

16 December 2025

Emmanuel Faber
Chair
International Sustainability Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Mr. Faber:

***Consultations On Proposed Amendments to the SASB Standards and
Consequential Amendments to the Industry-Based Guidance on Implementing IFRS S2***

CFA Institute¹ appreciates the opportunity to comment and provide our perspectives on the ISSB's [Proposed Amendments to the SASB Standards](#) ("SASB Enhancements") and [Proposed Amendments to the Industry-based Guidance on Implementing IFRS S2](#) ("IFRS S2 Amendments"). Collectively, the "Consultations".

CFA Institute has a long history of promoting fair and transparent global capital markets and advocating for strong investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate reporting and disclosures and the related audits provided to investors and other end users are of high quality. Our advocacy position is informed by our global membership who invest both locally and globally.

The Approach to Our Response

In **Appendix 1** and **Appendix 2** to this letter, we provide our perspectives on the bigger picture issues that underpin the questions covered in the two Consultations, respectively, without commenting in detail on the specific amendments proposed.

Having just responded to the 500+ page European Sustainability Reporting Standards ("ESRS") simplification exposure draft and related materials and now the need to respond to the 500+ page exposure drafts on the SASB Enhancements and IFRS S2 Amendments and accompanying

¹ With offices in Charlottesville, VA; New York; Washington, DC; Hong Kong SAR; Mumbai; Beijing; Abu Dhabi; and London, CFA Institute is a global, not-for-profit professional association of more than 200,000 members, as well as 160 member societies around the world. Members include investment analysts, advisers, portfolio managers, and other investment professionals. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program. For more information, visit www.cfainstitute.org or follow us on [LinkedIn](#) and X at [@CFAInstitute](#).

materials we have arrived at a tipping point. The time and attention investors can devote to responding to multiple overlapping consultations from multiple bodies is limited, particularly when the various consultations are heavily regulator and preparer focused rather than investor focused. *We also cannot devote time commenting on the specific details and metrics without having a clear and comprehensive understanding of the path forward for sustainability disclosures more broadly.*

ESRS and EFRAG Developments

We recognise the ISSB is not responsible for the ESRS Standards. That said, the struggles caused by the lack of appropriate due process in the formulation of the ESRS Standards in 2022, the efficacy of the initial application of ESRS last year, and the political desire by the EU in 2025 to simplify the ESRS Standards have made the pursuit of interoperability a somewhat unproductive exercise that, in our view, has affected the ultimate success of the ISSB's original objectives. The ESRSs have seemed to be the tail wagging the proverbial dog.

Our comment letter has been delayed because as we completed the information in **Appendix 1** and **Appendix 2** there were several developments related to the ESRSs by EFRAG and the European Parliament which have evolved every couple of days. Because those developments illustrate our points so vividly, we felt compelled to address them. We highlight them below.

Recent EFRAG Simplification Release – The recent [\(3 December\) release from EFRAG regarding the completion and submission of its work on the simplified ESRS to the European Commission](#), notes the following (*our emphasis added*):

- Building on the lessons learnt in 2024 by 'wave 1' reporters and on extensive multistakeholder evidence from the public consultation (more than 700 respondents), *EFRAG delivers a set of draft simplified standards, introducing substantial flexibility, reliefs and phasing-in, as well as reducing the mandatory datapoints by 61%.*

This ability to eliminate 61% of the data points after the first wave adoption of the ESRS Standards highlights our concerns regarding the efficacy of the due process associated with development of the ESRS Standards and that their focus is not on investors – both issues we highlighted in our 2022 and 2025 comment letters to EFRAG.²

This reduction in data points also highlights how challenging a pursuit of interoperability and achieving a global baseline has become. The release goes on to state (*our emphasis added*):

- Enhanced interoperability with the ISSB Standards: common disclosures preserved where possible, enhancement thanks to fair presentation, revised GHG boundary and provisions for anticipated financial

² See https://rpc.cfainstitute.org/sites/default/files/-/media/documents/comment-letter/2020-2024/EFRAG-ESRS-Overall-Comment-Letter-2022_Final.pdf and https://rpc.cfainstitute.org/sites/default/files/docs/comment-letters/efrag-esrs-simplification-comment-letter_final.pdf.

effects. *As some reliefs in ESRS go beyond those in the ISSB Standards, companies should pay attention when using them if they wish to comply with the ISSB Standards.*

While the first sentence indicates interoperability has been enhanced, the last sentence tells the actual story. The ESRS “enhancements” are really reductions in the ESRS Standards which result in them falling below a global baseline. The message this conveys is that the ESRS Standards are not interoperable (global baseline) with the financially value relevant standards of the ISSB.

Provisional Political Agreement on Corporate Sustainability Reporting Directive (CSRD) – Following the EFRAG release on the simplification of the ESRSs, we understand that a provisional political agreement was reached this week (9 December) by the Legal Affairs Committee Members of the European Parliament and the European Council on the Omnibus I package amending the EU’s Corporate Sustainability Reporting Directive³ whereby (*our emphasis added*):

1. Reporting will be required for EU companies with over 1,000 employees on average and net annual turnover of more than €450 million. According to some sources, this change will reduce the number of in-scope companies by approximately 90%. The political agreement aligns with the Council’s negotiating position. The Parliament had advocated for a 1,750 employee threshold.
2. The EU net turnover threshold for non-EU companies will be €450 million.
3. Financial holding undertakings will be exempt.
4. There will be a transition exemption for companies that had to report starting with the 2024 financial year (“wave one” companies) falling out of scope for 2025 and 2026.
5. Smaller companies with less than 1,000 employees will not be required to report information that goes beyond the voluntary European Sustainability Reporting Standards.
6. ***Sector-specific reporting will be voluntary.***
7. There will be a review clause concerning a possible extension of the scope of the CSRD.
8. The European Commission will create a digital portal for businesses with access to templates and guidelines on EU and national reporting requirements.

This agreement not only reduces the applicability of the ESRS Standards, but it abandons the requirement for industry-specific guidance, which investors need.

³ <https://www.roopesgray.com/en/insights/viewpoints/1021x77/political-agreement-on-the-csrd-csddd-omnibus-reached-15-key-details-to-know>

EFRAg Comments on SASB Enhancements – Just yesterday (15 December) we again delayed the issuance of this letter as EFRAg released a statement, [EFRAg Calls for Greater Interoperability in ISSB's Proposed SASB Amendments](#). The release is duplicated below with our observations on each recommendation added in blue italics:

EFRAg welcomes the ISSB's efforts to enhance the SASB Standards and acknowledges the significant progress made. The amendments represent an important step toward more consistent and decision-useful sustainability reporting at global level.

At the same time, EFRAg highlights several areas where further clarity and alignment would help ensure the amendments are practical and proportionate for preparers:

1. **Clarification of the practical meaning of 'shall refer to and consider': Positioning SASB Standards as optional guidance to support materiality assessments**

EFRAg recommends changing the wording from "shall" to "may" to avoid ambiguity and avoid reporting burden. The SASB Standards should function as a library of non-mandatory disclosures that help entities identify financially material information by highlighting likely material topics and metrics for each industry. This would support more relevant disclosures without creating new reporting obligations.

