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Mr Emmanuel Faber
International Sustainability Standards Board
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Our ref RD/288

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Dear Mr Faber,

ED/2023/1 Methodology for Enhancing the International Applicability of the SASB® Standards and SASB Standards Taxonomy Updates

We appreciate the opportunity to comment on the International Sustainability Standards Board's (ISSB) Exposure Draft ED/2023/1 *Methodology for Enhancing the International Applicability of the SASB® Standards and SASB Standards Taxonomy Updates*. We have consulted with, and this letter represents the views of, the KPMG network.

Investors urgently need consistent and comparable information about the sustainability-related risks and opportunities that could reasonably be expected to affect the prospects of businesses they invest in. Industry-relevant information across a broad range of disclosure topics is critical to meet investor needs, and therefore we support that the SASB Standards play a key role in helping companies to apply IFRS S1 *General-requirements for Sustainability-related Financial Disclosures*.

We strongly support the outreach that the ISSB is doing to focus on jurisdictions less familiar with the SASB Standards. It is important that the role that the SASB Standards play in the global baseline is understood in all jurisdictions and that stakeholders globally engage to ensure that the SASB Standards meet their needs.

The objectives and methodology of the narrow scope project

We fully acknowledge the challenges that companies globally have in using the SASB Standards in practice and the reservations they have previously expressed to the ISSB about being required to apply or consider the SASB Standards in their current form. The disclosure topics within the standards and the related metrics must be relevant and accessible to all potential adopters of IFRS Sustainability Disclosure Standards, regardless of their location. With this in mind, we fully support that the ISSB is making urgent revisions to the standards to ensure that they are accessible for global use before the effective date of IFRS S1. We understand and support that the project is necessarily narrow in scope to ensure that it can be completed in a timely manner and we are generally supportive of the project objectives and methodology. We expect that

if the objectives are achieved, then the limited scope updates will help global companies to apply the SASB Standards as part of IFRS S1.

In addition, we support the proposed methodology because it is consistent with that used for the industry-specific guidance materials in IFRS S2 *Climate-related Disclosures*. This is important for consistency within the SASB Standards themselves, to ensure that existing users are not required to change their methodology because of the updates.

Strategy beyond the narrow scope project

After finishing the work of the narrow scope project, we encourage the ISSB to consider how the SASB Standards can be improved and used most effectively to support companies to apply IFRS S1.

To facilitate this, we support that updates to the SASB Standards should be made in more than one phase – i.e. should not be limited to the current scope of work. We suggest that the ISSB should:

- start with a pragmatic and narrow scope approach, as contemplated by this consultation;
- as soon as possible, clearly set out its short-, medium- and longer-term strategy for updates to the SASB Standards and accompanying SASB Standards Application Guidance (the Application Guidance) and the SASB Conceptual Framework and its vision for how they will be used and incorporated into the suite of IFRS Sustainability Disclosure Standards; and
- include subsequent phases with more comprehensive review, incorporating considerations such as full alignment with IFRS S1, further internationalisation and interoperability with other standards.

This subsequent work would ultimately lead to full integration of the SASB Standards into IFRS Sustainability Disclosure Standards, but not until after further public consultation.

Communicating the role of SASB Standards and the strategy for incorporating them into IFRS Sustainability Disclosure Standards

We believe that the SASB Standards are a key tool for supporting companies to apply the IFRS Sustainability Disclosure Standards. However, the ISSB should further communicate its strategy for ensuring that content included in, or based on, the SASB Standards, the Application Guidance and the SASB Conceptual Framework meets the needs of all companies applying IFRS Sustainability Disclosure Standards. Having a clear understanding of this strategy and the future architecture of the standards could support jurisdictions to be comfortable endorsing the IFRS Sustainability Disclosure Standards. This is vital to realise the ambition of a global baseline that is used by companies across all regions and particularly important before the ISSB has created a full suite of IFRS Sustainability Disclosure Standards. A clear strategy may also encourage companies to adopt them voluntarily.

