be more broadly framed. While the low-carbon production of fossil fuels is relevant, in the context of the goals of the Paris Agreement this industry is expected to move toward a fundamental change to business models, promoting operations that are non-emissive at all steps of the value-chain. Disclosures related with GHG reduction targets are also notably absent and should cover at least S1 and S3, USP.
- 39 The set on indicators related to the Reserves Valuation & Capital Expenditures topic (EM-EP-42) is too narrowly defined. Disclosures on the full set of investment flows should be required namely:
- (a) disclosures on investment in fossil fuel exploration, as these investments are the ones that will exhaust the available carbon budget and make us move beyond the global agreed goals of 1.5-2C;
  - (b) need to characterise alternative investments beyond renewable energy, as it assumes one single transition mode for oil and gas companies, which may be restrictive.
- 40 A significant absence of land impact indicators and impacts on biodiversity, with only one risk indicator present (EM-EP-160a.3) and one narrowly focused impact indicator (EM-EP-160a.2).

*SASB O&G Midstream + Refining & Marketing*

- 41 Indicator EM-MD-110a.2 + EM-RM-110a.2 has the same issues as indicator EM-EP-110a.3 for Upstream part above. Scope 3, USP (defined for the sector as per the SBTi guideline for oil and gas midstream transportation) should be required to be disclosed and framed also as a critical element (key performance indicator) for the transition plan. Aspects related to strategy and business model transition, are insufficiently characterised. Likewise, aspects related to scenario analysis, physical risk (assets at risk) as well as transition risk (stranded assets) are absent or insufficiently characterised.
- 42 Most of the issues identified to Upstream apply also to these two standards. For example, EM-RM-410a.2 is too technology specific and thus insufficient, to characterize a range of options where Refining and Marketing O&G companies can invest to transition their business models.

*SASB O&G Services*

- 43 Many issues are similar to the other O&G standards above. Total absence of GHG disclosure requirements, as at least Scope 1 and Scope 3, USP and S3, Leased assets should be characterised.

*SASB Electric Utilities & Power Generators*

- 44 IF-EU-140a.1 is insufficient to address issues related to hydro-power multiple impacts on the environment, namely on what concerns biodiversity impacts of new investments.
- 45 There is insufficient disclosure on exposure to physical and transition climate risks, as well as to issues related with CAPEX and OPEX plans in the context of transition.
- 46 In addition, some indicators may need to be made less US-specific, as examples: EM-MD-520a.1; EM-RM-150a.2; EM-RM-410a.1; EM-RM-520a.1; EM-SV-110a.3; IF-EU-110a.4; IF-EU-540a.1