***Observation:** This appears to be EFRAg asking the ISSB to make industry-based guidance voluntary, as the European Parliament is believed to do, per the report of 9 December agreement noted above. Investors created the SASB's industry-based standards and investors continue to seek industry-based standards. Although, technically speaking, the application of the SASB Standards is voluntary in IFRS S1 and IFRS S2, there is a requirement at least to refer to them and consider them in applying IFRS SDS. This sets an expectation that industry-based disclosures matter and helps promote global consistency, at least as a starting point.*

2. **Strengthening interoperability with other standards**

EFRAg strongly supports closer alignment between SASB and the European Sustainability Reporting Standards (ESRS). While the proposed amendments move in this direction, certain provisions may still be difficult to reconcile with ESRS, EU law or other reporting frameworks. These inconsistencies could increase reporting complexity for companies operating in Europe.

***Observation:** This and the statement of the end of the release regarding interoperability – combined with EFRAg's decision to go below the global baseline in the revised ESRSs, per their 3 December release – appear to be a call for the ISSB to align to the ESRS Standards. This appears to be EFRAg's definition of "interoperability" and highlights our point in Appendix 1 regarding there being no common or agreed definition of interoperability.*

The to-ing and fro-ing of the ESRSs – resulting from the hurried due process (3-4 months in 2022) and (2-3 months in 2025) – developed based upon double materiality and not focused on investors, combined with this call for interoperability appears to be more a call for convergence of the ISSB standards to the ESRS. This seems an untenable position for the ISSB as this would go against their mission of providing financially value relevant information for investors.

3. Ensuring proportional and implementable requirements

Some of the proposed metrics may be challenging to apply in practice due to data availability, sensitivity, or the level of granularity requested. EFRAG stresses that all datapoints should remain decision-useful, proportionate, and subject to materiality to avoid unnecessary burden for preparers.

Observation: This seems a curious request given the ambition of the ESRS Standards over the last several years, the due process followed and the need to simplify the ESRS Standards just after adoption. The SASB and ISSB have followed more robust due processes.

4. Clarifying the role of SASB in relation to IFRS S1 and S2

EFRAF encourages the ISSB to provide clearer guidance on how SASB topics and metrics relate to the “risks and opportunities” approach in IFRS S1 and S2, and to avoid unnecessary overlaps between the standards.

EFRAF also notes that further transparency on the ISSB’s roadmap, particularly regarding upcoming work on human capital and biodiversity, would help reduce uncertainty for companies planning their reporting processes.

Observation: We make a recommendation in Appendix 1 as illustrated in Appendix 3.

Despite these challenges, EFRAF emphasises its strong commitment to continued collaboration with the ISSB to advance efficient interoperability: “We welcome the ISSB’s commitment to strengthening the SASB Standards,” said **Chiara Del Prete**, EFRAF SR TEG Chair. “Interoperability will be key to making these standards practical and effective for preparers. EFRAF looks forward to continued dialogue to advance global alignment.” The EFRAF [comment letter](#) and [appendix](#) were attached to the release.

The ISSB’s Mission is More Important Than Ever:

Step-Back Exercise Regarding the Direction of Travel for Sustainability Disclosures

Prior to the EFRAF release of the week before last, the provisional EU agreement of this week, and yesterday’s EFRAF commentary on the SASB Standards, we had come to the conclusion that it was important for there to be a step back by the ISSB regarding where sustainability disclosures are headed.

EFRAF seems, in the simplified ESRSs, to have conceptually abandoned the desire for a global baseline that provides financially value relevant information for investors. The EU agreement highlights the desire to eliminate industry-specific guidance. And EFRAF’s most recent commentary seems to be calling for voluntary industry-based standards and convergence toward ESRS despite a different audience and objective for the standards and a different materiality principle.

Despite what EFRAF and the EU have decided are appropriate for the ESRSs, investors continue to want to know about the financially value relevant sustainability-related risks and opportunities that exist or can be expected to arise for a company. We believe high-quality, financially material and industry-specific information about those sustainability matters is a critical aspect of the usefulness of sustainability disclosures prepared using IFRS

Sustainability Disclosure Standards (IFRS SDS). As a result, we welcome the ISSB's efforts to ensure the relevance of the industry-based metrics in its work to support entities applying IFRS SDS globally and we hope that message comes through in our detailed response.

The EFRAG and EU decisions over the last several weeks highlight that the ISSB's global mission is even more important for investors as it is tied to what matters to investment decision-making.

Because ***we see the ISSB as the future of financially value relevant sustainability disclosures*** for investors we have recommended our detailed response in **Appendix 1** and **Appendix 3** that ***the ISSB should engage in a step-back exercise to consider the architecture of the ISSB standards that isn't beholden to the pursuit of interoperability with ESRS – or any other standard or framework – as doing so appears to have become an obstacle to meeting the needs of investors.***

Contextual Themes Which Have Resulted in Our Views

As we considered our responses to the Consultations and the current state of play related to sustainability disclosures, several themes emerged – themes we believe are critical in the face of the recent news regarding the ESRSs and CSRD, as noted above. These themes include matters not directly addressed in the Consultations, but which we believe are worth addressing. They are the context we believe investors bring to the current sustainability standard setting ecosystem and its usefulness in achieving financially value relevant information that can be used for investment decision-making.

1) *We Continue to Support the ISSB and Its Work to Develop Financially Material*

Industry-Based Sustainability Disclosures – As noted previously, investors want to be able to focus on financially material, industry-based disclosures about relevant sustainability matters. It is why investors supported the merger of the SASB into the IFRS Foundation and the creation and work of the ISSB.

We recognise that it is, and will continue to be, an iterative process to get the resulting sustainability disclosures right. It will also be an iterative process for investors to adjust to having the new information and to recognise not just what is *useful today*, but what has the *potential to be useful* for their purposes looking forward (i.e., it provides information relevant to securities pricing and capital allocation, engagement activities and/or voting).

Today, ***financially material information is hard to discern amongst the disclosures that come from the many standards and frameworks companies now use.*** It's all the more challenging because disclosures about financial effects are not sufficiently (if at all) quantitative for investors to be able to use the information in their analytical models.

We are hopeful that having a clear objective to provide financially material information will limit companies' ability to follow the current "choose their own adventure approach" – as we describe below – to sustainability disclosures. ***The global adoption of the ISSB's standards has the potential to narrow the focus to what is genuinely relevant for investor decision-making and capital formation (notwithstanding our comments on this below).***

2) ***The Current State of Sustainability Disclosure Standards*** – Today's sustainability disclosure landscape comprises several defining features, all of which add to fragmentation and the risk that the information reported as a result – and the direction of travel it seems to have been going – will not be decision useful for investors. We are specifically concerned about the following:

- ***The Alphabet Soup Has Not, So Far, Been Sufficiently Reduced*** – The ISSB's formation was meant to reduce the so-called alphabet soup of reporting standards and frameworks and to bring together and consolidate the many metrics and qualitative disclosures that have proliferated over time to ***provide investors with standards that enable a comprehensive view of a company's sustainability performance and risk exposure with a focus on what those mean for expectations about future cash flows, access to finance and cost of capital.***

Aggregating those requirements together to create IFRS SDS, which other bodies can then use and build on, was what we thought was the ambition. Instead, standards and metrics continue to proliferate and companies, as we describe below, are choosing amongst these various metrics and standards – those which they like – to tell their story. This does not serve investors because the information is not comparable, consistent or necessarily financially value relevant.

- ***Interoperability Has Become an Enigma*** – Interoperability, although not clearly defined, seems to have become the goal rather than a process which we thought would facilitate a global baseline of financially material information for investors.

It is becoming increasingly harder to see how to get to a global baseline when the relevant bodies are not actively cooperating to achieve it, even though the term is proliferating. Indeed, it often seems that the opposite is the case.

As we note above, the ESRS Standards have been unsettled and despite the recent actions, still are not entirely settled. The ISSB has attempted to seek interoperability with the ESRS standards while maintaining a global baseline and the integrity of their

mission of providing financially material information to investors, but the recent actions of EFRAG and EU seem to suggest they have abandoned the global baseline and are asking the ISSB to work to convergence (rather than interoperability) with the ESRS – despite the ESRSs going below the global baseline and being based upon a different materiality principle. Interoperability seems to have become an enigma.

Similarly, it is not clear what role GRI will or should play going forward and it is not clear what interoperability between the ISSB standards and the GRI standards looks like or is meant to achieve for investors.

We've expressed our concerns about "interoperability" – and what it means – in our response to Question 2 of the SASB Enhancements proposals in **Appendix 1**. Recent events out of Europe suggest that the enigma of "interoperability" needs to be solved by the ISSB and EFRAG, without abandonment of the ISSB's mission.

- *What it Means for a Jurisdiction to "Adopt the ISSB Standards" is Increasingly Unclear* – When a country says they are adopting the ISSB's standards, it is not precisely clear what "adoption" means. Although the ISSB has published jurisdictional adoption guidance, different countries are adopting the standards in their own way (e.g., climate first or climate only; retaining reference to the SASB Standards or removing it altogether). There are so many permutations arising that comparability even amongst those jurisdictions adopting the ISSB standards alone is limited.

When it comes to industry-based disclosures, this is further complicated by different approaches to the "shall refer to and consider" provisions of IFRS S1 and IFRS S2 as it relates to industry-specific disclosures and what industry-based disclosure standards are they following, with some using the SASB Standards and others developing their own industry standards. EFRAG's comments of yesterday only further muddle this issue.

- 3) ***Companies' Application of Sustainability Standards Is Following a "Choose Your Own Adventure" Approach*** – As touched upon above, as we are experiencing the application of sustainability standards by companies, it appears that most companies are following a "choose your own adventure approach" to their sustainability disclosures. Companies appear to be using SASB, GRI and other standards they have followed in the past to tell a variety of stories to a variety of stakeholders and then applying ESRS Standards as necessary under the fluctuating state of ESRS required application, with consideration to the simplification which is underway (but not yet formally approved or effective), and to an audience which has questioned their usefulness. Investors find it challenging to weed

through these disclosures, in varying locations and formats, to discern what is financially value relevant.

4) ***Investors Require Greater Prioritisation in Standard Setting and A Better Understanding of What and How Information Is Used is Needed*** – As it relates to investors, we would make the following observations:

- **Data Providers vs. Sustainability Reports: How Investors Source Sustainability Information** – The consultations issued related to simplifying the ESRSSs and those addressed herein are heavily preparer focused without as much consideration regarding what is actually being used by investors or their principal source of sustainability information: namely, sustainability data providers.

Investors are less focused on the sustainability reports themselves as they are on the information that data providers extract from sustainability reports. Data platforms attempt – but obviously can't fully achieve without better disclosures – to provide investors with a standardised and comparable set of information that they do not have time to directly extract from company disclosures.

One consequence of this situation is that investors are not always aware (nor do they care) which companies follow ESRS Standards, ISSB Standards (including the plethora of jurisdictional differences) and the various voluntary frameworks; ***they are satisfied to let the data providers attempt to do the heavy lifting for them by standardising the data and making it comparable across companies, regions – and, undesirably, frameworks.*** Their disinterest is understandable, in our view, given the practical difficulties that arise in analysing corporate sustainability disclosures when there are innumerable differences in the disclosure standards and in the disclosures themselves, along with differing presentations and delivery formats of sustainability information.

However, we hear anecdotally from our members that the usability of information from the data providers also can be limited – particularly when there are inconsistencies in data availability across companies and the quality of the data they do get is questionable. Of course, that is with today's reporting; we would naturally expect improvement when companies provide more consistent, comparable and comprehensive sustainability disclosures that will feed into the data providers' platforms over the coming years. ***But that can only be achieved if companies do actually report consistent, comparable and comprehensive sustainability information – based upon similarly consistent, comparable and comprehensive sustainability standards – that the data providers can draw upon.***

We are concerned that, by not addressing the issues of “interoperability” and the “alphabet soup”, the quality of information provided by the data providers will suffer from the same problems we have today. ***Even more concerning is that investors will think they are getting comparable information through a data aggregation platform when in fact they are not.***

We therefore suggest that, when updating the industry-based disclosures, the ISSB looks at what investors are extracting from data providers (as a signal for what they actually use) when it focuses its efforts by industry.

- ***If Disclosure Standards Have an Investor Focus, Investor Input Needs to be the Priority*** – In the recent ISSB and ESRS consultations we have noticed that standard setters and policy makers concentrate on what preparers need from sustainability reporting standards, with less focus on investors and what they use, or could use, of the resulting disclosures.

Because the detailed debate over specific standards centres on the needs of preparers, investors’ attention is waning, as is their interest in debating over the many details. As mentioned above, this also isn’t helped by the fact that investors don’t have a roadmap for where we’re headed.

- ***Actively Engage, Using Investors’ Language, to get High-Quality Feedback*** – Feedback from investors needs to be sought through active engagement with them and in a format that allows them to provide effective input. Investors are not reading the IFRS SDS or SASB Standards or the extensive ESRS or ISSB consultations, they are reading the output (disclosures). The mechanism for gathering their input needs to take this into account.

In the basis for conclusions to the SASB Enhancements proposals there is frequent reference to “stakeholders”. In most cases, it is not clear to us whether these are investors and, if so, what role those investors play (including whether they are industry experts or generalists) and what geographies they cover (local versus regional versus global).

It is also not clear whether the ISSB has primarily had input from sustainability, governance and stewardship professionals or if it has engaged sufficiently with portfolio managers and analysts. ***It is critical that the ISSB has input from those making investment decisions and those using corporate reporting in detail to inform their investment recommendations.***

The vast majority of investors are not sustainability experts, yet they need to be able to understand and use this information as they price debt and equity securities, make lending decisions, engage with companies or exercise their voting rights. We urge caution when relying primarily on input from those who may *inform* the investors whose role is to make investment decisions, using their own or client money, rather than relying on input from those who actually *make* those decisions.

