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ISSB ED Methodology for enhancing the international applicability of SASB standards and SASB standards Taxonomy updates

Cover Note

Objective

1. The objective of this session is provide an update on the upcoming consultation of the ISSB on the ED Methodology for enhancing the international applicability of SASB standards and SASB standards Taxonomy updates.

Background of the ISSB project

2. The ISSB Exposure Draft details the methodology proposed for amending SASB Standards metrics to enhance their international applicability. The Exposure Draft also includes the proposed approach for updating the digital SASB Standards Taxonomy to reflect amendments made to the SASB Standards.

Methodology

3. The ISSB seeks to enhance the international applicability of non-climate-related metrics in the SASB Standards. Such enhancements will preserve the structure, completeness and intent of SASB Standards.
4. The enhancements are designed to ensure that entities can apply the SASB Standards regardless of the jurisdiction in which they operate or the type of generally accepted accounting principles (GAAP) they apply.
5. In descending order of preference, amendments to the SASB Standards metrics would be made by:
 - a. substituting available internationally applicable references for standards, definitions or calculation methods to replace jurisdiction-specific references;
 - b. providing more generalised definitions for standards, definitions or calculation processes to replace jurisdiction-specific references;
 - c. adopting generalised jurisdictional references to enable preparers to use applicable jurisdictional laws, regulations, methodologies or guidance to replace jurisdiction-specific references;
 - d. removing—in a limited number of cases—disclosure metrics that are ill-adapted for international application or have no identified international equivalents outside specific jurisdictions; and
 - e. removing and replacing jurisdiction-specific metrics when a relevant replacement can be identified to preserve the disclosure topic's integrity, aligning with the intent of the original metric as much as possible based on research, to meet the needs of users of general purpose financial reports.



SASB Standards Taxonomy updates

6. The SASB Standards Taxonomy allows preparers to digitally tag information disclosed when applying the SASB Standards. This digital tagging makes the information disclosed machine-readable.
7. Since the SASB Standards Taxonomy reflects the SASB Standards' content, any amendments to that content require consideration of corresponding updates to the SASB Standards Taxonomy.
8. Reflecting the proposed methodology to improve the international applicability of the SASB Standard, the SASB Standards Taxonomy is proposed to be amended:
 - a. to change, as necessary, taxonomy concepts (digital tags) to align with proposed amendments to the SASB Standards using the methods outlined in paragraph 5 (a)–(c);
 - b. to remove, as necessary, taxonomy concepts to align with proposed amendments to the SASB Standards using the method outlined in paragraph 5 (d); and
 - c. to add, as necessary, taxonomy concepts to align with proposed amendments to the SASB Standards using the method outlined in paragraph 5 (e).

Questions for EFRAG SR TEG

9. Does EFRAG SR TEG have suggestions on the directions to take with regard to the ED questions as listed in Appendix A? Please explain.

Agenda Papers

10. In addition to this cover note, agenda papers for this session are:
 - a. Agenda paper 03-02 – draft ISSB ED Methodology for enhancing the international applicability of SASB standards and SASB standards Taxonomy updates.



Appendix A– Questions raised in the ED

Question 1 – Methodology objective

This Exposure Draft describes the proposed methodology to revise non-climate-related SASB Standards metrics to improve 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 considered in the proposed methodology? If so, what alternative or additional objective(s) or constraint(s) would you suggest including? How would these add value to the proposed 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 improve the international applicability of the SASB Standards metrics? If not, what alternative approach do you suggest and why?

Question 3 – Revision approaches

The 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. 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 improve 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 outlined criteria to determine which of the proposed revision approaches applies in different circumstances? Why or why not? What changes would you recommend and why?

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?

Question 5 – Future SASB Standards refinements

This Exposure Draft focuses specifically on this first phase of narrow-scope work to amend the SASB Standards metrics in accordance with the proposed methodology to improve 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 S1 application? 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?

