



2023

World Standard-setters Conference

#WSS2023

**Better information
for better decisions**

SASB Standards

Breakout session 4



Presenters



Granville Martin
Director
Regulatory Outreach



Sundip
ISSB Technical Staff –
S1 Lead

Agenda

- 1 Background and due process of the SASB Standards
- 2 The value of the SASB Standards and their role in IFRS S1 and IFRS S2
- 3 What next?



**SASB
STANDARDS**

Now part of IFRS Foundation

Background and due process of the SASB Standards

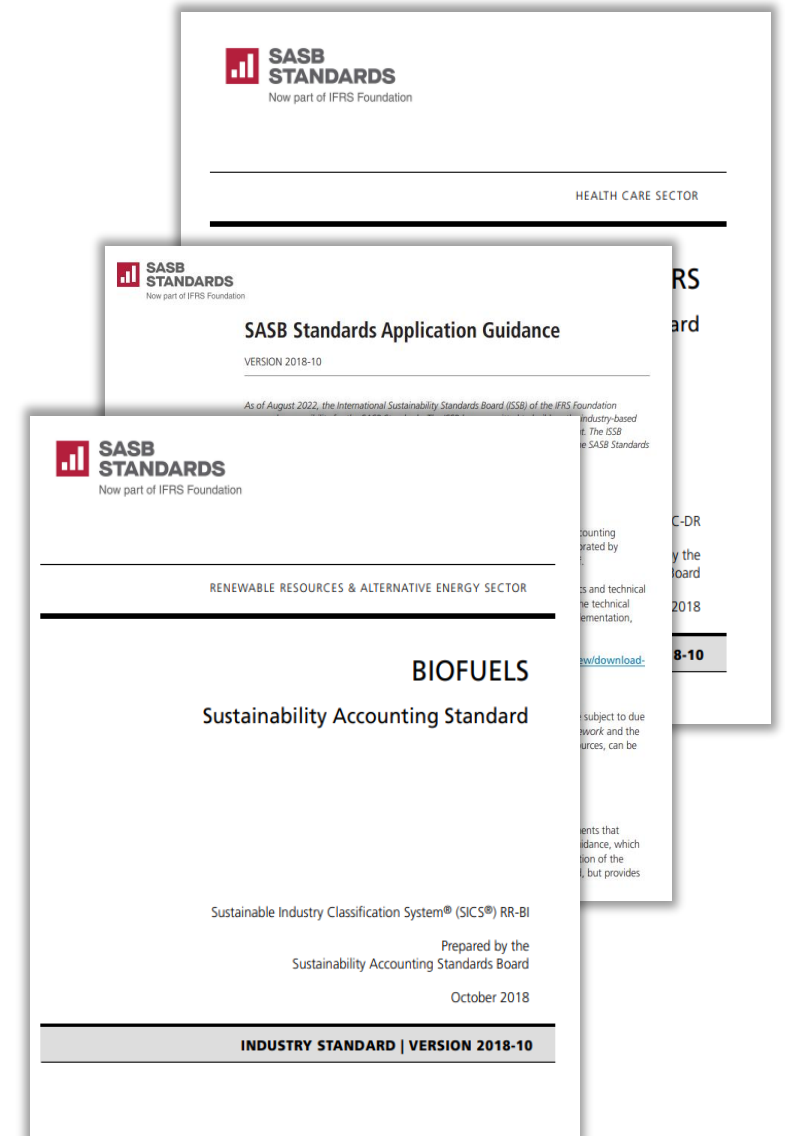


Rationalising investor-focused standards and frameworks



What are the SASB Standards?

- 77 industry-specific disclosure standards
- Guide to identify the sustainability factors most relevant to financial performance and company prospects for the typical company in an industry
- Developed through transparent, market-informed due process
- Over 3,00 companies in 79 jurisdictions report using SASB Standards
- Result in comparable information for investors and other providers of capital



Industry-specific



FOOD & BEVERAGE

- Agricultural Products
- Meat, Poultry & Dairy
- Processed Foods
- Non-Alcoholic Beverages
- Alcoholic Beverages
- Tobacco
- Food Retailers & Distributors
- Restaurants



EXTRACTIVES AND MINERALS PROCESSING

- Oil & Gas – Exploration & Production
- Oil & Gas – Midstream
- Oil & Gas – Refining & Marketing
- Oil & Gas – Services
- Coal Operations
- Metals & Mining
- Iron & Steel Producers
- Construction Materials



HEALTH CARE

- Biotechnology & Pharmaceuticals
- Medical Equipment & Supplies
- Health Care Delivery
- Health Care Distributors
- Managed Care
- Drug Retailers



TRANSPORTATION

- Automobiles
- Auto Parts
- Car Rental & Leasing
- Airlines
- Air Freight & Logistics
- Cruise Lines
- Marine Transportation
- Road Transportation
- Rail Transportation



CONSUMER GOODS

- Household & Personal Products
- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Building Products & Furnishings
- Toys & Sporting Goods
- Multiline and Specialty Retailers & Distributors
- E-Commerce



INFRASTRUCTURE

- Electric Utilities & Power Generators
- Gas Utilities & Distributors
- Water Utilities & Services
- Waste Management
- Engineering & Construction Services
- Home Builders
- Real Estate
- Real Estate Services



SERVICES

- Education
- Professional & Commercial Services
- Hotels & Lodging
- Casinos & Gaming
- Leisure Facilities
- Advertising & Marketing
- Media & Entertainment



TECHNOLOGY & COMMUNICATIONS

- Hardware
- Electronic Manufacturing Services & Original Design Manufacturing
- Software y IT Services
- Semiconductors
- Internet Media & Services
- Telecommunication Services



FINANCIALS

- Commercial Banks
- Investment Banking & Brokerage
- Asset Management & Custody Activities
- Consumer Finance
- Mortgage Finance
- Security & Commodity Exchanges
- Insurance



RENEWABLE RESOURCES & ALTERNATIVE ENERGY

- Biofuels
- Solar Technology & Project Developers
- Wind Technology & Project Developers
- Fuel Cells & Industrial Batteries
- Forestry Management
- Pulp & Paper Products



RESOURCE TRANSFORMATION

- Chemicals
- Aerospace & Defense
- Electrical & Electronic Equipment
- Industrial Machinery & Goods
- Containers & Packaging

