

Wednesday, 9 August 2023

International Sustainability Standards Board (ISSB)
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Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates

As the representatives of over 300,000 professional accountants globally, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to provide feedback on the ISSB's consultation on the methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates ("the ED"). We make this submission on behalf of our members and in the public interest.

In our opinion, sustainability reporting will achieve equivalent standing with financial reporting, reflecting increasing demand from investors and stakeholders for such sustainability-related information. Providing information on industry-specific, material sustainability-related topics and related metrics and targets will be critical to ensure comparability, resource benefits (both time and cost) and ease of understanding by investors.

Outlined below are our comments with regards to the ED;

- We believe that enhancing the international applicability of the SASB Standards, is a logical step to position the standards as a viable mechanism for reporting entities globally, particularly given the jurisdictional focus (to date) of the standards for the United States (US) market.
- We note that the climate-related metrics have been removed from the SASB Standards and incorporated into IFRS S2 Climate-related disclosures. In order to provide appropriate feedback on the internationalisation and maintenance of the SASB Standards, it is necessary for stakeholders to understand their position in relation to the ISSB's global baseline. We recommend the ISSB provide clarity over their overarching vision for the SASB Standards and their longer-term positioning alongside the ISSB Standards.
- Overall, we believe that that proposed methodology is logical and follows an appropriate, cascaded approach to the review of the current SASB Standards. However, it is important to note that whilst this methodology and process will enhance the international applicability of the SASB Standards, it does not mean that they will be internationally applicable.
- We understand the need to expedite this process, however we are concerned that this will not subject each SASB Standard to an appropriate level of due process. Should internationalisation of the SASB Standards be identified as a priority through the ISSB's Request for Information Consultation on Agenda priorities, each standard should individually undergo a more thorough review and revision. We also recommend that thought should be applied to a mechanism for ongoing review of the standards in addition to the considerations around the internationalisation of the standards.

- We note that Approaches 4 and 5 are framed along a reductive approach. There are certain topics that are currently not addressed, with no viable option considered to accommodate topic additions if required.
- As noted in the ED, this targeted exercise by the ISSB is to ensure that entities referring to the SASB standards in applying to IFRS S1 can use relevant metrics regardless of which jurisdiction a preparer operates in. However, the proposed revisions for international applicability are not exhaustive and specifically exclude some industry-specific sustainability-related issues that are considered fundamental in jurisdictions outside of the US. We strongly recommend industry and investors are engaged globally to identify industry-specific cross-jurisdictional metrics, which may be missing from the current standards.
- The ED outlines that the proposed enhancements will preserve the structure, completeness and intent of the SASB standards. Our interpretation of this statement is that there is no intention to internationalise industry-based descriptions or classifications, and that these will remain US focused. We are concerned this will affect the international applicability of the SASB Standards and recommend the use the Global Industry Classification Standard, which is both global and investor led. It is our view that one of the key benefits of the use of this standard would be that local jurisdictional industry classifications are likely to already be mapped against the standard.

Detailed responses to the specific questions posed by the ED are provided in the Appendix to this letter.

If you have any questions about our submission, please contact Karen McWilliams (CA ANZ) at karen.mcwilliams@charteredaccountantsanz.com or Patrick Viljoen (CPA Australia) at patrick.viljoen@cpaaustralia.com.au.

Sincerely,

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Appendix – Responses to the detailed questions of the Exposure Draft.

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?**

We agree with the methodology being applied, but are however concerned with the scope of the envisaged review. Whilst we consider replacing the US-centric references with comparable international equivalents would be a good starting point, we would question the assumption that the standards are already sufficiently comprehensive and applicable to international users.

There are certain topics that are currently not addressed, with no viable option considered to accommodate for jurisdictional specific topic additions if required.

As noted in the ED, this targeted exercise by the ISSB is to ensure that entities referring to the SASB standards in applying to IFRS S1 can use relevant metrics regardless of which jurisdiction a preparer operates in. However, the proposed revisions for international applicability are not exhaustive and specifically exclude some industry-specific sustainability-related issues that are considered fundamental in jurisdictions outside of the US. For example, First Nations reconciliation and inclusion are critical concepts within the Australian, New Zealand and Canadian markets.

Whilst we appreciate these specific examples could be considered jurisdictional specific issues that would be added to the global baseline, we strongly recommend industry and investors are engaged globally to identify industry-specific cross-jurisdictional metrics, which may be missing from the current standards.

Question 2—Overall methodology

The 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?**

Overall, we believe that that proposed methodology is logical and follows an appropriate, cascaded approach to the review of the current SASB Standards. However, it is important to note that whilst this methodology and process will enhance the international applicability of the SASB Standards, it does not mean that they will be internationally applicable.

As we mentioned previously, the standards currently exclude topics that would be key to certain jurisdictions.

We understand the need to expedite this process, however we are concerned that this will not subject each SASB Standard to an appropriate level of due process. Should internationalisation of the SASB Standards be identified as a priority through the ISSB's Request for Information Consultation on Agenda priorities, each standard should individually undergo a more thorough review and revision.

We also recommend thought should be applied to a mechanism for ongoing review of the standards in addition to the considerations around the internationalisation of the standards.

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?**

We agree with the logical sequence of the approaches being proposed in the ED, but remain concerned about the assumption that the core elements of the standards are comprehensive enough to be internationally applicable.

The ED outlines that the proposed enhancements will preserve the structure, completeness and intent of the SASB standards. Our interpretation of this statement is that there is no intention to internationalise industry-based descriptions or classifications, and that these will remain US focused. We are concerned that this will cause misalignment with certain jurisdictions, for example with Australia and New Zealand, industry-based descriptions and classifications are aligned in both countries through the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC) which differ to the industry classifications used within the SASB standards.

Ultimately this could place pressure on standard-setters in jurisdictions outside the US, who would conceivably be required to map the industry classifications used in the SASB standards to those used on their own markets or alternatively for jurisdictional standard setters to ignore the SASB standards entirety.

The replacement of the current reference points with international equivalents is would be a fundamental first step towards international applicability. We suggest the use the [Global Industry Classification Standard](#), which is both global and investor led. It is our view that one of the key benefits of the use of this standard would be that local jurisdictional industry classifications are likely to already be mapped against the standard.

Further, we note that Approach 4 seeks to: *'consider whether the metric associated with the jurisdiction-specific reference can be removed without leaving the disclosure topic incomplete'*. Approach 5 in turn then states that: *'(i)if Revision Approach 4 has been proposed or a submetric has been removed when implementing Revision Approaches 1–3, the next option is to consider drafting a similar replacement metric'*. We are concerned that the process is only framed along a reductive approach. There are certain topics that are currently not addressed, with no viable option considered to accommodate for jurisdictional specific topic additions if required.

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?**

We agree with the need to align the SASB Standards Taxonomy with any amendments to the SASB Standards and agree with the proposed methodology.

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?**

Whilst we agree with the logical nature of the proposed methodology of the ED, we are concerned about the limited additional benefit that the review will have towards the applicability and usefulness of the standards internationally.