

7 August 2023

Mon. Emmanuel Faber
Chair of the International Sustainability Standards Board
IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Mon. Faber,

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

Thank you for the opportunity to comment on *ISSB/ED/2023/1 Methodology for Enhancing the International Applicability of the SASB® Standards and SASB Standards Taxonomy Updates* (the ED).

Due process is a critical element of standard setting, and no less so than in international fora. The External Reporting Board of New Zealand (XRB) is of the view that the ISSB should not consider the narrow scope update proposed in this consultation to meet satisfactory due process of the SASB standards. Before use of the SASB standards are mandated as part of any ISSB standard, each one should be subject to full due process to the international community for comment and feedback. Given there are 77 industry categories and over 1,000 metrics, sufficient time should be given to the international community to fully canvas their constituents as to potential alignment, issues and updates that might be required.

The requirement that entities shall 'refer to and consider' the SASB standards metrics in both IFRS S1 and S2 is very onerous, and we do not support this approach. We consider the requirement to refer to and consider the SASB standards unreasonable, when, as evidenced by the issuing of this exposure draft, they do not meet international requirements. We are of the view that the full suite of SASB standards and metrics should instead be subject to the full IFRS due process.

The XRB suggests that while this project is a reasonable initial effort to enhance the SASB standards, it should be followed by a more comprehensive review and consultation is undertaken in accordance with IFRS due process. New Zealand would be unable to adopt IFRS S1 and S2 while they contain the requirement to 'refer to and consider' the suite of SASB standards. We do not believe that there has been sufficient time or capacity for constituents to consider these standards in an appropriate manner. Specific to New Zealand, we also foresee

some difficulties with the classification codes currently used by SASB as they do not align well with the existing economy-wide business classification codes used in Australia and New Zealand.

The proposed methodology for enhancing the international applicability of the SASB standards would be reasonable if the use of the SASB standards (via 'refer to and consider') was not required.

The XRB notes that paragraph IN10 of the ED states that the proposed amendments (which were not available as part of this exposure draft) will be published on the IFRS Foundation website for public comment. It would be useful for managing consultation within jurisdiction to know, well ahead of time, when these amendments will be made available and for what length of time.

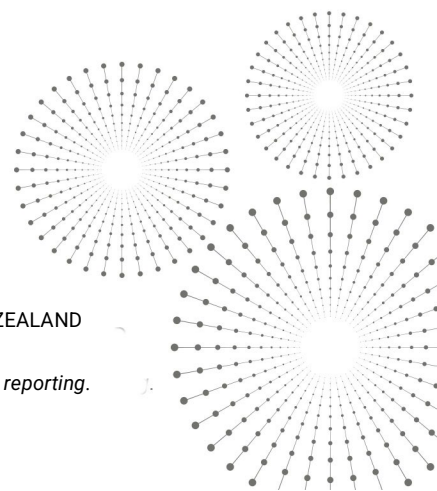
New Zealand follows with interest future developments on the SASB standards. The GRI Standards are the most widely used sustainability reporting standards in New Zealand at present with extremely limited uptake of SASB metrics. For many, these sustainability disclosures are included in the entity's annual report along with financial statements. The Aotearoa New Zealand Climate Standards require an entity to disclose industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities. There is no requirement to use, or refer to, particular sources of metrics. The intent is that entities report those metrics used, rather than requiring an entity to report metrics that are not used within the business. This provides for a much more nuanced insight into how an entity is managing its business. This stance was supported by the majority (80%) of comments on the topic of industry-specific metrics in the New Zealand consultation process.

The XRB welcomes the opportunity to work with the ISSB in setting global standards. If you would like to discuss the comments in this letter in more detail, please contact Amelia Sharman (amelia.sharman@xrb.govt.nz) or me.

Yours sincerely



April Mackenzie
Chief Executive, External Reporting Board



Survey questions and responses

Responses are in boxes after each question.

Question 1—Methodology objective

1. The 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 9? If not, why not?

Yes. Clearly described, but inadequate for the stated purpose of international applicability when the requirement of IFRS S1 is 'to refer to and consider'.

- (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?

Yes. This is appropriate as a transition approach. We note that the SASB standard disclosure topics and metrics 'shall be referred to and considered' in both IFRS S1 and S2. We do not consider the updates in this transition approach adequate to meeting the requirement to 'refer to and consider'.

- (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?

No.

Question 2—Overall methodology

2. The 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?

Yes. The proposed methodology will enhance the international applicability of the SASB Standards metrics but will not result in the SASB standards being fully 'internationally applicable'. We consider this to be a reasonable transition approach, pending a more extensive standard setting effort to expose the standards to international scrutiny, preferably on an industry-by-industry basis to allow sufficient time to properly consider disclosure topics and metrics for each industry.

Question 3—Revision approaches

3. The Exposure Draft explains five revision approaches to enhance the international applicability of non-climate-related SASB Standards metrics. Every disclosure topic, metric and technical

protocol amended using the methodology will apply these five revision approaches, either individually or in combination. The methodology begins with Revision Approach 1, which uses internationally recognised frameworks and guidance to define relevant terms of reference.

- (a) Do you agree that replacing jurisdiction-specific references with internationally recognised frameworks and guidance—if identified—should be the first course of action? If not, why not?

Yes, if referencing international frameworks. However, even referencing other sets of standards (such as ISO) may present an issue for countries adopting these standards. New Zealand strongly discourages the reference to third party standards in legislation as this is not considered best practice. This may also be an issue for ISSB as these third party standards are not within the control of ISSB.

- (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. Approaches 2 to 5 seem reasonable.

- (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?

Unclear. The actual amendments to standards are not included in this exposure draft. Without seeing the content and context of proposed revisions it is not possible to answer this question. Any issues should become apparent when the draft amendments are published on the IFRS Foundation website for public review, as per paragraph IN10.

- (d) Do you agree with the criteria for determining which of the proposed revision approaches applies in different circumstances? Why or why not?

Yes.

Question 4—SASB Standards Taxonomy Update objective

4. The 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?

Yes. See separate comment letter.

- (b) If you do not agree, what alternative approach would you recommend and why?

N/A

Question 5—Future SASB Standards refinements

5. The 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?

ISSB should consider alignment with GRI, European Standards, and ISO standards to provide some level of consolidation for preparers and users of general purpose financial reporting.

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

ISSB should not consider this narrow scope update to meet due process and be an exposure of the full suite of SASB standards. Before use of the SASB standards are mandated as part of any ISSB standard, each one should be exposed to the international community for comment and feedback. Given there are 77 industry categories and over 1,000 metrics, sufficient time should be given to the international community to fully canvas their constituents as to potential alignment, issues and updates that might be required.

ISSB should consider the classification system used by SASB as this does not align with the Australian and New Zealand Classification System. There are multiple classification systems available internationally and ISSB should consider whether SICs is the most appropriate.