In particular, the ISSB should explain:

- that the updates resulting from this consultation are narrow in scope and that more work will follow, for which there will be adequate opportunity for stakeholders to engage;
- a clear strategy for updating the SASB Standards over time (as part of the ISSB’s wider agenda priorities, and extending beyond the initial two year workplan) and explanation of the future planned architecture within the wider suite of IFRS Sustainability Disclosure Standards;
- how the Application Guidance and SASB Conceptual Framework applies to companies using IFRS S1, and how the ISSB plans to update or replace this guidance to align with IFRS S1;
- the value of the SASB Standards as a resource to support first adoption of IFRS Sustainability Disclosure Standards;
- the current role and status of SASB Standards within IFRS S1 to avoid any reservations about using materials that have not been subject to the full due process of the IFRS Foundation; and
- the activities that the ISSB are undertaking with other groups on integrating SASB-based content into other frameworks (e.g. with the Global Reporting Initiative (GRI) and EU bodies).

Promoting coherency and interoperability of the industry-based standards

Following the initial urgent and narrow scope project, we encourage the ISSB to consider the global relevance of the disclosure topics and metrics in the SASB Standards more holistically as part of its topic-specific research and standard-setting projects. Such work would, at the same time, ensure that the structure, language and content of the SASB Standards and Application Guidance are aligned to IFRS S1, allowing them to be used seamlessly together. This would support their global acceptance, and through that, the global acceptance of the ISSB’s materials more generally. It should ensure that the full suite of IFRS Sustainability Disclosure Standards is coherent and fully integrated together.

Throughout any subsequent phases of work, we urge the ISSB to prioritise efforts to make the standards practically interoperable with other emerging frameworks. Whilst the SASB Standards were previously a unique industry and investor focused resource, there are now other bodies creating industry-based standards – notably GRI and in the EU. We encourage all parties involved to bring their respective experience together in a collaborative way to create a coherent and compatible reporting landscape – whether that is aimed at a capital markets focused audience alone, or also the needs of broader users.

In the near term, this means ensuring that an interoperability lens is applied to this narrow scope maintenance project. By this, we recommend that the ISSB ensures that

any ‘quick wins’ are not missed when selecting international frameworks or amending metrics to remove jurisdiction-specific content.

In the longer term, it would involve more significant work to ensure that the standards are aligned to the greatest extent possible – avoiding measurement, language or classification differences when aiming to fulfil the same information need. For example, considering the industry classification used to ensure that it is as aligned as possible with the classification used by other standard setters – and where alignment is not achievable, providing a clear and well explained mapping.

With this in mind, we encourage the ISSB not to fully integrate the SASB Standards as IFRS Sustainability Disclosure Standards until there has been the opportunity for comprehensive engagement with all ISSB stakeholders, integration with other research and standard-setting projects, as well as consideration of interoperability with other standards.

Conclusion

Appendix 1 provides more detailed responses to the questions from the consultation.

Please contact Reinhard Dotzlaw at reinhard.dotzlaw@kpmgifrg.com or Mark Vaessen at Vaessen.Mark@kpmg.nl if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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Appendix 1: Question responses

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 8? If not, why not?

Yes. We understand that this is a narrow scope project intended to facilitate timely updates to the SASB Standards, given their prominent role in the IFRS Sustainability Disclosure Standards. The updates aim to ensure that the standards are not unnecessarily difficult to apply in jurisdictions outside of the US, which is an important exercise that needs to be completed before the effective date of IFRS S1.

- (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?

Yes. We support the retention of an approach that is cost effective, focused and easily understandable for stakeholders. We support the outreach that the staff and board members are doing to ensure that the value from the SASB Standards is understood globally, and that the feedback received will be as representative of the full ISSB stakeholder base as possible and not focused on particular jurisdictions.

