



iGAAP in Focus

Sustainability reporting

ISSB proposes methodology for enhancing the international applicability of the SASB Standards

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This *iGAAP in Focus* outlines Exposure Draft ISSB/ED/2023/1 *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates* published by the International Sustainability Standards Board (ISSB) in May 2023.

- The ISSB has published an Exposure Draft (ED) that proposes the methodology to revise non-climate-related SASB Standards metrics to improve their international applicability when they contain a jurisdiction-specific reference
- The ED 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 ED also describes the proposed approach to updating the SASB Standards Taxonomy to reflect amendments to the SASB Standards
- The comment period for the ED ends on 9 August 2023

Background

The upcoming IFRS Sustainability Disclosure Standard (ISSB Standard) IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* will provide the general requirements for an entity to disclose sustainability-related financial information to meet the needs of global capital markets.

IFRS S1 will require entities to consider the Sustainability Accounting Standards Board (SASB) Standards in the absence of specific ISSB Standards to identify sustainability-related risks and opportunities and to identify material information. To support this approach, the ISSB has decided to review and consider amendments to the SASB Standards metrics that include jurisdiction-specific content to ensure they are suitable for application by stakeholders internationally.

The ISSB decided to propose the methodology for amending SASB Standards metrics to enhance their international applicability in an ED. The contents of the ED are summarised below.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

Proposed methodology to enhance the international applicability of the SASB Standards

Scope

The proposed scope for application of the methodology described in the ED includes all SASB Standards metrics that will not be amended by the publication of IFRS S2 *Climate-related Disclosures*. These disclosures are described as 'non-climate-related SASB Standards metrics' in the ED. Such disclosures include sustainability-related topics like biodiversity, community engagement and human capital management.

Observation

The challenges arising from the fact that the SASB Standards metrics currently uses definitions, terminology or references to jurisdiction-specific laws and regulations were known when the Exposure Draft for IFRS S2 *Climate-related Disclosures* (Draft IFRS S2) was developed.

Appendix B of Draft IFRS S2 proposed amendments to enhance the international applicability of the climate-related disclosures in the SASB Standards.

When IFRS S2 is published, the ISSB plans to release an update to the corresponding SASB Standards to align the climate-related industry-specific disclosures in the SASB Standards with the content in IFRS S2. This is why the scope of the ED is limited to non-climate-related SASB Standards metrics.

The scope of any SASB Standards Taxonomy Updates would align with the scope of amendments to the SASB Standards associated with the ED and any changes to the SASB Standards arising from the publication of IFRS S2.

Objective

The objective of the methodology proposed in the ED is to enhance the international applicability of the SASB Standards without substantially changing the structure or original intent of the content. The proposed methodology is also designed to ensure amendments preserve the decision-usefulness of the SASB Standards for users of general purpose financial reports and do not increase the costs of application for preparers.

The proposed methodology is intended to make the SASB Standards metrics applicable in any jurisdiction. Likewise, an entity using the amended SASB Standards would be able to do so whether it applies IFRS Accounting Standards or other generally accepted accounting principles (GAAP).

Methodology

In descending order of preference, amendments to the non-climate-related SASB Standards metrics would be made by the following revision approaches:

- **Revision Approach 1**—Substitute available internationally applicable references for standards, definitions or calculation methods to replace jurisdiction-specific references
- **Revision Approach 2**—Provide more generalised definitions for standards, definitions or calculation processes to replace jurisdiction-specific references
- **Revision Approach 3**—Replace jurisdiction-specific references with text that would rely on applicable jurisdictional laws, regulations or definitions in a generalised way
- **Revision Approach 4**—Remove—in a limited number of cases—disclosure metrics that are ill-adapted for international application or have no identified international equivalents outside specific jurisdictions
- **Revision Approach 5**—Remove and replace jurisdiction-specific metrics when a relevant replacement can be identified to preserve the disclosure topic's integrity to meet the needs of users of general purpose financial reports

The methodology focuses on procedural revisions and avoids substantive amendments to the SASB Standards metrics' original content. Appendices to the ED give more detail on each of the proposed revision approaches and provide illustrative examples using each revision approach to show how the proposed methodology would be applied. Another appendix provides two sets of representative metrics from two different industries, giving examples of how SASB Standards could be revised in accordance with the proposed methodology.

The methodology's targeted focus balances enhancing international applicability of the SASB Standards with supporting timely implementation and application of IFRS S1. This narrow-scope project is separate from any broader considerations regarding the international applicability of the SASB Standards, including work the ISSB has agreed to consider for potential further enhancements to the industry-specific disclosures included as guidance in IFRS S2.

SASB Standards Taxonomy Updates

The SASB Standards Taxonomy updates describe how information in the SASB Standards is captured or 'tagged' for digital reporting. Therefore, the digital tags used to label information reported when preparers apply the SASB Standards may have to be updated to reflect amendments to the SASB Standards.

To align with the proposed methodology to enhance the international applicability of the SASB Standards, it is proposed that the SASB Standards Taxonomy will be amended:

- To change, as necessary, taxonomy concepts (digital tags) to align with proposed amendments to the SASB Standards using Revision Approaches 1-3
- To remove, as necessary, taxonomy concepts to align with proposed amendments to the SASB Standards using Revision Approach 4
- To add, as necessary, taxonomy concepts to align with proposed amendments to the SASB Standards using Revision Approach 5

Until the SASB Standards Taxonomy is updated to reflect all amendments to the SASB Standards, the ISSB plans to provide an online blacklined version of the SASB Standards showing the original and amended wording. This blacklined version will enable an entity to map necessary adjustments to the SASB Standards Taxonomy to reflect the amended SASB Standards.

Comment period and next steps

The comment period for the ED ends on 9 August 2023.

During the comment period, the ISSB plans to:

- Hold discussions regarding both the proposed methodology to amend the non-climate-related SASB Standards metrics and the proposed amendments to specific metrics
- Consult a broad range of stakeholders, with a focus on jurisdictions less familiar with the SASB Standards
- Consider feedback on the ED and, during outreach, to determine how to proceed with the proposed methodology and associated amendments to the SASB Standards

The ISSB will consider comments regarding the proposed methodology and use the feedback to inform the methodology, corresponding amendments to the SASB Standards and potential updates to the SASB Standards Taxonomy.

The ISSB plans to promptly issue any such amendments to the SASB Standards and the SASB Standards Taxonomy to facilitate the implementation and application of IFRS S1.

Further information

If you have any questions about the proposed methodology to enhance the international applicability of the SASB Standards, please speak to your usual Deloitte contact or get in touch with a contact identified in this *iGAAP in Focus*.

The Deloitte Accounting Research Tool (DART) is a comprehensive online library of accounting and financial disclosures literature. [iGAAP on DART](#) allows access to the full IFRS Standards, linking to and from:

- Deloitte's authoritative, up-to-date, iGAAP manuals which provide guidance for reporting under IFRS Standards
- Model financial statements for entities reporting under IFRS Standards

In addition, our [sustainability reporting](#) volume of iGAAP provides guidance on disclosure requirements and recommendations which businesses must consider in light of the broader environmental, social and governance matters which can significantly drive the value of an entity.

To apply for a subscription to iGAAP on DART, click [here](#) to start the application process and select the iGAAP package.

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