Given the objective stated in paragraph 1 of both IFRS S1 and IFRS S2 it is our strong belief that a user view should take priority over a preparer view when it comes to the usefulness of information. But we also need to understand the practical concerns raised by preparers so we can assess both their reasonableness and whether those concerns might affect the quality and usefulness of the resulting disclosures.

5) ***To Find the Path Forward, Start with the End in Mind*** – Although this is a project to “enhance” the SASB Standards, we think that the ISSB needs to take several steps to improve the ecosystem within the IFRS SDS which supports the SASB Standards.

- **Create and Articulate a Clear Vision for the Future Architecture of IFRS SDS** – We believe that ISSB should take this update of the SASB Standards as an opportunity to create a clear architecture for its suite of sustainability disclosure standards to allow for their straightforward application and an ease of understanding the reported information.

Specifically, we believe the IFRS SDS need an architecture that illustrates how the SASB industry-based disclosures and the ISSB’s general and topical disclosure standards work together, with the identified sustainability-related risks and opportunities (SRROs) being the link across them all. We’ve set out our ideas regarding how this could work in a diagram in **Appendix 3** and discuss this in detail in **Appendix 1** in our response to Question 1 of the SASB Enhancements proposals.

The staged approach taken in this project – without a clear articulation of the planned architecture of the IFRS SDS and related guidance – risks limiting the potential widespread, global use of the SASB Standards as a source of industry-based metrics. This could result in less comparability as companies continue to “choose their own adventure” by selecting industry-based metrics from various reporting frameworks and amalgamating disclosures as they see fit (and continuing to cherry pick what they disclose). This therefore also misses an important opportunity for the ISSB to play a strong role in reducing the “alphabet soup” of reporting standards and frameworks.

- *Use This Opportunity to Make the SASB Standards Fit Clearly into IFRS SDS* – We recognise that the ISSB “inherited” (“acquired”) the SASB Standards in the acquisition of the Value Reporting Foundation. That said, the ISSB is responsible for developing high-quality sustainability reporting standards, and the quality of those reporting standards depends on the quality of the materials incorporated by reference, including the SASB Standards.

We have no real concerns about the quality of the SASB Standards, but we do think that now that they are part of the IFRS suite of standards, they need to be restructured to show a clear fit between the general, topical and industry-based standards. We are worried this is not simply a missed opportunity; rather, it could impede the use of the SASB Standards as a global source of industry-based metrics, hindering comparability within and across industries.

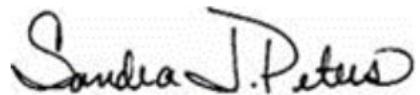
- 6) ***Recent Developments Related to the ESRS Allow ISSB A Clear Path Forward to Becoming the Leading Provider of Sustainability Disclosure Standards for Investors*** – Recent developments related to the ESRS Standards as noted in the outset of this letter solidify our longstanding view that the ESRSs were not being developed to assist investors in their investment decision-making process, and that the ISSB’s mission to provide financial value relevant, industry-specific information about sustainability-related risks and opportunities for investors was an objective they could align with and support.

Although “sustainability” has fallen out of political favour in some parts of the world, investors know there are financially material and relevant sustainability-related risks and opportunities that require consideration and that they need to price (and, indeed, it would be irresponsible to ignore them).

Pursuing interoperability with the ESRS Standards, in our view, could be seen to be interfering with the ISSB’s goal to develop an industry-based, financially-material reporting framework (a global baseline) that suits the needs of investors. Recent developments related to the ESRS Standards allow the ISSB to pursue its investor-focused mission in a more unencumbered manner.

Thank you for your consideration of our views and perspectives. We would welcome the opportunity to meet with you to provide more detail on our letter. If you have any questions or to seek further elaboration of our views, please contact Sandra Peters at sandra.peters@cfainstitute.org.

Sincerely,



Sandra J. Peters, CPA, CFA
Senior Head
Global Advocacy
CFA Institute

Appendices:

Appendix 1: Comments on Proposed SASB Amendments

Appendix 2: Comments on Proposed IFRS S2 Consequential Amendments

Appendix 3: Potential Architecture of IFRS SDS and Supporting Industry-Based Disclosures

APPENDIX 1: COMMENTS ON PROPOSED SASB AMENDMENTS

OBJECTIVE (QUESTION 1)

(a) Do you agree with the objective of the proposed amendments to the SASB Standards and related areas of focus?

In principle we agree with the objective of the amendments to provide “timely support” to companies applying IFRS S1 and IFRS S2. Without preparers having clear guidance to support their application of IFRS SDS, there is a risk that the usefulness of the information disclosed may be reduced for investors.

(b) Do the proposed amendments meet this objective? Why or why not?

The IFRS Foundation has decades of experience developing individual accounting standards that are accompanied by implementation guidance, illustrative examples and educational material underpinned by a transparent and robust due process. That is why investors believed, and continue to believe, the ISSB is best placed to create sustainability standards which are financially value relevant for investors.

While the aims for the amendments⁴ are all important, we are concerned that without the ISSB having, and articulating publicly, a clear vision for the overall structure and architecture of IFRS SDS – including the role of industry-based disclosures – the piecemeal approach taken to enhancing the SASB Standards will inevitably result in entrenching a practice in a suboptimal way. Companies will implement systems changes and new data collection and review processes that will be costly, or will be said to be costly, to change in the future, making it practically difficult for the ISSB to later introduce a clear architecture for IFRS SDS.

In our view, this need to develop, and adhere to, an overall structure and architecture for IFRS SDS is necessary for a variety of reasons, which include, but are not limited to, the state of flux of ESRS – the primary focus of the ISSB’s interoperability-related activities – and the “choose your own adventure” approach to company sustainability reporting. We believe this current project will not meet the ISSB’s, and investors’, objectives without addressing the following:

- **Architecture** – The ISSB’s vision for the architecture of IFRS SDS.
- **Suite of Standards** – Consistency in style and structure across all IFRS SDS materials so they look, feel and act like a suite of IFRS reporting standards.

⁴ Namely, to address concerns about international applicability and interoperability, update biodiversity and human capital disclosures to inform those respective projects, align with the IFRS SDS and make the SASB Standards more straightforward and cost effective for preparers to apply.

- **Disclosure Objectives** – Principles-based disclosure objectives to increase the relevance of the information provided for investor decision-making.
- **Measurement Guidance** – Measurement guidance to underpin the metrics to promote consistency in application.

In each of the sections that follow, we address the above elements.

Broadly, in our view, the amendments effectively address issues with some of the SASB Standards at the margin and on a piecemeal basis; however, we think the ISSB's current approach to updating the SASB Standards is not the best way to meet its objective in this project to provide support to companies applying IFRS S1 and IFRS S2 or the overall objective of setting sustainability standards that are the financially material global baseline.

We believe the industry-based disclosures are important because they are the basis for how investors invest. That said, investors also need a solid foundation and architecture of the sustainability standards – and to have a clear idea of the direction of travel with sustainability reporting – before they invest time with the details. As we said in our covering letter, it feels like we are debating the wallpaper in a house that does not yet have a foundation, or even draft plans from the architect.

We have devoted time to responding to the ESRS Standards and now the SASB Standards, but there is no clear path on what will happen with the ESRS Standards. The interoperability of the ISSB and ESRS Standards cannot be fully resolved until the ESRS Standards are resolved. Additionally, it is not clear how standards such as GRI will be related. For that reason, we believe it is essential that the ISSB proceed with developing industry-based sustainability disclosures that are financially material – as this was the ISSB's original mission. In our view, the alphabet soup has not sufficiently lessened and the continual search for interoperability (see our comments below on the meaning) with ESRS (in particular) is impeding the ISSB's efforts to develop a comprehensive set of financially material sustainability standards that can act as a global baseline⁵.

A Clear Long-Term Vision for the Architecture of IFRS SDS Needs to Come First

Our Concerns – We worry that without a clear architecture, both the jurisdictional adoption and the company application of IFRS SDS, including the accompanying industry-based disclosures, will result in less coherent, understandable and relevant information for investors, hindering their use of the resulting sustainability reporting for capital formation and, ultimately, unbalancing the cost-benefit equation.

⁵ In the body of the letter, we highlight the recent EFRAG release on the simplification of the ESRS standards and the impact on interoperability.

Practical Challenges from a Lack of Structure in IFRS SDS – We have a number of observations about how the lack of a clear structure and vision for the architecture of IFRS SDS, including the industry-based disclosures, leads to inconsistencies, duplication and, therefore, questions about how they will be implemented. For example, in the suite of IFRS SDS materials today:

- **Duplication within IFRS S1 and IFRS S2** – There is repetition in many of the disclosure requirements in IFRS S1 and IFRS S2, which we expect will also exist in IFRS S3 if/when it comes (e.g., IFRS S2’s objective is a climate-specific version of the objective in IFRS S1, IFRS S2’s requirement to disclose current and anticipated financial effects is a climate-specific version of the requirement in IFRS S1, and so on). We don’t see the need for such repetition in the requirements and worry that companies will provide repetitive disclosures as a result. We believe all topic-specific standards can use IFRS S1 as a baseline for the disclosure requirements by topic, with clear instructions in the topic-specific standards about how companies should tailor their topic-specific disclosures on the core content areas accordingly.
- **Duplication in IFRS S2 Industry-Based Disclosures and SASB Standards** – There is duplication in the industry-based disclosures that accompany IFRS S2 and what is included with the SASB Standards. It’s not clear why that duplication is seen to be necessary given it has the same standing (“shall refer to and consider”) as the industry-based metrics referred to in IFRS S1.58(a). See also our comments to the IFRS S2 Consultation in [Appendix 2](#).
- **Structure to Topics Needed** – There is no clear structure to the topics covered by each SASB Standard, and they read similar to a shopping list of disclosure requirements, without consistency within a sector or across sectors, even with the proposed amendments. See also our response to Questions 6-15 which follow.
- **Lack of a Clarity Regarding How SRROs Map to Industry-Based Disclosures** – It is not clear in the structure of IFRS S1 and IFRS S2 how an identified SRRO maps to an industry-based disclosure and whether an SRRO and an industry-based disclosure topic are the same thing. We think this could lead to inconsistency in application across companies, even within an industry, and therefore hindering comparability. It won’t be clear during the SRRO identification process what a sustainability-related risk or opportunity is and therefore at what level a company should disclose information about it or how it maps to the industry-based disclosures. We believe an SRRO is the same as a “disclosure topic” based on our reading of the February 2024 and July 2025 educational material. If this is correct, the term used should be the same; if it is not this needs to be clarified.

Variations in the Jurisdictional Adoption of IFRS SDS – The examples highlighted above relate to challenges we see within and between the IFRS SDS and SASB Standards, but we also see challenges brought about by the lack of a formal architecture of the standards as they are being

adopted in various jurisdictions. Jurisdictions are promoting their adoption of the ISSB standards; however, it is not necessarily clear how they are adopting IFRS S1, IFRS S2 (including or not including the use of the industry guidance) and the SASB Standards.

As we experience the conversation regarding adoption, it appears many countries are adopting the ISSB standards meaning IFRS S1 and IFRS S2 – often making certain of their own revisions to such standards, including instances where they appear to be:

- a) Removing language that indicates companies “shall refer to and consider” the SASB Standards, with some changing “shall” to “may”;
- b) Not referring to the SASB Standards altogether; and/or
- c) Developing their own industry-based disclosures.

This leaves investors unclear about what information will ultimately be provided and concerned about what this means for comparability within an industry across borders.

Our Suggestion – We believe the ISSB should start from first principles and follow the approach taken in the architecture of the IFRS accounting standards and their accompanying guidance and educational materials. Specifically, we suggest an architecture with three main components:

1. **IFRS S1** should contain (as it currently does) general principles and definitions, including those taken from the accounting standards⁶ and the Conceptual Framework for Financial Reporting. As a general standard, it should also contain disclosure requirements for reporting about general sustainability matters (using the four pillars of governance, strategy, risk management and metrics and targets it contains today). The identification of SRROs determines which topical IFRS SDS(s) to apply. It should also contain disclosure requirements for specific SRROs in the absence of a topical IFRS SDS for a particular sustainability topic.
2. **Topical IFRS SDSs**, like IFRS S2, should contain (as IFRS S2 currently does) detailed disclosure requirements for each SRRO relevant to that topic. They should include general disclosure requirements about that topic and relevant cross-industry metrics. The topical standards should not contain any industry-based disclosures; those should be in the industry-based disclosures.
3. **Industry-Based Disclosures** should contain the respective industry descriptions and all industry-based metrics and other disclosures commonly relevant to the identified SRROs in a particular industry. This approach would make it clearer for companies to understand why additional detail is needed for the disclosures about

⁶ Such as IAS 1 *Presentation of Financial Statements* (now IFRS 18 *Presentation and Disclosure in Financial Statements*); IAS 8 *Basis of Preparation of Financial Statements*; IAS 10 *Events after the Reporting Period*.

SRROs in that industry (e.g., more granularity in emissions metrics beyond the aggregated amounts in IFRS S2) and therefore apply them consistently. Industry-based disclosures should be structured by topic, reflecting the topics that one would expect to be relevant for that particular industry. Each section by topic should contain disclosures about the SRROs relevant to that topic.

We believe there should be a clear thread across all the standards going from the general to the industry-specific, with the SRROs being the common link between them. This would also make it clearer that the principles in IFRS S1 apply to all reporting covered by the suite of IFRS SDS and supporting materials. We include an illustration of this architecture in **Appendix 3**.

We believe this approach to the architecture would build on all the work that went into creating the SASB Standards, ensure they align with the IFRS SDS (current and forthcoming) and look at what is relevant now, while making them principles-based to last into the future. This opportunity won't come again for many years, and, in the meantime, there is a risk that the relevance and usefulness of the SASB Standards declines.

Change the Name and Style to Fit into the IFRS Suite of Standards

The SASB Standards have formed a very helpful basis for IFRS industry-based disclosures. As such, we suggest using this opportunity to enhance the standards to change their name to IFRS Industry-Based Disclosures (e.g. IFRS Industry-Based Disclosure 1: *Coal Operations*; IFRS Industry-Based Disclosure 2: *Construction Materials*). We suggest that in doing so, the style, format, and paragraph numbering system should be made the same as other IFRS documents. This would remove the need for the detailed disclosure codes.

Introduce a Clear Disclosure Objective in the Topical Standards & Industry-Based Disclosures

The architecture we suggest would also help ensure that all disclosures can be principles-based with a clear disclosure objective, similar to what is in the accounting standards.

In our view, the industry-based disclosures need a disclosure objective that is more specific than both:

- The overarching objective of IFRS S1, which states that the information must be “useful to primary users... in making decisions relating to providing resources to the entity” (IFRS S1.1); and
- The proposed amendments to the introductions to each of the SASB Standards, which state that they are “a source of guidance for entities to disclose information about [SRROs] that could reasonably be expected to affect an entity’s prospects”.

These are not “principles”, in our view, but very broad statements. A such, we do not see how they can be disclosure “objectives” that support meeting the information needs of investors.

In contrast, IFRS 15, *Revenue from Contracts with Customers*, for example, has a clear objective to “enable users... to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers” (IFRS 15.110). By analogy, the SASB Standard (or industry-based disclosure) on processed foods, for example, could have a specific disclosure objective to “enable users... to understand how the SRROs of an entity in the processed foods industry can affect its cash flows, access to finance or cost of capital over the short, medium or long term”. A clear objective helps companies understand what the disclosures need to aim for and increases the likelihood that the information disclosed will in fact be helpful for investor decision-making.

Although there is guidance in IFRS S1 about aggregation and disaggregation of disclosures, the industry-based disclosures each could include reminders (like in IFRS 15.111 and 112) alongside their disclosure objective about:

- The level of detail necessary to meet the disclosure objective;
- How much emphasis to place on the various metrics;
- The level of aggregation or disaggregation of the disclosures to not obscure or hide information; and
- Not disclosing information that has already been provided in accordance with other disclosure requirements or guidance.

Measurement Guidance: Needed for Consistent Application and Investor Understanding

There are so many metrics to be disclosed and there is little transparency regarding their measurement. Investors often find it difficult to understand the basis for the sustainability-related amounts they receive, and what adjustments they may want to make as a result. The consequence is that, often, the information is not used at all. This is unfortunate not least because some of this information provides insight into a company’s current and future financial performance and its long-term resilience.

The SASB Enhancements are an opportunity not just for preparers applying them but to make the resulting disclosures more useful for investors. One way to make them more useful would be to review them individually and in detail to determine which ones really matter to an entity’s cash flows, access to finance and cost of capital.

Such a review should take into consideration the definition of primary users and their common information needs (in other words, don’t include a metric just in case it might matter to someone with a particular interest). We suspect this would also be useful for companies preparing the disclosures.

Currently, comparability of the same metric (with the same or a similar label) reported by different entities is assumed, but it is difficult to know if it's been measured consistently without reading a detailed reporting methodology document that the entity may, or may not, have put on its website.

We believe the ISSB should create measurement guidance to promote consistency in application and help investors understand the meaning and quality of the quantitative information disclosed. This could include requiring disclosure of the significant assumptions underpinning the measurements, like the fair value hierarchy in IFRS 13, *Fair Value Measurement*, and the use of quality scores like what the Partnership for Carbon Accounting Financials (PCAF) has developed for financed emissions. Such guidance would also be useful in the disclosure of anticipated financial effects.

ENHANCEMENTS TO INTEROPERABILITY WITH OTHER STANDARDS AND FRAMEWORKS (QUESTION 2)

(a) Do you agree with the proposed approach to enhancing interoperability and alignment with other sustainability-related standards and frameworks? Why or why not?

(b) Do you agree that the proposed amendments to the nine priority industries and targeted amendments to other SASB Standards will result in improved interoperability and thus achieve the objectives of improving the decision-usefulness of disclosed information for primary users and cost-effectiveness for preparers? Why or why not?

(c) Could the interoperability and alignment of any disclosure topics or metrics be further enhanced while achieving the objectives of improving the decision-usefulness and cost-effectiveness of the information? What amendments would you propose and why?

It is challenging to respond to questions about “interoperability” for industry-based disclosures when the term remains undefined more generally when used related to global sustainability standards and reporting. We have previously conveyed publicly our concerns regarding the notion or definition of “interoperability” for this reason.^{7,8}

⁷ See discussion of interoperability at page 15 of our [comment letter to the ISSB on its Agenda Consultation](#) and at page 5 of our [comment letter to EFRAG on its simplified ESRs](#).

⁸ In the body of the letter, we highlight the recent EFRAG release on the simplification of the ESRs standards and the impact on interoperability. The section which follows does not include updates for those changes.

The More “Interoperability” is Sought, the More Elusive its Meaning – and Being Able to Achieve it – Seems to Become

The proposed amendments indicate that the ISSB is seeking to have its standards be “interoperable” not just with ESRS, which has up to now been the focus, but also with popular voluntary frameworks such as GRI and TNFD.⁹ We even see the ISSB now using definitions in a GRI exposure draft as a way to increase “interoperability” for industry-based metrics. ***It is unclear if the ISSB is seeking “interoperability” or “equivalence” with those frameworks as the goal, or if this is all part of its plans for developing a “global baseline”.***

We are concerned that ***the continued focus on and resources dedicated to achieving “interoperability” – with an ever-expanding group of standards and frameworks that have different objectives and intended audiences – is moving the ISSB away from its aim for developing the “global baseline” of financially material relevant information.***

The ISSB’s focus, in our view, should instead be on getting its set of investor-focused financially material sustainability standards right, including industry-based metrics that support them. In doing so, and ***as part of an effort to reduce the “alphabet soup”, the ISSB should take from other standards and frameworks, where relevant, to ensure investors get the information about sustainability they need*** (noting our point below about needing a stable platform of disclosure requirements). That process should consider “interoperability” in the sense that disclosures should not be different unless there is a need for them to be different in order to be useful for investor decision-making purposes.¹⁰

Without a clear, widely agreed meaning of “interoperability” – in a sustainability standard-setting context – achieving it will remain elusive. Because it is used to capture so many different concepts (being identical, being equivalent, being complementary, being compatible, and more¹¹), the various standard-setting and framework-making bodies will be unable to work together to achieve it unless they can agree on its meaning.

⁹ We are less concerned about this when it comes to the TNFD Framework given the recent decision by the ISSB to “draw on” the TNFD recommendations, metrics and guidance in its work and the TNFD’s agreement to discontinue its technical work programme as a result, likely in 2027 (see <https://tnfd.global/issb-decision-on-nature-related-standard-setting-drawing-on-tnfd-framework/>).

¹⁰ If the disclosures are in fact meant to be exactly the same, the various standards all need to use the exact same words. It is our long-standing and seasoned experience that tells us that when the words in standards are not identical, the disclosures provided to investors are not the same. So, if “interoperability” is intended to result in the same disclosures regardless of whether a company uses, for example, IFRS SDS or ESRS, that needs to be the clear, stated objective and the disclosure requirements in both must be phrased in exactly the same way. Equally, if they are meant to be different, they should use clearly different words. However, we think this ongoing debate confuses “interoperability” and the aim for a “global baseline” of financially material, relevant information.

¹¹ A Google search tells us it is: “the capability for separate systems, software, or entities to work together without special effort.”

We are concerned, therefore, that while it sounds good in principle, “interoperability” will not be effective for investors working in global capital markets. In fact, *we observe that concerns about “interoperability” are always raised in the context of the preparation of sustainability disclosures, without regard to the effect its existence (or absence) can have on their usefulness* and the effect it has on the understandability of reported information and comparability across entities and borders. We believe focusing on the objective of the disclosures – that is, to provide decision useful information to investors – would go a long way to showing why the duplication, redundancy, unclear definitions and inconsistent labels resulting from a lack of “interoperability” do nothing to improve the quality of information for investors.

The Focus Needs to Be on Designing an Agreed and Interoperable Global Baseline

It is our view that “interoperable” sustainability reporting standards are compatible with and complementary to one another so that preparers can apply them without duplication and inconsistencies. In such a reporting model, the information in one builds off the other(s) so that investors get a comprehensive picture of sustainability performance with financially material relevant information as the foundation. *We believe this is what the “global baseline” originally envisaged by the ISSB is all about.*

However, the current “choose your own adventure” approach for companies when making sustainability disclosures under various standards and frameworks creates a challenge in designing, let alone achieving, a “global baseline”. *We are concerned that the ISSB and other bodies seem to be focused on the details of the specific metrics, without considering how they (should) fit within the overall structure of global sustainability reporting*, and what is useful for investors as the “global baseline” versus what is complementary from, for example, an impact perspective. It’s not clear why the ISSB has chosen some metrics but not others to be “interoperable” with, and whether/how they complement what’s in other standards or frameworks. It is particularly hard to see the rationale when we don’t know what the vision is for the architecture of IFRS SDS and the industry-based disclosures.

The “Global Baseline” Cannot Be Achieved Without All Parties Working Together

What is or is not “interoperable” cannot be decided by one standard-setting body alone. Therefore, for the ISSB’s standards to be the global baseline that other jurisdictions can build on, if that is still the aim, *the various other standard-setting and framework-making bodies need to actively (and tangibly) support that aim.*¹²

¹² We believe addressing “interoperability” is most urgent for ESRS because it is a requirement in Europe’s CSRD and will capture companies beyond those headquartered in Europe. We cannot emphasise enough the need for EFRAG and the ISSB to work together to ensure consistency is maintained for financially material disclosure requirements (i.e., information for investors) once the global baseline is in place – and this includes having identical wording when the requirements are the same. This is a challenge when we don’t yet know what ESRS is going to contain. As we said in our comment letter to EFRAG’s ESRS simplification proposals, this is an ideal time for EFRAG and the ISSB to work together on the global baseline of disclosures for investors, focused on

They all must work together to determine which element of a disclosure requirement is in the “global baseline” and which is a jurisdiction-specific addition. That support must involve making it clear that their standards are a complement to (i.e., are “interoperable” with) the IFRS SDS, not replicating or trying to replace them.¹³

Having that clarity would allow companies to use one system for reporting information across multiple standards, with a baseline (IFRS SDS) plus additional disclosures. This would also allow users (investors or others) to see (a) where the commonality is across entities using various standards with respect to financially material information and (b) what is additional, complementary information that may also be of interest to them (such as impacts that may turn into financially material risks or opportunities over time¹⁴).

The “Global Baseline” Must be a Stable Platform of Disclosure Requirements

Having responsibility for the “global baseline” of sustainability standards means that ***once any disclosure requirements are incorporated into IFRS SDS, the ISSB takes ownership of them***, and has responsibility for maintaining and updating them (like the ISSB has committed to do with the SASB Standards). In our view, this includes information taken from the GRI Standards, the TNFD framework and the Greenhouse Gas Protocol’s standards, effectively becoming the ISSB’s own work in the process. ***This means shifting the ISSB’s primary focus to creating and standing behind a stable “global baseline”, not on chasing “interoperability”***.

Aiming for “interoperability” and “alignment” with any sustainability reporting framework that exists, without a clear and stable “global baseline”, will necessitate the ISSB needing to constantly monitor for updates to other bodies’ standards or frameworks so they can update IFRS SDS and the industry-based disclosures accordingly. This will be a significant undertaking. Such an approach is fraught with potential problems, including bringing instability to global standard setting and putting global comparability at risk.

financial materiality. Continued work to simplify ESRS creates additional opportunity that we think both organisations should take.

¹³ This can be done, for example, by either (a) incorporating IFRS SDS into their own suite of standards/frameworks with a clearly distinct set of additional disclosure requirements or (b) referring to IFRS SDS as being the baseline with their own standards forming disclosures for other stakeholders or other purposes.

¹⁴ We note that many of the SASB metrics relate to an entity’s positive or negative impacts that can have current or future financial implications. This is evidence that the distinction between financial and impact materiality is grey and that interoperability between IFRS SDS and ESRS isn’t impossible to achieve.

AMENDMENTS TO THE CLIMATE-RELATED CONTENT IN THE SASB STANDARDS (QUESTION 3)

(a) Do you agree that the ISSB should amend the climate-related content in the SASB Standards for the priority industries and make targeted amendments to the climate-related content in the SASB Standards for other industries, as proposed in this Exposure Draft? Why or why not?

We agree that the climate-related content should be updated for the priority industries, with amendments made to the disclosures for other industries as relevant.

Having said that, please refer to our response to Question 1 about the need for a clear architecture of and relationship between the IFRS SDS and the SASB Standards. We think without doing so, there is a risk of misunderstanding in application and incoherence in reporting.

(b) Do you agree that the proposed amendments would enhance the decision-usefulness of the industry-specific information about climate-related risks and opportunities? Why or why not?

We have not evaluated the proposed amendments in detail.

(c) Do you agree that the proposed amendments would further clarify how the climate-related content in the SASB Standards and the IFRS S2 industry-based guidance relates to the requirements in IFRS S2?

We have not evaluated the proposed amendments in detail.

As we note in our response to the Consultation on the proposed amendments to the IFRS S2 industry-based disclosures (see **Appendix 2**), we do not believe that the climate-related disclosures in the SASB Standards should be (or, more precisely, need to be) replicated in each topical IFRS SDS. However, if you do continue with this approach, we believe the industry-based disclosures for IFRS S2 need to be identical to the climate-related disclosures in each of the individual SASB Standards, with no deviations between them.

As noted in Question 1, we see a critical need to clarify the architecture of the IFRS SDS, including the industry-based disclosures. If the architecture had been clear from the beginning, we believe it is unlikely that IFRS S2 would have its own set of industry-based disclosures.

INFORMATION RELATED TO BIODIVERSITY, ECOSYSTEMS AND ECOSYSTEM SERVICES AND HUMAN CAPITAL (QUESTION 4)

(a) Do the SASB Standards, including the proposed amendments, enable entities to provide decision-useful information about their BEES-related risks and opportunities to users of general-purpose financial reports? Why or why not?

(b) In the nine industries that the ISSB has prioritised for enhancement in the Exposure Draft, are there other BEES-related disclosures not addressed through the proposed amendments that would be useful for users of general purposes financial reports in their decision-making? If so, please explain which disclosures and why.

(c) Do the SASB Standards, including the proposed amendments, enable entities to provide decision-useful information about their human capital-related risks and opportunities to users of general-purpose financial reports? Why or why not?

(d) In the nine industries that the ISSB has prioritised for enhancement in the Exposure Draft, are there other human capital-related disclosures not addressed through the proposed amendments that would be useful for users of general purposes financial reports in their decision-making? If so, please explain which disclosures and why.

We think it is premature to be updating the SASB Standards for this topical information when the ISSB has not even reached the stage where it has developed (or consulted on) proposals for BEES and human capital. We have, therefore, not commented on the detailed proposed amendments.

EFFECTIVE DATE (QUESTION 5)

Do you agree with the proposed approach for setting the effective date of the amendments and permitting early application? Why or why not?

We agree with the proposals. Amendments made to any reporting standard must be practical and feasible with an appropriate lead time for implementation. The question is not whether companies can provide the information today (because if they could, they should already be doing so). The question instead is whether today they can put in place the mechanisms to be able to provide it by the effective date. We urge expeditious application and think the 12-18 month period proposed is sufficient for this.

Having said that, see our response to Question 1 about the need to clearly set out the architecture of the standards first.

We note that no transition provisions are proposed. Investors using the disclosures of companies that have previously reported metrics using the SASB Standards will need to understand how the information disclosed using the new guidance differs from what was disclosed using the previous guidance. We therefore believe that the updated guidance needs to contain transition provisions.

PROPOSED AMENDMENTS TO INDIVIDUAL SASB STANDARDS AND PROPOSED TARGETED AMENDMENTS (QUESTIONS 6-15)

We have not evaluated the proposed amendments in detail but have several observations from our high-level review.

Connectivity with the Financial Statements: Considered From the Financial Reporting Perspective

We wonder why some financial information, such as disaggregated revenue amounts or the cost of compliance with a particular law or regulation, is being proposed for disclosures about sustainability. Given the focus on connectivity with the financial statements, if this is indeed material information for a company in that industry, we would expect it already to be disclosed in the notes to the financial statements because that disaggregated amount “supplements the primary financial statements with additional information”, per IFRS 18 paragraphs 17 and 41.

Investor Information Needs Are Paramount

User feedback should drive the inclusion of all metrics. They need to agree that the metrics are decision useful, and they need to actually be used (or have the potential to be used because they provide meaningful and relevant information). A preparer’s ability to calculate them is of course an important factor, so reliefs or longer implementation periods can be helpful. In our experience, having followed the financial reporting standard setting process for decades, preparers routinely express concerns about being able to collect data, implement processes and calculate amounts, yet they are able to do it by the time the first audited financial statements are published. Standard setting is not here to reinforce the status quo and investor information needs are the primary factor in reporting. It is only when investors get high quality information that capital formation can take place.

IFRS SDS Should Avoid Using Definitions from Other Standards or Frameworks

The IFRS industry-based metrics should avoid using definitions from other bodies’ standards or frameworks, particularly if they are in exposure draft stage (e.g. GRI definition of “employee”). Even incorporating by reference (such as GHG Protocol Standards) is likely to be troublesome in the future – a point we raised in our 2022 comment letter on IFRS S2. This is not interoperability. Also see our perspectives on the issue of interoperability in Question 2.

APPENDIX 2: COMMENTS ON PROPOSED IFRS S2 CONSEQUENTIAL AMENDMENTS

CONSEQUENTIAL AMENDMENTS TO THE IFRS S2 INDUSTRY-BASED GUIDANCE (QUESTION 1)

Do you agree that the ISSB should make consequential amendments to the IFRS S2 industry-based guidance when it makes amendments to the SASB Standards as set out in the SASB exposure draft? Why or why not?

We do not believe that the climate-related disclosures in the SASB Standards should be (or, more precisely, need to be) replicated in each topical IFRS SDS. However, if you do continue with this approach, we believe the industry-based disclosures for IFRS S2 need to be identical to the climate-related disclosures in each of the individual SASB Standards, with no deviations between them.

As noted in our response to the SASB Enhancements consultation in **Appendix 1**, we see a critical need to clarify the architecture of the IFRS SDS including the industry-based disclosures. If the architecture had been clear from the beginning, we believe it is unlikely that IFRS S2 would have its own set of industry-based disclosures.

EFFECTIVE DATE (QUESTION 2)

Do you agree with the proposed approach for setting the effective date of the amendments and permitting early application? Why or why not?

We agree with the proposals.

We note that no transition provisions are proposed. Investors using the disclosures of companies that have previously reported metrics using the SASB Standards will need to understand how the information disclosed using the new guidance differs from what was disclosed using the previous guidance. We therefore believe that the updated guidance needs to contain transition provisions

APPENDIX 3: POTENTIAL ARCHITECTURE OF IFRS SDS AND SUPPORTING INDUSTRY-BASED DISCLOSURES

IFRS S1 General Standard	IFRS SX Topical Standards	Industry-Based Disclosures
<p>Scope: All reporting entities subject to IFRS Sustainability Disclosure Standards (SDS).</p>	<p>Scope: All entities with relevant SRROs in this topic.</p> <p>For example: If GHG Emissions is an SRRO, which is part of the “climate-related” disclosure topic, an entity would apply IFRS S2.</p>	<p>Scope: All entities in the relevant industry(ies).</p> <p>Note: Entities only disclose metrics associated with the relevant topics and SRROs for their industry(ies).</p>
<p>Contents:</p> <ul style="list-style-type: none"> • Principles of reporting, including materiality. • Guidance for identifying sustainability-related risks and opportunities (SRROs). • General (entity-level) disclosures about sustainability (four pillars of governance, strategy, risk management, metrics and targets). <p>The relevant SRROs identified in IFRS S1 determine which topical standard(s) to apply.</p>	<p>Contents:</p> <ul style="list-style-type: none"> • Disclosures about how the sustainability topic affects the entity and what the entity is doing about it (using the IFRS S1 four pillars). • Metrics related to this topic that are relevant across all industries (cross-industry metrics). 	<p>Contents:</p> <ul style="list-style-type: none"> • Industry description. • Industry-specific metrics, grouped by topic as in the topical standards, and aligned to the SRROs commonly relevant to the industry.
<p>For example:</p> <ul style="list-style-type: none"> • GHG Emissions • Workforce Health & Safety • Land use 	<p>Note: Measurement guidance supports consistency in the calculation of the Topical Standards’ cross-industry metrics and the Industry-Based Disclosures’ industry-specific metrics.</p>	
<p>Underlying principles:</p> <p>Use a principles-based process to identify which sustainability issues (risks and opportunities) are relevant to the entity’s business.</p> <p>Provide material information about how the entity generally addresses those issues (risks and opportunities) relevant to its business.</p>	<p>Underlying principle:</p> <p>Provide material information about how the sustainability topic is addressed in the entity’s business.</p>	<p>Underlying principle:</p> <p>What additional material information is relevant by industry for each topic and its underlying SRROs.</p>