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Berlin, 12 July 2023

Dear Patrick,

**ISSB Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates***

On behalf of the DRSC Sustainability Reporting Technical Committee I am writing to contribute to EFRAG's draft comment letter on the ISSB's Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates* (herein referred to as the 'ED') by providing in advance our response to the ISSB.

Please find attached our comment letter to the ISSB, containing our detailed comments on the questions raised in the ED.

If you would like to discuss our comments further, please do not hesitate to contact Kati Beiersdorf ([beiersdorf@drsc.de](mailto:beiersdorf@drsc.de)) or me.

Yours sincerely,

*Georg Lanfermann*

President

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Berlin, 12 July 2023

Dear Emmanuel Faber, dear Members of the ISSB,

**RE: ISSB ED Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates**

On behalf of the DRSC Sustainability Reporting Technical Committee (Fachausschuss Nachhaltigkeitsberichterstattung) I am writing to comment on the ISSB's ED *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates* (ED).

The DRSC welcomes the ISSB's project to enhance the international applicability of the SASB Standards and to update the respective taxonomy. We agree that it is essential to establish an internationally applicable set of SASB standards in time for the first-time application of IFRS Sustainability Disclosure Standards (IFRS SDS) as of 1 January 2024. Due to its prominent role within the IFRS SDS, i.e., for guidance on industry or sector specific sustainability topics and metrics, but also due to its relevance for companies preparing an ESRS sustainability report (until ESRS sector standards are in place), the DRSC finds it important to have set of internationally applicable industry-based sustainability-related disclosure standards.

We understand that the ISSB designed this project as a narrow scope project separate from any broader considerations regarding the international applicability of the SASB standards. Nevertheless, we find it necessary and important that the ISSB lays out its concept for integrating the industry based SASB standards in the IFRS SDS structure (e.g., mandatory or non-mandatory). The information that the ISSB provides on how it plans to integrate SASB standards in the future and the role that SASB standards will be attributed in the future is most relevant.

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For example, it will allow companies to allocate resources to these standards. Equally important, in case SASB standards were to become an integral, mandatory part of IFRS SDS sustainability reports, it would be essential – just like for sector agnostic disclosure requirements – to align these with ESRS (following the building block approach of the IFRS SDS). Alignment with ESRS and other international frameworks includes details such as the “unit” in which KPIs are presented as well as definitions and specific requirement. Applicability of SASB standards as well as comparability of the resulting information heavily depend on internationally aligned requirements.

Furthermore, we understand the time constraints involved in this project and agree that it is an appropriate way forward to consult on the methodology for the internationalisation of the SASB standards rather than the specific changes to the SASB standards itself. However, given the relevance of the SASB standards for companies worldwide we would ask for a high level of transparency regarding the revisions. In our understanding this includes a public review of the amendments made to the SASB standards with sufficient time for the constituents to comment on these. Therefore, we strongly support the process as laid out in IN10 of the ED and the publication of the amended SASB standards for public fatal flaw review (planned for October 2023). In addition, the ISSB should communicate the timeframe for this public review as soon as possible, i.e., length of period for fatal flaw feedback. Furthermore, the process as to which international, multinational, national, or industry-specific frameworks and guidelines were considered, and which metrics were (not) chosen and why (not) should be transparent for constituents.

Please, find below our detailed comments to the questions raised in the ED. Should you wish to discuss any of the above-mentioned issues in more detail, please feel free to reach out to Kati Beiersdorf ([beiersdorf@drsc.de](mailto:beiersdorf@drsc.de)) or me any time.

Kind regards,

Georg Lanfermann

*President DRSC e.V.*

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 9? If not, why not?
- (b) Are the constraints of the objective as listed in paragraph 9 (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?

Answer to Question 1

1(a)

Yes. It is important to enhance the international applicability of the SASB standards and we agree with the objective as provided in the ED. To our knowledge companies worldwide currently already consider internationally meaningful alternatives to SASB metrics in case the US metric have not be applicable. However, these individual approaches tend to limit comparability and therefore an overall enhancement of the international applicability is welcome. It will be important, especially for preparers of SASB standards reports, to be able to review the specific proposed amendments as it will allow companies to evaluate possible changes that the proposed amendments might imply for the companies` sustainability reporting in accordance with SASB standards.

1(b)

Yes. The constraints are laid out clearly in the ED and we understand that the structure and original intent of the content should not be substantially changed. We understand that initiating broader and more profound changes to the SASB standards will require more time to adhere to the usual due process (e.g., publication of specific proposed amendments). As laid out before (Cover letter, Answer 1(a)), we believe that a review of the proposed changed (within this narrow scope amendment) is needed to evaluate the amendments and the specific metrics. Only then will companies be able to determine, for instance, whether the content has changed (or not).