We fully support the objective that companies already using the SASB Standards would not need to change their reporting to align with the updated standards. We would hope that this acts to expand the range of companies engaging with the SASB Standards, whilst avoiding creating barriers for those who have already engaged. The SASB Standards are an important tool for companies in the short to medium term to support transition to the full suite of IFRS Sustainability Disclosure Standards.

However, we note that this is a short-term and narrow scope project. As explained further in our response to 1(c), we believe that there are wider objectives that should be considered by the ISSB as part of future research and standard-setting work. This is not limited to the work already proposed to enhance SASB Standards included as guidance in IFRS S2, but would encompass greater alignment with IFRS S1 and work across all topics being considered by the ISSB.

Given the role that the SASB Standards play, their international acceptance is a key part of ensuring the success of the IFRS Sustainability Disclosure Standards as a global baseline for disclosure.

- (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?

Yes. Whilst we support the narrow scope of the project because it enables the work to be completed in advance of the effective date of IFRS S1, we would encourage the ISSB to consider, as an overarching criterion, whether any changes would support or hinder alignment with other initiatives to create globally applicable industry-focused standards. This could include, for example, liaison with GRI to understand the ongoing sector-specific work GRI is doing, thus ensuring that updates made to SASB Standards do not create unnecessary divergence. We understand that aiming for full interoperability would be a significantly more time-consuming exercise that could delay the completion of the project. However, collaboration to ensure that interoperability is considered as an overlay across all the steps would be valuable to avoid missing simple opportunities to align. This would add value by supporting the objective of minimising the reporting burden on multinational companies and would drive engagement with the standards as a globally-relevant resource.

After this project is completed, we would suggest that the ISSB should also investigate wider updates, including the following.

- Considering the industry classification to ensure that it is as aligned as possible with the classification used by other standard setters. We are aware that this could include a reorganisation of the requirements, so suggest that this should be considered sooner rather than later. If this is not achievable, then a clear and well explained mapping is needed. Any decision on the path forward would then be clearly communicated. A key goal should be avoiding committing companies required to adopt multiple standards to unnecessary reconciliations between classification systems for different standards. This would be an administrative burden that is harmful to global adoption and international interoperability.
- Assessing the relevance and completeness of disclosure topics to capital markets globally, as well as in the US. We suggest that the SASB Standards are further updated in line with topical research projects conducted by the ISSB. For example, this could include incorporating additional coverage of human-capital-related risks.
- Assessing the consistency of metrics and the structure of the standards, Application Guidance and SASB Conceptual Framework with IFRS S1, IFRS S2 and any future IFRS Sustainability Disclosure Standards or guidance being developed. This would ensure that the SASB Standards fit seamlessly with the structure of IFRS S1.

For such subsequent work, we would encourage the ISSB to ensure that companies are given an appropriate and sufficient opportunity to comment on the updated content of the standards. This is needed where the changes are more fundamental,

or the scope and objectives of the amendment exercise is broader than this current narrow scope exercise.

We do not believe that the current consultation is sufficient to translate the full body of the SASB Standards into IFRS Sustainability Disclosure Standards. We believe that this narrow scope project should achieve the urgent needs of the IFRS Foundation and if combined with clear communication, should support jurisdictions to be comfortable with the role that the SASB Standards play in IFRS S1. However, full adoption of the standards as IFRS Sustainability Disclosure Standards should be a longer-term process, accompanied by comprehensive engagement with all ISSB stakeholders and fully integrated and aligned with other research and standard-setting projects.

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.

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?

Yes, we agree that the methodology appears proportionate and well reasoned. We support making changes only where necessary, to ensure the timely completion of the work in advance of the first application of IFRS Sustainability Disclosure Standards globally.

Please also see our response to Question 1(c) around potential further opportunities to enhance the international applicability of the SASB Standards. We do not propose that such changes should be within the scope of this project.

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?

Yes, we support this approach. We would add an additional consideration not mentioned in the proposal as part of our suggestion to consider international interoperability: when selecting international frameworks and guidance, the staff

should consider the sources and guidance used by other bodies also setting industry-specific standards, to ensure alignment where appropriate and maximise interoperability.