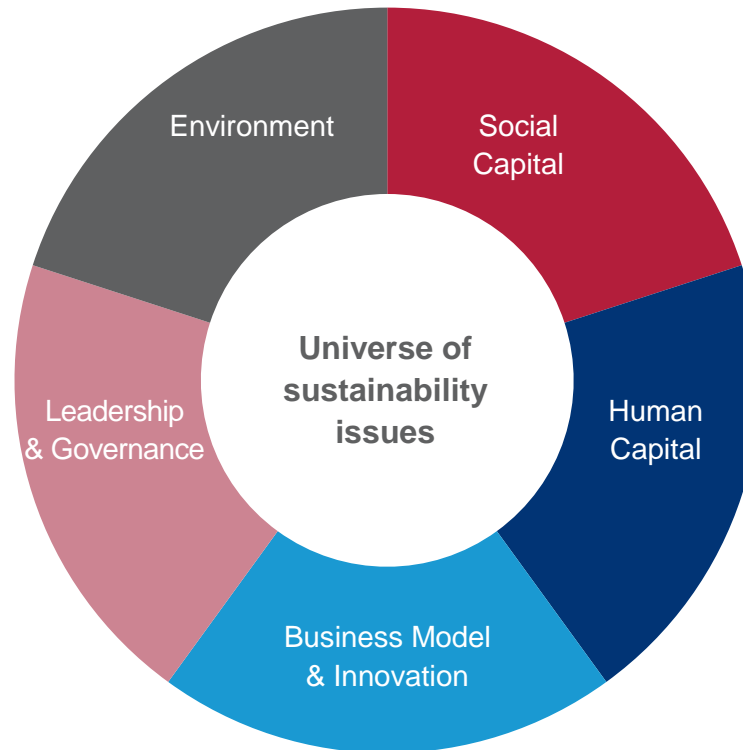
Sustainability topics

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling



Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management

Investor-relevant

Industry-specific

Market-informed

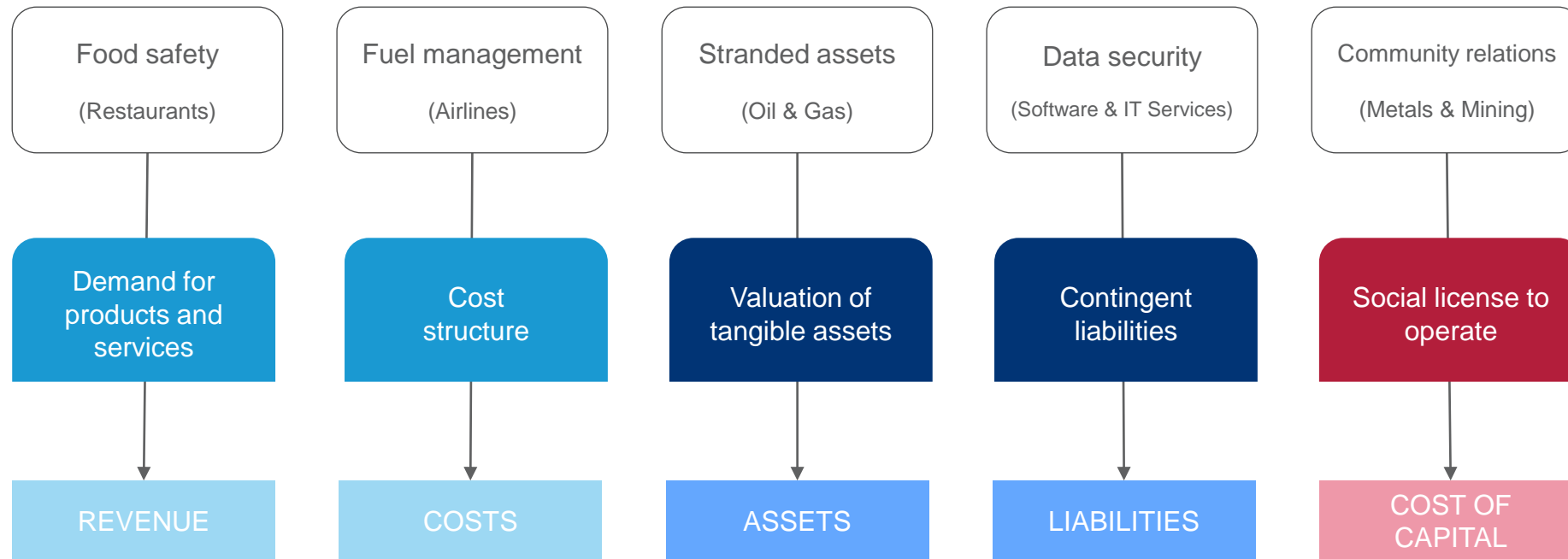
Evidence-based

Decision-useful

Cost-effective

Evidence-based and decision-useful

Disclosure topic examples from SASB Standards



■ *Income statement*

■ *Balance sheet*

■ *Cash flow*

▶ Investor-relevant

▶ Industry-specific

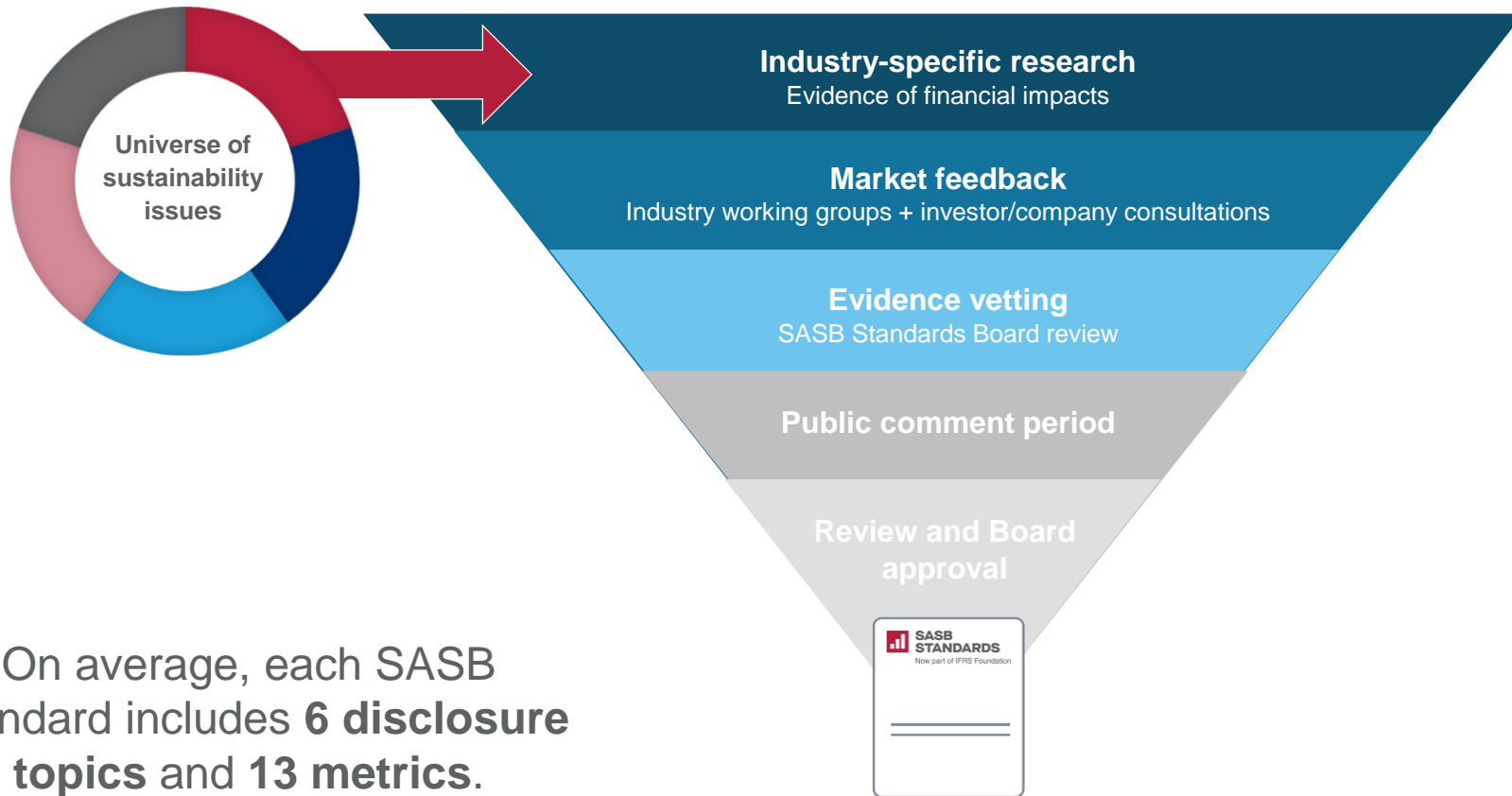
▶ Market-informed

▶ Evidence-based

▶ Decision-useful

▶ Cost-effective

Market-informed and cost-effective



Investor-relevant

Industry-specific

Market-informed

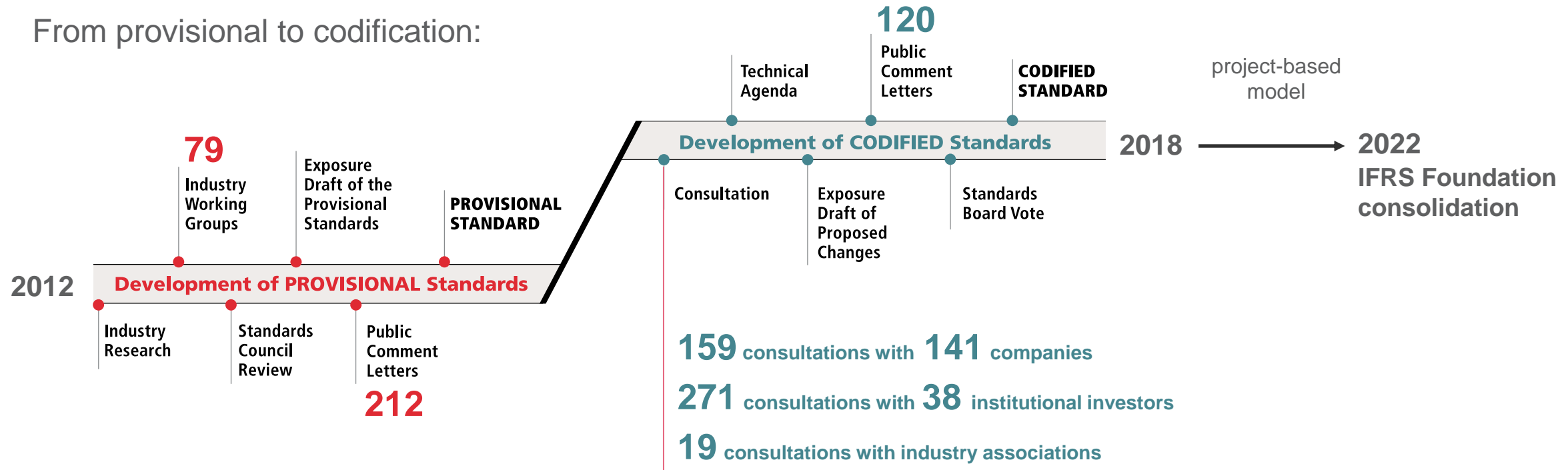
Evidence-based

Decision-useful

Cost-effective

SASB Standards development

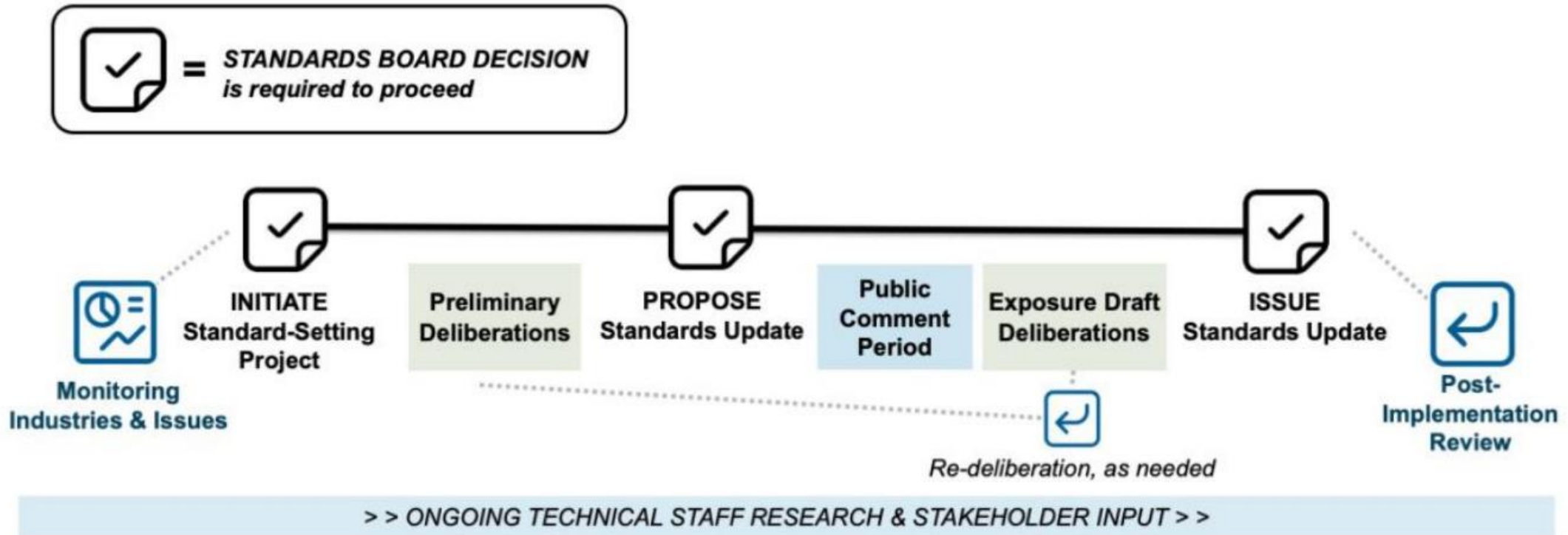
From provisional to codification:



Over a decade prior to the IFRS Foundation consolidation, the SASB staff conducted industry-based research, receiving market input from corporate professionals, investors and industry experts

SASB Standards due process: project-based model

After codification in 2018, the SASB Standards adopted a project-based model to update and refine content



The result: 77 industry-specific standards

- 77** Industries
- 444** Industry-based disclosure topics*
- 6** Disclosure Topics per industry (average)
- 13** Accounting Metrics per industry (average)
- 74%** Quantitative metrics**

Sustainability disclosure topics for each industry

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Quantitative	Metric tons CO ₂ -e (t), Percentage (%)	EM-EP-110a.1
Air Quality	Air emissions of NO _x (e.g., organic particulates)	Quantitative	Mass (t)	EM-EP-000.A
Water Management	Volume of water withdrawn from surface water sources	Quantitative	Cubic meters (m ³)	EM-EP-000.B
	Volume of water discharged to surface water sources	Quantitative	Cubic meters (m ³)	EM-EP-000.C

EM-EP-110a.1. Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations

1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalent (CO₂-e), and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the Intergovernmental Panel on Climate Change (IPCC) Fifth

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas	Quantitative	Thousand barrels per day (Mbbbl/day); Million standard cubic feet per day (MMscf/day)	EM-EP-000.A
Number of offshore sites	Quantitative	Number	EM-EP-000.B
Number of terrestrial sites	Quantitative	Number	EM-EP-000.C

Metrics to measure performance on each topic

Technical protocols to aid data collection

Activity metrics to normalise sustainability-related financial information

* Unique number of Topics

** ~1,000 Accounting Metrics in total, with ~2500+ sub-metrics.

The value of the SASB Standards and their role in IFRS S1 and IFRS S2



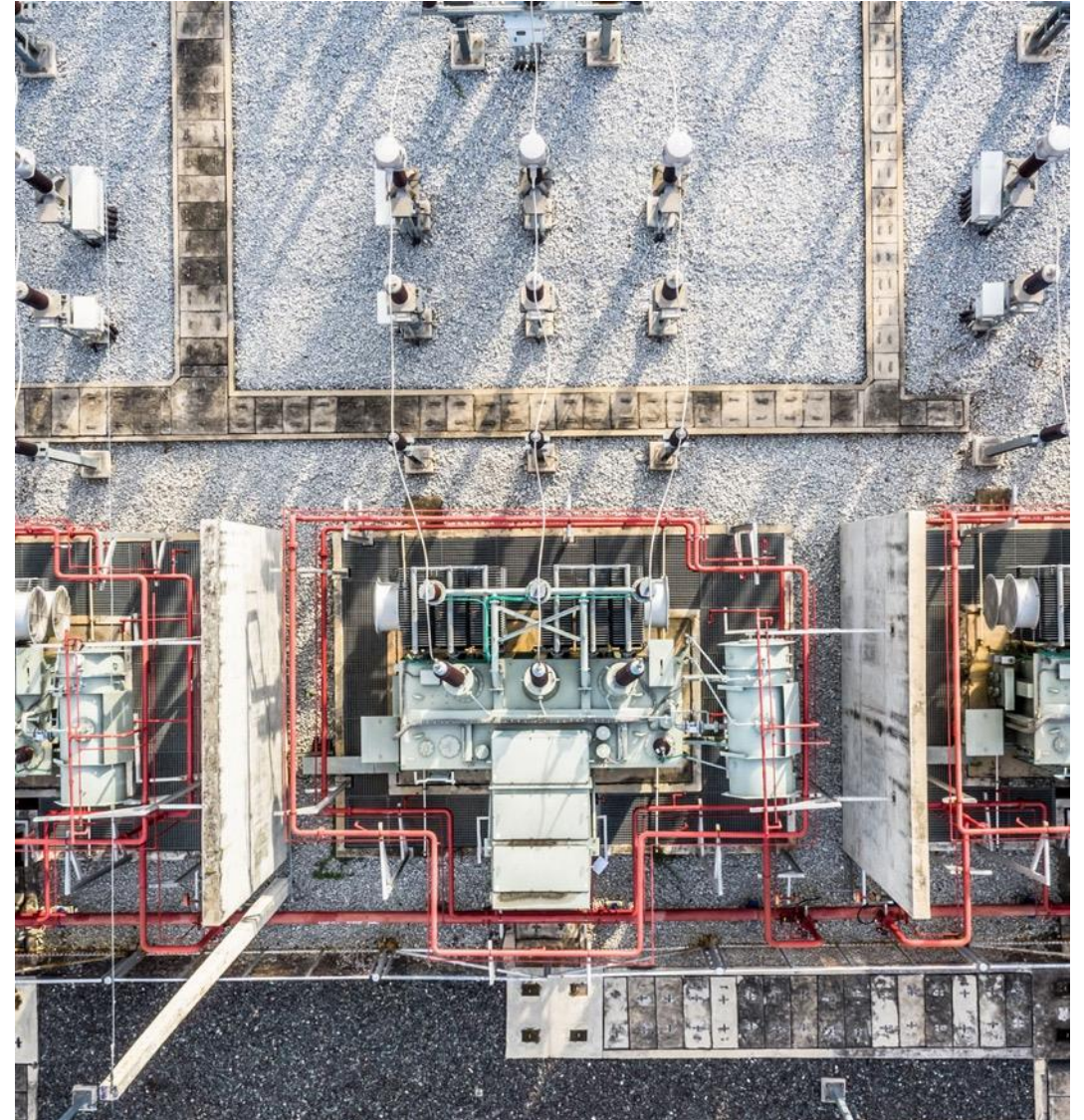
Investors demand industry-specific disclosures

“Standards which are industry-specific and framed upon financial materiality – improve understanding of company performance on ESG issues most relevant to long-term value creation (or destruction). SASB Standards are important tools for improving price discovery and valuations across asset classes and global capital markets.”

ISSB Investor Advisory Group (IIAG), comprised of 63 member institutions with US\$54 trillion AUM invested in markets around the world

Industry-specific disclosure is useful because:

- relevant sustainability-related risks and opportunities vary by industry
- investors analyse companies, portfolios and indices by industry and sector
- companies can focus on reporting disclosures that more closely fits their business model
- it reduces costs and minimises noise by focusing on the most relevant information



Market use and assurance of SASB Standards disclosure

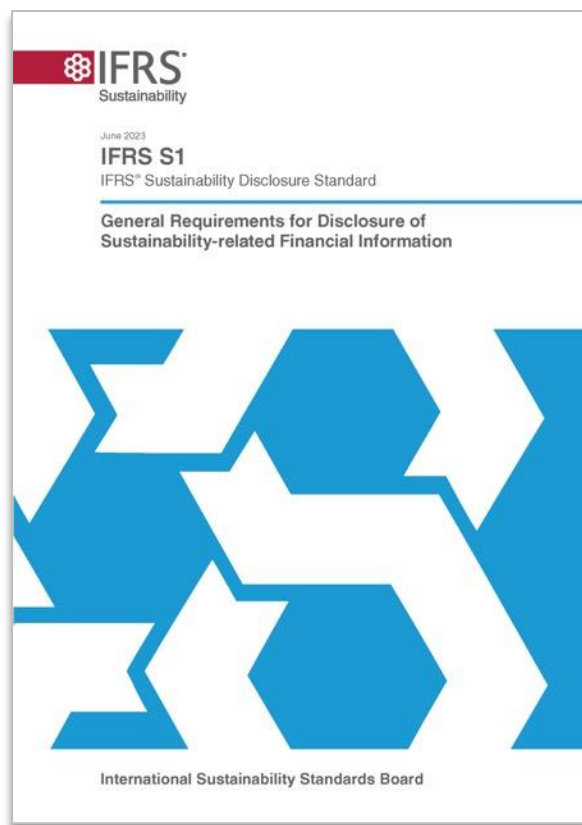
- SASB Standards are licensed by 400+ entities in 30+ countries across the globe
- Over 300 investment and diversified financial institutions, including asset owners, asset managers and banks, managing a combined US\$59 trillion in assets under management (AUM) license the SASB Standards for use in investment strategies and research tools
- IFRS Sustainability Alliance includes over 340 global investors based in 31 jurisdictions managing a combined total of over US\$81 trillion AUM
- SASB Standards have already achieved significant market traction: Used by over 3000 companies in 79 jurisdictions; 74% of S&P 1200*
- ~44% of preparer publications using the SASB Standards are externally verified. Limited assurance for externally verified reports is the most common level of assurance

ISSB Standards recognise the value of industry-specific disclosures

- **IFRS S1** asks companies to consider the industry SASB Standards for topics beyond climate to identify sustainability risks or opportunities and disclosures
- **IFRS S2** requires industry-specific climate-related disclosures and provides illustrative guidance to support application derived from the SASB Standards



IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information



- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** with the financial statements, to meet investor information needs
- Applies **TCFD architecture** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (IFRS S2) refers to **sources to help companies** identify sustainability-related risks and opportunities and information
- Can be used in conjunction with **any accounting requirements (GAAP)**

Guidance for developing sustainability disclosures



Which risks & opportunities?

To identify relevant **risks and opportunities**, a company uses ISSB Standards and **shall consider**:

- **SASB Standards**

A company **may also consider**:

- CDSB Framework Application Guidance
- industry practice
- materials of investor-focused standard setters



Which information?

To identify what information to disclose, a company uses ISSB Standards, and for matters other than climate, **shall consider**:

- **SASB Standards**

A company **may also consider**, to the extent it meets investor information needs:

- CDSB Framework Application Guidance
- industry practice
- materials of investor-focused standard setters
- GRI Standards
- European Sustainability Reporting Standards

IFRS S2: Climate-related Disclosures



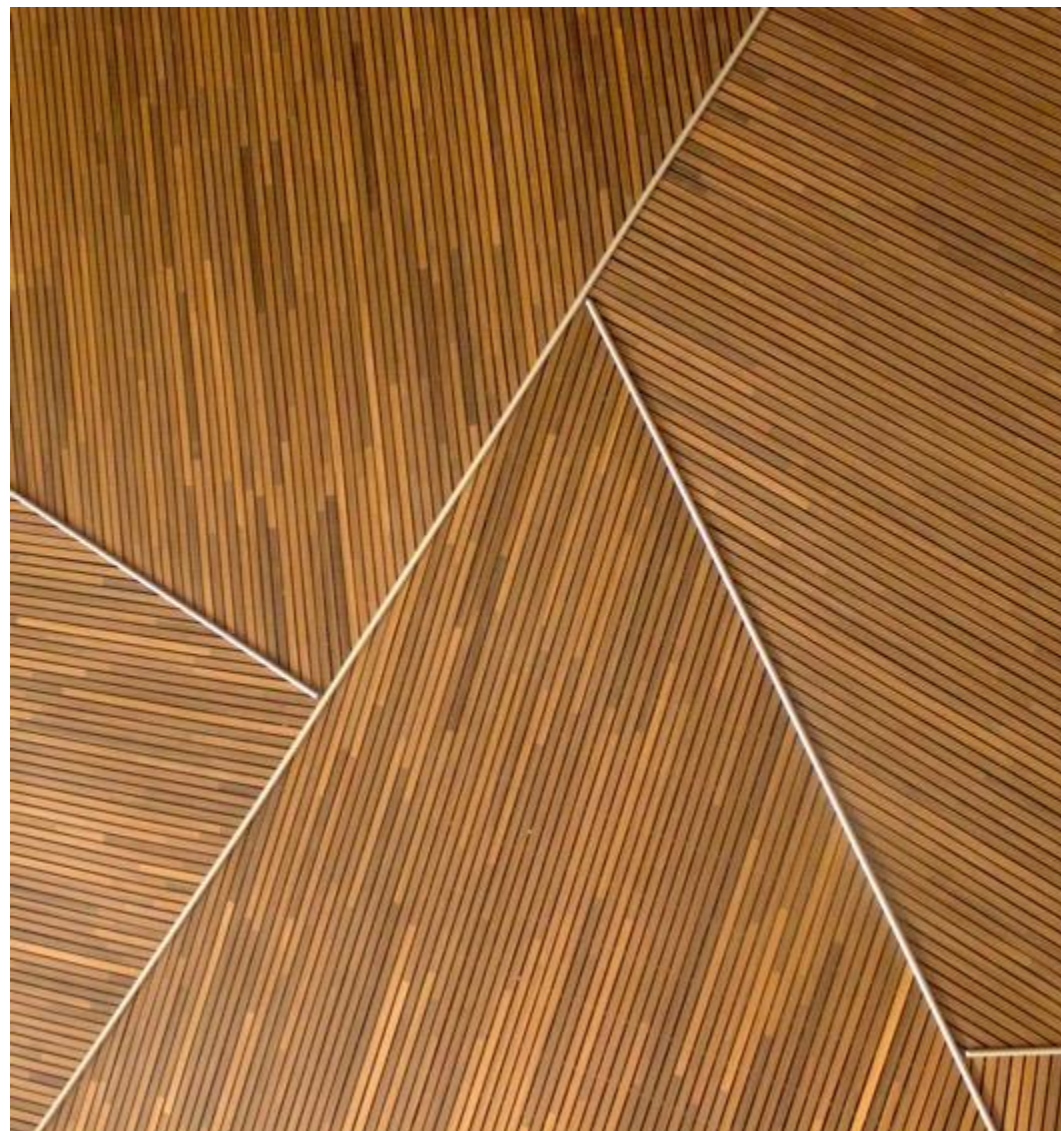
- Incorporates the **TCFD recommendations**
- To meet investor information needs, IFRS S2:
 - is used in accordance with **IFRS S1**
 - requires disclosure of **material information about climate-related risks and opportunities**, including physical and transition risks
 - requires **industry-specific disclosures**, which are supported by accompanying guidance built on SASB Standards