1(c)

No.

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?

Answer to Question 2

2(a)

Yes. The proposed methodology would enhance the international applicability of the SASB standards metrics.

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?

Answer to Question 3

3(a)

Yes. Revision approach 1 should be the first course of action. It should be transparent which international reference was chosen and, if applicable, why another international reference was not chosen. As mentioned in our answer to Question 1(a) the German companies that have been applying SASB standards in the past often already needed to adjust metrics for their reporting environment. These “internationalizations” of SASB metrics might now prove useful as SASB reports by these companies could be considered to identify widely accepted international metrics.

The analysis of SASB reports worldwide will probably also illustrate that sometimes not the metric itself is problematic, but the underlying concept. For example, in the telecommunication industry, SASB standards ask for certain KPIs that are companies are legally prohibited from publishing due to legal data protection rights. The revision approach 1 should consider these differences.

3(b)

Yes. But not entirely. Revision approach 3 will replace existing references with texts on applicable jurisdictional laws, regulations, or definitions in a generalised way. Generally, we are con-

cerned with references to national / jurisdictional laws as it undermines the objective of internationally comparable information.

However, the ED (para. B8) provides a good example to point out the underlying issue. Often the international comparability is impaired due to the underlying (significant) differences in jurisdictional laws. In the example provided companies would only report on corrective actions if thresholds were established in the country of their operations. In addition, if landfill or groundwater protection standards are established, these will likely differ across countries. Therefore, SASB standards should preferably refer to internationally established references.

The lack of an internationally developed metric that could mirror a specific US metric in the current SASB standards might indicate a lack of need for that specific metric. The ISSB could consult on these metrics and datapoints with their stakeholders (e.g., companies applying this metric, investors that use this information or organisations that have developed similar reporting metrics). As a result, the ISSB might consider that there is no need for this particular datapoint (and refer to Revision approach 4, “remove”).

As for the example in para. B8 the information about necessary corrective actions should be amended by specific information on the threshold in that jurisdiction. While this approach does not solve the issue of different underlying thresholds for corrective actions or the lack of those thresholds in some jurisdictions it provides a basis for comparison of the information.

Furthermore, the DRSC is not convinced by Revision approach 5 (“replace”), i.e., by the ISSB developing their own metrics to replace current US specific metrics at this point in time. Especially for topics currently discussed worldwide such as biodiversity it could be more appropriate if the SASB standards included the internationally developed metric at a later point in time, instead of separately defining a metric (which might – later on – not be internationally compatible).

3(c)

We do not yet know. The evaluation of possible issues arising from the changes can only be provided once the specific changes proposed are published. Therefore, the public fatal flaw review (as laid out in the ED, paragraph IN10) will be an important part of the process until publication of the final changes of the SASB standards by 1 January 2024.

3(d)

Yes. General agreement. See our more specific comments to question 3(b).

#### 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?

#### Answer to Question 4

4(a)

Yes. The DRSC agrees that it will be necessary to reflect the changes to the SASB standards in the respective taxonomy. Again, we suggest that the ISSB clarifies how the SASB standards taxonomy will be integrated into the ISSB's SDS and the respective taxonomy.

**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?

**Answer to Question 5**

5(a) and 5(b)

In our view the future work of the ISSB for refining the SASB standards heavily depends on how the ISSB seeks to integrate the SASB standards into the IFRS SDS framework (see remarks in our Cover letter).

Independent of this decision the SASB standards will need to be conceptually integrated in the reporting framework of the IFRS SDS (e.g., align objective, define need for industry-specific sustainability information). This will also have to include information about the materiality assessment approach that the ISSB envisions for the industry-specific disclosures laid out in the SASB standards (e.g., aspects of biodiversity and circular economy should be included in addition to current topics).

The SASB standards will also have to be updated for the current developments regarding sustainability reporting. In our understanding this should include a revision of the industry-specific topics to be addressed in the standards as there have been new topics / more material topics evolving over the last years. In addition to topics that have come up more recently, current developments include for example to adjust the current risk-oriented reporting approach to include information about opportunities of transformation etc.; to include more future-oriented aspects; to include contextual, narrative information in addition to quantitative information which the SASB standards currently focus on; and to include a concept on the scope of the supply chain.

In updating the SASB standards it will be crucial that the ISSB considers recent pronouncements and activities of the various organisations. For companies reporting in accordance with the CSRD it will also be crucial that the sector specific ESRS are considered in that process and that these requirements are aligned. The alignment of the various sector-specific requirements is most important to preparers on the one hand, but also for the users of these information. Aligned requirements will enhance applicability and comparability of the information.