

PRI RESPONSE

ISSB CONSULTATION ON EXPOSURE DRAFT METHODOLOGY FOR ENHANCING THE INTERNATIONAL APPLICABILITY OF THE SASB STANDARDS AND SASB STANDARDS TAXONOMY UPDATES

3 August 2023

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To inform this response, the following investor group has been consulted: PRI Corporate Reporting Reference Group (CRRG) and PRI Global Policy Reference Group (GPRG). This consultation is not an endorsement or acknowledgement of the views expressed in this response.

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the IFRS Foundation International Sustainability Standards Board (ISSB) Consultation to enhance the International Applicability of the SASB Standards.

ABOUT THIS CONSULTATION

The ISSB aims to deliver a global baseline of sustainability-related financial disclosure standards that meet the information needs of an entity's existing and potential investors, creditors and other lenders, building on established sustainability reporting initiatives.

On 11 May 2023 the ISSB published for consultation its [Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates](#).

ISSB Standards ask companies to consider SASB Standards in identifying sustainability-related risks and opportunities, in the absence of issue-specific ISSB Standards, and to support disclosures on a range of sustainability-related subject matters relevant to investors – beyond climate-related matters – on the application of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. However, some of the guidance supporting the SASB Standards currently uses definitions, terminology or references to jurisdiction-specific laws and regulations that can complicate application in other jurisdictions. The aim of this consultation is to collect feedback on the ISSB's proposed approach to make jurisdiction-specific references in non-climate metrics within SASB Standards more internationally applicable.

The ISSB aims to revise SASB Standards prior to IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* coming into effect in January 2024. Climate-related SASB metrics have already been updated within IFRS S2 *Climate-related Disclosures*.

PRI signatories are encouraged to provide feedback on our draft response via email to DMD@unpri.org. Specific questions that we have for signatories have been highlighted in boxes. The PRI has previously provided views and recommendations on international sustainability reporting standard setting through [consultation responses](#) and [public statements](#).

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SUMMARY OF PRI'S POSITION

The PRI works with its global network of signatories to advocate for decision-useful corporate sustainability disclosures that support responsible investment. In this regard, we strongly support the ISSB's mission to deliver a high-quality global baseline of sustainability-related financial disclosures.

The PRI welcomes the ISSB's commitment to internationalise the SASB Standards, which companies are required to consider under ISSB Standards. This will help to ensure that ISSB Standards are fit-for-purpose to constitute a truly global baseline of sustainability-related financial reporting.

KEY RECOMMENDATIONS

The PRI's key recommendations to the ISSB are:

- Increase the focus on decision-usefulness for investors in objectives for the internationalisation.
- Under Revision Approach 2 (insertion of definitions that are likely to be internationally applicable, when no international references can be applied), build on or leverage existing local, national and regional standards where possible.
- In future revisions: consider assessing whether the structure and methodologies underlying SASB Standards should be generalised to better reflect the international context, which includes undertaking an internal audit process to assess the international applicability of the SASB materiality map.
- Collaborate with GRI to ensure maximum possible interoperability between SASB and GRI sector standards as SASB standards are revised and developed.

The full list of recommendations can be found in our detailed responses to each question. All recommendations are distinguished in **bold**.

DETAILED RESPONSE

1. METHODOLOGY OBJECTIVE

The methodology objective is outlined in paragraphs 7-13 of the consultation document. The proposed methodology is outlined in Appendix A of the consultation document and summarised below Question 3 of this response document.

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, the scope of intended enhancements and the objective of the proposed methodology is clear.

(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?

The PRI broadly agrees with the identified constraints of the objective. However, the ISSB's aim to make amendments that simultaneously preserve the decision-usefulness for users and do not increase the cost of application for preparers may be infeasible, where the approach results in 'removing and replacing jurisdiction-specific metrics...' (paragraph 9(d), Revision Approach 5).

We therefore recommend that decision-usefulness¹ is consistently preserved or improved, giving this a greater weight than cost-effectiveness if the revision results in replacement of the current metric.

(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?

The PRI does not recommend additional objectives or constraints within the proposed methodology.

¹ We note there is no set definition of decision-usefulness. As an example of how this could be understood, the PRI paper [Understanding the Data Needs of Responsible Investors: The PRI's Investor Data Needs Framework](#) sets out that in order for data to be decision-useful it must be available, of sufficient quality and relevant to either the investment decision-making process (i.e., material) or to investor reporting obligations, or to both. In our view this definition is compatible with the characteristics of information quality within IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

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.

- (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?**

The PRI agrees that the proposed methodology would enhance the international applicability of the SASB Standards metrics. Recommendations to improve the methodology can be found in our responses to Questions 3b and 3d.

3. REVISION APPROACHES

Appendix A of the consultation document outlines the ISSB's proposed revision approaches. Appendix B provides illustrative examples of these revision approaches. Appendix C provides industry examples of the revision approaches.

Revision Approach 1 involves replacing a jurisdiction-specific reference with an equivalent international reference. Revision Approach 2 involves replacing jurisdiction-specific references with definitions that are likely to be internationally applicable. Revision Approach 3 involves replacing jurisdiction-specific references with text that would rely on applicable jurisdictional laws, regulations or definitions in a generalised way. Revision Approach 4 involves considering whether the metric associated with the jurisdiction-specific reference can be removed without leaving the disclosure topic incomplete. Revision Approach 5 involves drafting a similar replacement metric where Revision Approach 4 has been proposed or a sub-metric has been removed when implementing Revision Approaches 1-3.

