

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Organisation

AY-3. Please provide the name of the organisation you are responding on behalf of:

Mazars

Question 1—Methodology objective

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.

01-A. (a) Are the scope of the intended enhancements and the objective of the proposed methodology stated clearly in paragraph 8? If not, why not?

- Yes:

Mazars agrees with the need to provide a short-term transitional set of improvements to the SASB Standards. This is necessitated by the requirement in IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information for companies to consider the SASB Standards in the absence of specific ISSB Standards, requiring the SASB Standards to be appropriate for use regardless of a reporting entity's jurisdiction. We also agree that this exercise must be completed before IFRS S1 becomes effective.

01-B. (b) Are the constraints of the objective as listed in paragraph 8 (preserving structure and intent, decision-usefulness and cost-effectiveness) appropriate? Why or why not?

- Yes:

This is a narrow and short-term approach whose scope and potential were limited by intense time pressure. It is important that this approach be recognised as only a stop-gap measure.

The ISSB should set out its vision for a transition plan to achieve its aim of a single comprehensive global baseline of sustainability disclosures and a plan to transfer users of its legacy standards to that new baseline. The vision should convey the intermediate steps toward achieving this aim, how and for how long it will maintain SASB and its other legacy material, and how it will achieve alignment of these standards with IFRS S1 and IFRS S2 while providing appropriate migration pathways for existing legacy standard users to the single global baseline.

Some further intermediate steps may be necessary before it is appropriate for the ISSB to mandate use of the SASB Standards. We believe that necessary changes include:

- Restructuring the SASB Standards on a “four-pillar” basis akin to IFRS S1 and IFRS S2 (i.e. consistently with the TCFD recommendations on which the IFRS Sustainability Disclosure Standards build on).

- Revision of the SASB industry structure in light of the different shapes and number of companies in industries globally and reflecting the reality that companies often have undertakings in more than one industry. There are a number of alternative industry classification systems in existence that could be used, such as the current statistical classification of economic activities in the European Community (NACE), which is well tested in Europe, or those used by major index providers such as GICS (Global Industry Classification Standard) and ICB (Industry Classification Benchmark) that were designed with the same user base as the ISSB’s intended audience in mind. The granularity of industry classifications and specificity of disclosure requirements could also be considered in the process of this revision exercise. Besides, the mapping of current SASB’s sustainable industry classification system (SICS) to NACE could be a useful tool in the context of the interoperability focus of IFRS Sustainability Disclosure Standards with the European Sustainability Reporting Standards (ESRS).

- Wherever possible without impeding the relevance and the applicability of the disclosure requirement, removal of references to external material such as metrics developed and controlled by industry associations, over which the ISSB cannot exercise control or apply due process in the event of changes.

- Performing work to address the developments in the areas of social issues and human rights acknowledging the current concerns with respect to the relatively low attention devoted to these issues in the Standards.

While it is understandable that the ISSB does not want to undertake a more exhaustive and effective review in the amount of time allotted for this exercise, it is therefore important that this be recognised as only a temporary “patch” to the SASB Standards to allow these to be used effectively as reference material for IFRS S1.

01-C. (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?

- Yes:

Please see response to 1(b) above.

Question 2—Overall methodology

The Exposure Draft explains the proposed methodology to amend the SASB Standards metrics to enhance their international applicability when they contain jurisdiction-specific references.

02-A. (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 methodology would improve the applicability of the metrics but not result in full international applicability and consistency. This would require a more comprehensive and lengthy exercise. Please see our answers above for suggestions and requirements for said exercise.

Question 3—Revision approaches

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.

03-A. (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:

This may be a useful intermediate step but, as noted above, we do not believe it is appropriate for the ISSB Standards to systematically rely in the medium or long term on third-party methods and metrics that could be changed without reference to, without due process by, and for purposes inconsistent with their use by ISSB.

The appropriateness of this method over method b) may depend on the timescale for the hypothetical, more comprehensive revision of the SASB Standards, the necessity of which is noted above.

03-B. (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:

We agree in general with the four remaining revision approaches subject to our comments in question 3 (a) above.

03-C. (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?