IFRS S2 industry-specific requirements

In response to feedback, IFRS S2:

- requires that industry-specific disclosures be provided but the industry-based metrics provided are illustrative guidance rather than requirements
- an exception to this is information about financed emissions which is required to be provided

The ISSB has indicated an intention to make the industry-based metrics mandatory in the future, subject to consultation



What next?



International applicability project

1

Focus on revising jurisdiction-specific non-climate SASB Standards content

- Methodology to enhance international applicability of non-climate-related metrics
- Climate-related disclosure topics & metrics updated and published in June in the *Industry-based Guidance on Implementing IFRS S2* (~350 out of ~1,000 metrics)

2

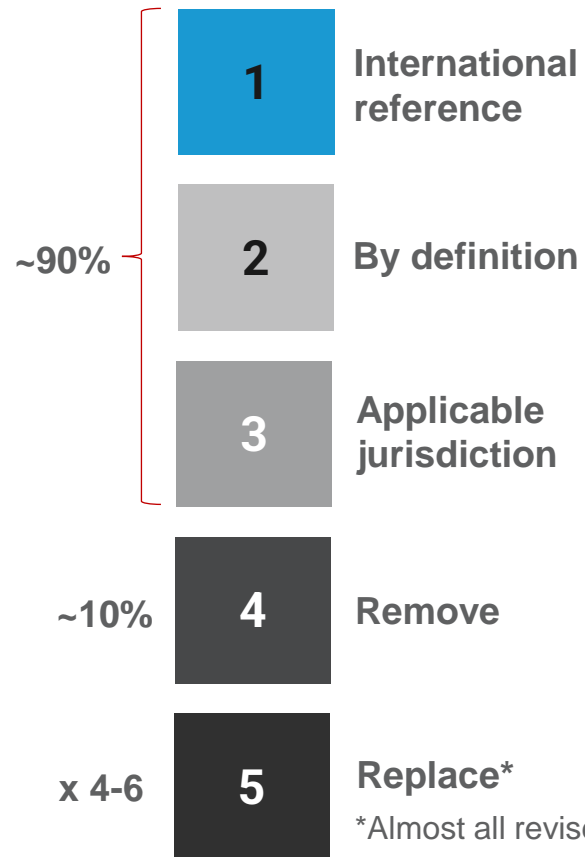
Project to **remove and replace jurisdiction-specific references and definitions** without significantly altering SASB Standards, industries, topics or metrics

3

First step in enhancing international applicability in a consistent and timely manner, helping preparers implement IFRS S1

Methodology process - SASB international applicability

Metric revision approach



Order of preference



*Almost all revise quantitative to qualitative metrics

- **Objectives:**
- Focused on non-climate-related SASB Standards metrics (~650)
- Identify metrics with substantive jurisdiction-specific terms (~200)
- Improve global usefulness and ease of application cost-effectively
- Preserve original metric structure and intent (current users)
- Use five cascading revision approaches, also in combination
- Narrowly remove and replace jurisdiction-specific references
- **First step in the longer-term ISSB effort**

Methodology Exposure Draft respondents

Summary statistics

- 148 responses from 138 unique respondents

Some respondents submitted a survey and comment letter.

Jurisdictional spread

Europe: **47 (34%)**

North
America:
25 (18%)



Asia &
Oceania:
44 (32%)

Latin
America &
Caribbean:
11 (8%)

Africa:
11 (8%)

Stakeholder breakdown

	Count	%
Preparers	43	31%
Accounting profession and auditors	27	20%
Standard-setters	20	14%
Investors	19	14%
Public interest	15	11%
Regulators	5	4%
Commercial partners	4	3%
Academia	3	2%
Student	1	< 1%
Policy makers	1	< 1%
Grand Total	138	100%

Feedback broadly supported the ISSB's direction of travel

Almost all respondents **agreed**:



Methodology enhances international applicability



Scope and objectives of the methodology are clear



Current constraints of the objective are appropriate



Revision approaches are sequenced appropriately

SASB Standards: beyond internationalisation efforts

- Advancing the industry-based research and standard-setting work inherited from SASB
 - initial focus on projects in which recommendations had already been published by SASB
- Maintaining the SASB Standards through research, consultation, outreach and revisions
- The ISSB is considering the future of the SASB Standards as part of its strategic planning linked to its consultation on agenda priorities



Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Sustainability
Standards Board](https://www.linkedin.com/company/ifrs-foundation)