

SASB Methodology ED

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ISSB – background to standards development

SASB Methodology ED

- Recommendations of Technical Readiness Working Group (TRWG)
 - Building sustainability reporting framework on existing sources
- **Generic requirements**
 - S1 General requirements for Disclosure of Sustainability-related Financial information
- **Thematical standards**
 - Based on World Economic Forum (WEF) – *Towards Common Metrics and Consistent Reporting of Sustainable Value Creation* – list of 21 themes
 - S2 Climate-related Disclosures
- **Industry disclosures – multiple sources**
 - SASB standards
 - CDSB Framework for water and biodiversity-related disclosures
 - Most recent pronouncements of other standard-setting bodies
 - Sustainability-related risks and opportunities identified by other companies

WEF identified themes

Governance	Planet	People	Prosperity
Governing purpose <ul style="list-style-type: none"> Setting purpose 	Climate change <ul style="list-style-type: none"> Greenhouse gas emissions TCFD implementation 	Dignity and equality <ul style="list-style-type: none"> Diversity and inclusion (%) Pay equality (%) Wage level (%) Risk for incidents of child, forced or compulsory labour 	Employment and wealth generation <ul style="list-style-type: none"> Absolute number and rate of employment Economic contribution Financial investment contribution
Quality of governing body <ul style="list-style-type: none"> Governance body composition 	Nature loss <ul style="list-style-type: none"> Land use and ecological sensitivity 	Health and well-being <ul style="list-style-type: none"> Health and safety (%) 	Innovation of better products and services <ul style="list-style-type: none"> Total R&D expenses (\$)
Stakeholder engagement <ul style="list-style-type: none"> Material issues impacting stakeholders 	Freshwater availability <ul style="list-style-type: none"> Water consumption and withdrawal in water-stressed areas 	Skills for the future <ul style="list-style-type: none"> Training provided (#, \$) 	Community and social vitality <ul style="list-style-type: none"> Total tax paid
Ethical behaviour <ul style="list-style-type: none"> Anti-corruption Protected ethics advice and reporting mechanisms 			
Risk and opportunity oversight <ul style="list-style-type: none"> Integrating risk and opportunity into business process 			



Initial SR TEG comments

SR TEG comments

- Look for an alignment between principles-based nature of ISSB standards and rules-based SASB standards
- A further exploration of topical standards is necessary
- Upgrade SASB framework to the newest sustainability standards such as ESRS
- Alignment of terminology
- Revision approaches: step 5 should come before step 4
- A more complete revision of SASB is necessary, SASB standards are often too granular, sometimes outdated and risk centric



EFRAG Secretariat preliminary assessment

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?
- **EFRAG Secretariat notes that the scope and objective are well defined and clearly described. EFRAG Secretariat agrees with the constraints related to the objective from a practical point of view of developing the ISSB framework over multiple years**
- **EFRAG Secretariat suggests to include in the letter the lessons learnt from incorporating the SASB indicators in the sector agnostic standards**

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?
- **EFRAG Secretariat agrees that the proposed methodology would improve the international applicability of the SASB standards and is supportive of that goal.**

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?
- **EFRAG Secretariat agrees that the revision approaches will improve the international applicability of the SASB standards.**
- **EFRAG Secretariat cautions that some metrics are only available behind a payment wall and when being relied upon these increase the cost/benefit analysis of the future standards**
- **Consider providing an appendix with the list of SASB indicators already incorporated at sector-agnostic level as a reference for the future ISSB activity**

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 Secretariat agrees to update 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 developed by EFRAG as well, and may be published for the first sectors in 2024.**
- **If the ISSB considers referencing ESRS sector specific data points in their standards, we would like to encourage the ISSB to implement a technical reference as part of the XBRL taxonomy as well.**

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?
- **EFRAG Secretariat notes that interoperability is key at sector agnostic, as well as at sector-specific level.**
- **EFRAG could express the willingness to cooperate and support co-construction, leveraging on the work already performed by EFRAG in incorporating almost half of the SASB material at topical-agnostic level, as well as in the context of the future sector-specific ESRS.**

Questions to EFRAG SRB members and observers

- **Per each question in this presentation, do you agree with the tentative directions suggested by the EFRAG Secretariat? Please explain.**
- **Do you have any other suggestions of content and positions to be included in the letter?**



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