

ISSB communicates plans to build on SASB's industry-based Standards and leverage SASB's industry-based approach to standards development

Along with the release of the Exposure Drafts, International Sustainability Standards Board (ISSB) Chair Emmanuel Faber and Vice Chair Sue Lloyd have communicated plans for building upon the SASB Standards and for embedding SASB's industry-based standards development approach into the ISSB's standards development process.

As the IFRS Foundation Trustees committed when launching the ISSB, it will build on the work of existing investor-focused reporting initiatives to become the global standard-setter for sustainability disclosures for the financial markets. The ISSB made substantial progress toward this goal this week when it issued Exposure Drafts of two proposed standards *General Requirements for Disclosure of Sustainability-related Financial Information* and *Climate-related Disclosures*. These exposure drafts consolidate content from the TCFD, CDSB, SASB, Integrated Reporting, and the WEF IBC's stakeholder capitalism metrics into a coherent whole.

SASB's industry-based standards development approach identifies the sustainability disclosure topics most relevant to enterprise value for the typical company in an industry, enabling companies to provide decision-useful information about a range of sustainability-related risks and opportunities to investors and other capital market participants. SASB Standards, including the industry-based approach used by the SASB, will be built upon and supported in the following ways:

1. **Industry-based approach to standards development** – The ISSB will embed the industry-based approach used by the SASB into its standard-setting process. The industry-based approach used by SASB is valued by investors for producing decision-useful information and by preparers for producing cost-effective standards.
2. **Inclusion of SASB Standards in the Exposure Drafts** –
 - a. ***Climate-related Disclosures Exposure Draft (Climate ED)***: the SASB Standards are the source of the industry-based requirements in the *Climate ED*. On finalisation these would become a required component of the ISSB's Climate Standard
 - b. ***General Requirements for Sustainability-Related Disclosures Exposure Draft (General Requirements ED)*** – the *General Requirements ED* proposes that entities provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value. In the absence of specific IFRS Sustainability Disclosure requirements, this ED requires companies to consider SASB Standards to identify sustainability-related risks and opportunities and to develop appropriate disclosures. This enables IFRS Sustainability Disclosure Standards to make use of the range of sustainability-related risks and opportunities covered by the SASB Standards from inception with the status of implementation guidance.
3. **Commitment to improving international applicability of SASB Standards¹** –
 - a. Addressing international applicability of the suite of SASB Standards is a priority for the ISSB and forms part of the ISSB's initial work plan.
 - b. In line with this commitment the *Climate ED* includes proposals to improve the international applicability of the SASB's industry-based climate-related requirements.
 - c. SASB's ongoing work on international applicability (beyond climate) will be transitioned to the ISSB with the aim of the ISSB producing proposed changes to the SASB Standards as soon as practicable. The ISSB intends to improve the international applicability of the SASB Standards prior to the finalised version of the *General Requirements ED* coming into effect.

¹ Any standard-setting proposals of the ISSB will be subject to due process.

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4. **Starting point for ISSB industry-based requirements** – SASB Standards will serve as the starting point for the ISSB’s industry-based requirements.
 - a. On consolidation of the VRF the SASB Standards will become materials of the IFRS Foundation with the status of implementation guidance (consistent with the status proposed in the *General Requirements* ED).
 - b. On consolidation of the VRF, the ISSB will assume responsibility for the evolution and enhancement of SASB’s 77 industry-based Standards.
5. **Current SASB projects** – ongoing projects by the SASB will be transitioned to the ISSB and continued. The SASB is expected to publish proposed changes arising out of several of its ongoing projects prior to the ISSB assuming responsibility for the SASB Standards and these proposed changes, as well as the climate and human capital research projects and other current SASB projects will be transitioned to the ISSB. The IFRS Foundation intends to progress these projects as currently resourced, while the consultation on the ISSB’s agenda planned for 2022 will inform their detailed delivery plan.
6. **Encouragement to use SASB Standards** – The ISSB actively encourages preparers and investors to continue to provide full support for and to use the SASB Standards in this transition phase.

Emmanuel Faber, ISSB Chair, commented:

“We are convinced that the industry-based approach used to develop the SASB Standards is a market-validated model for the development of decision-useful and cost-effective sustainability disclosure standards. Therefore, I strongly encourage continued use of the SASB Standards and recognize their near-term priority role for preparers in the application of the proposed General Requirements Standard. Further enhancing and evolving the SASB Standards will be a priority for the ISSB, as embedding the industry-based approach in the work of the ISSB is essential to delivering Standards that support investors’ assessments of enterprise value across a broad range of sustainability issues.”

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About the IFRS Foundation

The IFRS Foundation is a not-for-profit organisation created to serve the public interest by developing globally accepted financial reporting standards that meet investors and other capital market participants’ need for reliable, transparent and comparable information to make economic decisions.

Our standards—IFRS Accounting Standards and IFRS Sustainability Disclosure Standards—are developed by the International Accounting Standards Board (IASB) and the newly created International Sustainability Standards Board (ISSB). The boards are overseen by the IFRS Foundation Trustees, who in turn are accountable to the IFRS Foundation Monitoring Board of public authorities with responsibility for corporate reporting. Our governance arrangements are set out in our *Constitution*.

IFRS Accounting Standards, set by the IASB, are required in more than 140 jurisdictions.

In January 2022, the Climate Disclosure Standards Board became part of the IFRS Foundation. The planned consolidation of the Value Reporting Foundation (which houses Integrated Reporting and SASB Standards) into the IFRS Foundation is due to complete in June 2022.

For detailed information about our organisation, visit ifrs.org.