Jeffrey Hales PhD
Chair
Sustainability Accounting Standards Board
1045 Sansome Street, Suite 450
San Francisco, CA94111

20 April 2021

Dear Jeff,

Draft XBRL Taxonomy – Public Comment

We welcome the opportunity to comment on the SASB's Draft XBRL Taxonomy. The FRC is very supportive of efforts to digitise reporting standards. We see digital reporting as a key component in the modernisation of corporate reporting and a fundamental building block in the journey to make environmental, social and governance ('ESG') data usable to the investor community in a way that is cost-effective for preparers.

We also commend the use of XBRL. The UK has long used XBRL for financial reporting to our tax authorities and business register, and the UK is in the process of extending its use by listed companies for reporting to the financial markets. We see the expansion of tagging to ESG disclosures as a key element in the digitisation of corporate reporting. Our comments are based on our own experience of building taxonomies and our thoughts on encouraging the use of the taxonomy in a more global context.

We set out below our views on the specific questions raised.

1. *Do you foresee any issues with the taxonomy being used globally across jurisdictions?*

    We appreciate that most of those companies currently filing and using the SASB framework are based in the US, and as such, the framework and the resultant taxonomy reflect this. However, we note that there is increasing international interest; and as you are aware, the FRC has recommended the SASB framework for use in the UK. There are, however, challenges in adapting the taxonomy to reporting in the UK. Key areas include:

    - *Overlap with existing requirements* – In the UK, we already have XBRL taxonomies available for carbon disclosures and reporting under the Task Force on Climate-related Financial Disclosures ('TCFD') through the Streamlined Energy and Carbon Reporting taxonomy; it is not clear if the SASB taxonomy might impact companies' ability to use other local taxonomies.

    - *Regulatory delivery* - We note that in the UK, as in other jurisdictions, taxonomies can only be used within certain company filings if they have been approved by the local regulator. Whilst adoption by individual regulators is a matter for them; we note that this may require changes to the taxonomy and may require further

8th Floor, 125 London Wall, London EC2Y 5AS Tel: +44 (0)20 7492 2300 Fax: +44 (0)20 7492 2301 www.frc.org.uk

The Financial Reporting Council Limited is a company limited by guarantee. Registered in England number 2486368. Registered office: as above.

Please see our privacy page at https://www.frc.org.uk/about-the-frc/procedures-and-policies/privacy-the-frc if you would like to know more about how the FRC processes personal data or if you would like to stop receiving FRC news, events, outreach or research related communications.

interaction between the SASB, regulators and preparers and users within those markets.

- *SASB practice in the UK* – Our analysis of the UK companies that currently produce SASB disclosures has shown that it is common practice for companies to cross reference from a SASB disclosure table to disclosures and narratives within a wide range of reports, documents and web sources. As such this creates a challenge for meaningful tagging. If such a practice is widespread across SASB reporters, it may be necessary to development specific guidance or referencing protocols.

- *Consistency with international developments* – we note that the IFRS Foundation intends to set up a sustainability standards board and that SASB is part of the working group providing input into the development of those standards. In our response to the IFRSF consultation[1] we recommended that taxonomies should be developed alongside the reporting standards. We believe that ultimately there is a need for a global SSB taxonomy similar to that for IFRS standards and encourage the SASB to consider how their taxonomies may form part of a global solution.

2. *Do you have any recommendations to enable wider adoption of XBRL-based SASB reporting?*

The UK experience has shown us that having a significant number of software providers integrating the taxonomy into their reporting tools is crucial in ensuring widespread adoption. We note that the software companies listed on your website are not commonly used in the UK to produce annual reports in XBRL format, which may limit roll out. We have seen that making our taxonomy freely available to software companies has seen it built into a large number of products; not only does this help preparers but also creates a valuable feedback mechanism on the taxonomy.

3. *Do you agree with the recommendation of anchoring that we have proposed for taxonomy extension?*

We believe that the option to allow anchoring in line with the approach adopted for the European Single Electronic Format ('ESEF') has value. However, we note that the use of anchoring remains at an early stage, and as such, its impact on quality and consistency remains an open question. Furthermore, we would note that some taxonomies (such as the UK's taxonomies) are full taxonomies and therefore discourage extensions; this may limit companies' ability to use anchors in certain jurisdictions.

4. *Should SASB taxonomy use elements from GAAP/IFRS taxonomies where applicable?*

We think that this should be explored more widely. However, we consider that the value of using elements from specific GAAP/IFRS taxonomy elements will depend upon the elements and their intended use.

5. *Should SASB taxonomy use typed dimensions?*

We believe that allowing typed dimensions would be of value.

---

[1] The FRC response to the IFRS Foundation is available at https://www.frc.org.uk/getattachment/15d419a7-8254-4211-b188-1fd44db2c6f9/FRC-response-to-IFRSF-Sustainability.pdf

6. *Has the taxonomy adequately addressed tagging of TCFD disclosures?*

    We support the inclusion of TCFD elements within the taxonomy. As part of the FRC's wider support for XBRL, we developed a Streamlined Energy and Carbon Taxonomy, including some high-level TCFD tags. We are in the process of reviewing the quality of the resultant first year of disclosure, and we would be happy to share with you key insights (when available) where applicable to your own TCFD taxonomy elements.

    Several jurisdictions are moving ahead with mandatory TCFD disclosure regimes for companies (including in the UK, where government is consulting on proposals). Given that TCFD disclosures are developing, we suggest that the SASB TCFD tags are revisited regularly to consider if they continue to meet investors' needs.

7. *In the preparer guide, we have outlined a process for governing the taxonomy going forward. Please let us know if you have recommendations and/or the structure of the proposed taxonomy review committee.*

    In principle, we consider the taxonomy governance process appropriate, but we would note two key aspects.

    *   We believe that taxonomies work best when they are built alongside the underlying requirements which they reflect. Whilst we understand that this first taxonomy reflects standards already in existence, we believe that in future a process to build new taxonomy elements that works in parallel with the development of new elements of the SASB framework would lead to a better overall product.

    *   We also consider that given the desire to use the SASB taxonomy internationally, the taxonomy review committee (or subsidiary group) should include global users, preparers, and regulators.

We would welcome further opportunities to collaborate with you and share our experiences of developing standards, taxonomies, and guidance. If you would like to discuss these comments, please contact Thomas Toomse-Smith, Head of Innovation and Digital at T.toomse-smith@frc.org.uk

Yours sincerely

Mark Babington
Executive Director, Regulatory Standards
DDI:
Email: