
Meeting of the Trustees of the IFRS[®] Foundation—Due Process Oversight Committee

Date **March 2023**
Topic **SASB Standards Taxonomy due process**
Contacts Nili Shah, Executive Technical Director (nshah@ifrs.org)

This document is prepared for discussion at a public meeting of the IFRS Foundation Trustees' Due Process Oversight Committee (DPOC). The Trustees are responsible for governance of the IFRS Foundation, oversight of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

Purpose

1. This paper seeks the Trustees' Due Process Oversight Committee (DPOC) approval for a proposed due process to update the SASB Standards Taxonomy for international applicability.

Question

1. Does the DPOC approve the proposed due process described in paragraph 5 to update the SASB Standards Taxonomy for international applicability?

Background—Maintaining the SASB Standards Taxonomy

2. As discussed at the October 2022 DPOC meeting, SASB Standards that have not been directly incorporated into an IFRS Sustainability Disclosure Standard still have an important role because they will be referenced as supporting materials in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. This means that reporting entities will continue to use the SASB Standards to inform their disclosures on sustainability related risk and opportunities that are not yet covered by an ISSB Standard. The ISSB has also committed to continue to maintain, enhance and evolve the SASB Standards. Work will thus comprise (a) improving the international applicability of the SASB Standards and (b) maintenance and enhancements of the SASB Standards.
3. As decided at the October 2022 DPOC meeting, the SASB Standards that do not form part of IFRS Sustainability Disclosure Standards will have a due process as follows:
 - (a) specific to the process for improving the international applicability of the SASB Standards—the ISSB will issue an exposure draft to request feedback on the proposed process and methodology for updating US-based references in the SASB Standards for more internationally applicable references, rather than an exposure draft containing a full mark-up of the proposed amendments. Following consideration of the feedback to the exposure draft, the staff will make a draft of

the amendments available on the IFRS Foundation website, consistently with the process described in paragraphs 3.31–3.33 of the *Due Process Handbook*, to allow stakeholders to review the amendments before the ISSB finalises them.

- (b) for all SASB Standards that do not form part of IFRS Sustainability Disclosure Standards:
 - (i) a group of three to five ISSB members will be established to develop recommendations for the ISSB relating to this work. The group will also develop drafts of the required exposure drafts of amendments to the SASB Standards and, after considering the stakeholder feedback, drafts of the final amendments.¹
 - (ii) the ISSB will consider the recommendations of this group in ISSB meetings (which are public) and ratify the exposure drafts and, subsequently the final amendments prepared by the group. Ratification will require the same level of support by ISSB members as is required for an amendment to an IFRS Sustainability Disclosure Standard. Exposure drafts of, and final amendments to, the SASB Standards will be issued by the ISSB.
 - (iii) the comment period for the exposure drafts will be the same as for those related to IFRS Sustainability Disclosure Standards.
4. The SASB Standards Taxonomy facilitates the digitalisation of reporting based on the SASB Standards. The SASB Standards Taxonomy needs to be maintained because:
- (a) some companies will continue to use the SASB Standards Taxonomy directly (currently approximately five companies digitally report data using the SASB taxonomy). The IFRS Foundation is actively encouraging entities to continue and/or commence applying the SASB Standards including as a means to prepare to apply the ISSB Standards. Thus more entities could also start to apply this Taxonomy;
 - (b) as a result of the reference to the SASB Standards as supporting materials in IFRS S1, more companies will likely utilise the SASB Standards Taxonomy when reporting those disclosures digitally; and
 - (c) this will benefit future work to incorporate the SASB Standards Taxonomy (or parts of) into a IFRS Sustainability Disclosure Taxonomy.

Proposed due process for the SASB Standards Taxonomy

Improving the international applicability of the SASB Standards Taxonomy

5. The staff recommend the following due process to update the SASB Standards Taxonomy for international applicability:
- (a) in lieu of a proposed SASB Standards Taxonomy update (ie exposure draft), the ISSB will include a discussion on the proposed taxonomy modelling approach in the exposure draft of the proposed process and methodology for improving the international applicability of the SASB Standards (see paragraph 3(a)). This would align the approach to the consultation with that approved by the DPOC in October 2022 for internationalisation of the SASB Standards—that is, consulting on the

¹ This SASB Standards Board Advisor Group has now been established.

approach, rather than the detailed changes. The description of the approach will be developed by the staff, in consultation with the ISSB's taxonomy consultative group and a group of ISSB members with expertise in the SASB Standards and the digital taxonomy, for ratification and balloting by the full ISSB. This is akin to the ratification approach approved by the DPOC for the SASB Standards.

- (b) feedback received on the proposed modelling approach will be discussed in a public ISSB meeting.
 - (c) updates to the SASB Standards Taxonomy will then be finalised, subject to approval by the full ISSB.
6. The staff think this process is appropriate because:
- (a) it is modelled on the process the DPOC approved to update the international applicability of the SASB Standards and the process to update the IFRS Accounting Taxonomy;
 - (b) future updates to the IFRS Sustainability Disclosure Taxonomy that incorporate the SASB Standards Taxonomy will be subject to the IFRS Foundation's full due process;
 - (c) only a small number of companies currently use the SASB Standards Taxonomy; and
 - (d) modelling of the SASB Standards Taxonomy does not lend itself to a significant amount of choice; therefore limited feedback is expected.

Maintaining and enhancing the SASB Standards

7. The staff will discuss the due process to update the SASB Standards Taxonomy for the maintenance and enhancement of the SASB Standards at a future DPOC meeting.