- (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?

Yes. See our response to 3(a).

- (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?

We observe that problems could occur if the changes are not adequately communicated. We suggest that the ISSB creates a roadmap of the intended future path for the SASB Standards, both as a stand-alone resource and as part of IFRS Sustainability Disclosure Standards. If it is not effectively communicated that the current project is narrow in scope and not intended to resolve all concerns that stakeholders may have about the use of SASB Standards as part of the IFRS Sustainability Disclosure Standards, then the project may ultimately undermine the objective to increase usage of SASB Standards, either in their own right or as part of IFRS Sustainability Disclosure Standards. We see that it is important that the ISSB continues to prioritise work to clearly communicate its intentions and the role of the SASB Standards within the suite of IFRS Sustainability Disclosure Standards. In a fast moving landscape, this clear communication is key to driving global engagement with the IFRS Sustainability Disclosure Standards.

We also note that the revision approach could create problems for preparers already using the SASB Standards if the objective of ensuring that the changes for existing adopters are minimised is not achieved. This could even trigger existing SASB Standards users to stop applying the standards. However, we expect that the methodology proposed minimises this risk as far as possible. If global organisations have made their own necessary amendments when applying the SASB Standards to resolve issues of international applicability and these are not aligned with the changes made, then provided that the consultation with preparers is sufficient to capture and consider existing approaches and views, then some change may be unavoidable and necessary to ensure that the objective of comparability is met. The flexibility afforded from the use of SASB Standards in the IFRS Sustainability Disclosure Standards would allow companies to retain previous disclosures should they see that the relevance of their company-specific approach is more useful to users than the comparability afforded from full alignment with updated SASB Standards.

- (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?

Yes. We have no further comments on this approach.

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.

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 note that the ISSB has recently released a proposed IFRS Sustainability Disclosure Taxonomy. We are considering the documents released alongside the proposals in this consultation relating to the SASB Standards Taxonomy. Our thinking on the topic is subject to more detailed consideration of these new proposals.

Question 5: Future SASB Standards refinements

This Exposure Draft focuses specifically on the first phase of narrow-scope work to amend the SASB Standards metrics in accordance with the proposed methodology to enhance 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 the application of IFRS S1? 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 support the objectives of this short-term project, in the medium to longer term, we do not believe that this exercise alone is sufficient to allow the SASB Standards to be incorporated into a suite of IFRS Sustainability Disclosure Standards without further consideration and consultation with stakeholders.

We suggest that further research work, including on international applicability, should be undertaken in line with other IFRS Sustainability Disclosure Standards research and standard-setting projects, considering content based on the SASB Standards as

part of those projects and integrating it into future IFRS Sustainability Disclosure Standards.

This should act as a parallel but fully aligned workstream to updating the content in the SASB Standards themselves, which we believe should be retained in the medium term as a stand-alone resource for those who choose to use it. This would maximise the usage of the SASB Standards in jurisdictions that are not required to adopt IFRS Sustainability Disclosure Standards.

Whilst we support a future scenario in which jurisdictional requirements all sufficiently align to the IFRS Sustainability Disclosure Standards such that this would not be a relevant consideration, as that may take time and may never be achieved, the SASB Standards remain a useful resource for companies to use, together with, or separately from, the IFRS Sustainability Disclosure Standards.

We support the due process instigated whereby the ISSB ratify decisions made by the SASB committee of the board. However, as well as strongly encouraging that updates to SASB Standards are coordinated and aligned with ISSB research and standard-setting projects, we also encourage the ISSB to consult publicly on future changes to SASB Standards. The nature of a large volume of industry-specific requirements is such that outreach directly with practitioners and investors is vital to ensure the effectiveness of the standards. SASB members were experienced at doing this previously and we suggest that the ISSB should maintain that level of outreach and engagement with the broader stakeholder group engaged with the ISSB.