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?**

The PRI supports this approach, as it would achieve comparability across jurisdictions, and across time periods for companies that already report using internationally applicable standards, definitions or calculation methodologies. It is also a cost-effective method to accommodate for companies that are reporting against current jurisdiction-specific references/metrics, and investors' data infrastructure to capture these metrics.

(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, the PRI agrees that the remaining four revision approaches would enhance the international applicability of the SASB Standards.

However, **we recommend that amendments under Revision Approach 2² build on or leverage existing local, national and regional standards where possible.** While we recognise this would require an assessment of these standards, it would ensure a smoother transition for reporting preparers and users accustomed to the references, allow for established practice to inform internationalisation efforts, and help to mitigate confusion that may result from the creation of new definitions.

(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 recognise Revision Approaches 1-5 may lead to cost increases for preparers currently reporting the original metrics. However, in our view this is outweighed by the aforementioned benefits of internationalisation.

(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?

Paragraphs A3-A7 of the consultation document describe the criteria for determining which of the five proposed revision approaches to apply.

We support the criteria for determining whether to apply Revision Approaches 1, 3, 4 and 5, listed in paragraphs A3 and A5-7.

With respect to the criteria for determining whether to apply Revision Approach 2, listed in paragraph A4, our only recommendation is to **provide clarity on the following criterion**: “the underlying concept is understood widely, such that a specific definition or calculation method could be understood easily and, broadly, would not be disruptive for preparers and would provide the information needed for the original disclosure as a suitable substitute for the jurisdiction-specific reference.”

Since implementation difficulties are likely to differ across sectors and geographies, the ISSB should look to clarify how it would assess whether changes are ‘broadly’ not disruptive for preparers.

² Insertion of definitions that are likely to be internationally applicable, when no international references can be applied.

4. SASB STANDARDS TAXONOMY UPDATE OBJECTIVES

The ISSB has proposed the SASB Standards Taxonomy be amended to change, remove and/or add as necessary taxonomy concepts (digital tags) to align with proposed amendments to the SASB Standards. Further detail can be found in paragraphs 14-16 of the consultation document.

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?**

The PRI supports the proposed methodology to update the SASB Standards Taxonomy, as it would:

- ensure that digital tagging reflects the new metrics that companies would consider and report under revised SASB Standards;
- prevent companies from tagging metrics that have been removed from the revised SASB Standards; and
- allow companies to tag metrics that have been added to the revised SASB Standards.

These amendments would ensure that digital tagging remains fit-for-purpose, allowing investors to more efficiently collect, aggregate and analyse this information across their portfolios.

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?**

The PRI welcomes the ISSB's commitment to internationalise metrics and other disclosures within the SASB Standards. However, signatory feedback has indicated that enhancing international applicability may require edits that extend beyond referencing amendments.

In future revisions, it may be necessary to identify whether the structure and methodologies underlying SASB Standards should be generalised to reflect the context globally and within key jurisdictions, perhaps in collaboration with the Jurisdictional Working Group.

For example, SASB Standards currently take an approach to human rights that differs from the UN Guiding Principles, OECD Guidelines, ISO26000, GRI Standards – all of which use the concept of human rights in alignment with their authoritative formulation as set out in the International Bill of Human Rights. Updating the SASB Standards in line with these international norms is necessary to

ensure comparability of reporting across jurisdictions, and to improve relevance by ensuring that potentially material factors are considered by management and (where material) reported.

As part of this process, **the ISSB should undertake an internal audit process to assess the international applicability of the SASB materiality map.** Although the materiality map is used by companies operating globally, we recognise that it may need to be updated to reflect the latest sustainability-related risks and opportunities that each industry is exposed to, which is increasingly understood to be context-specific in nature. In contrast, the matrix was developed before 2021 and does not account for any criteria for financial materiality outside of industry (e.g., geography or jurisdictional context). For example, in the case of human rights:

- A manufacturing company operating in a country where strong health and safety provisions are in place would have a different materiality assessment on this topic compared to another jurisdiction where this is not the case.
- A pharmaceutical company operating in a jurisdiction where customer access and affordability of products is an issue due to lack of coverage by public health care provision would have a different materiality assessment of this issue compared to another jurisdiction where this is not the case.
- The human rights regulatory context has evolved over time and across jurisdictions, such that the materiality of human rights issues to companies may have changed since the materiality map was last updated.

(b) Do you have any specific comments or suggestions for the ISSB to consider in planning future enhancements to the SASB Standards?

The PRI recommends collaboration between the ISSB and GRI to ensure maximum possible interoperability between SASB and GRI sector standards.

While these standards differ in their scope and materiality approach, we recognise overlaps in the metrics and indicators used. Guidance to outline the similarities across existing metrics and concepts would improve users' understanding of corporate reporting; and coordination to achieve alignment (where possible) of forthcoming international corporate reporting standards would help to limit fragmentation of sector-level reporting.

In addition, **we recommend coordination with members of the Jurisdictional Working Group to prevent regional fragmentation** with respect to sector-specific disclosures in mandatory reporting requirements.