- Yes:

First, we believe the ISSB should clearly explain how it applied the revision approaches in practice to develop the revised metrics.

Besides, appropriate transitional measures as well as guidance on the aggregation of data from different jurisdictions should be developed.

Last, given the changes that will be required – including possible changes in metrics for existing users – and issues of multiple metrics under some circumstances, we encourage the ISSB to provide guidance or examples, particularly for existing users, to communicate what is expected under the revised Standards.

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

- Yes:

As noted above, there are metrics in the SASB Standards that appear to be based on US-specific concerns that do not translate well to a global context. The criteria set to determine which of the proposed revision approaches best applies in different circumstances are relevant.

However, even with these criteria, it may not be easy to determine which is the best revision approach to apply in practice. Some examples presented in the Exposure Draft highlight the difficulty and complexity of this revision exercise.

For instance, the example provided with respect to revision approach 2 (i.e. revising the SASB Standards by providing a general definition) involving the substitution of “foreign nationals” for H-1B visa holders (as termed in the original standard) seems to create new practical difficulties as the category of “foreign nationals” is defined differently in each jurisdiction and is potentially very broad. It is therefore a concept that may make the metric difficult to interpret or inappropriate for data collection. Besides, companies may not have processes to identify such persons, nor might many jurisdictions consider it appropriate to do so. In some circumstances, the approach might therefore result in requirements that are less specific than the original ones (i.e., where there is not an internationally agreed metric) and that, for some metrics, the issue is not simply that there is no appropriate metric, but rather that the issue identified is specific to the US market and of limited relevance elsewhere.

Another example of the practical difficulties in the revision exercise relates to the Workforce Health and Safety example metric IF-EU-320a.1. (under Example 1 in Appendix C to the Exposure Draft) and the implicit assumption of US working hours with the multiplier of 200,000 in the proposed revised metric (see § 4.1. explaining the calculation) being based on standard US working hours and allowed holidays. We believe such revision is unlikely to enhance the international acceptability of these standards.

The ISSB should ensure that the Standards be generic enough so that each requirement can be applied to the individual situations of specific countries. The ISSB should also leverage the geographically diverse experiences of its staff and engage in proper outreach to assess the appropriateness of metrics.

Question 4—SASB Standards Taxonomy Update objective

The Exposure Draft describes the proposed approach to updating the SASB Standards Taxonomy to reflect amendments to the SASB Standards.

04-A. (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:

No other comments to provide.

Question 5—Future SASB Standards refinements

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.

05-A. (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?

As already pointed out under question 1 (b), the ISSB should set out its vision for a transition plan to achieve its aim of a single comprehensive global baseline of sustainability disclosures and transferring users of legacy standards to that new baseline. The vision should indicate the intermediate steps toward achieving this aim, how and for how long it will maintain SASB Standards and its other legacy material, and how it will achieve alignment of these standards with IFRS S1 and IFRS S2 while providing appropriate migration pathways for existing legacy standard users to the single global baseline.

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

The structure and content of the SASB Standards should be made consistent with those of IFRS S1 and IFRS S2. The current structure is incompatible with the ISSB's benchmark Standards. This would facilitate citation of the ISSB Standards and reduce duplicative entities applying multiple sets of standards in the interim period preceding achievement of a single global baseline and facilitating migration to IFRS Sustainability Disclosure Standards for users of legacy standards.

The SASB Standards will also require revision under consistent sustainability headings to those adopted in later ISSB Standards. This exercise could follow more detailed announcements of the ISSB future workplan as regards future topical standards.

Besides, the ISSB should ensure that it leverages the wealth of experience of its geographically dispersed staff and engages in proper outreach to assess the appropriateness of metrics used. This would help ensure jurisdictional neutrality and enhance international acceptability.

Last, the industry classification system used by SASB was based on US market research. The ISSB should consider revising or changing its industry classification system to reflect the structure of international markets and the prevalence of industries on a worldwide rather than just US basis. This reassessment should also consider the appropriate level of detail or granularity of industry categories with the aim of fostering not only a balanced preponderance of specific industries but also comparability between companies. The latter will be difficult to address if the classification system results in industries with very few members therein.

There are a number of existing industry classification systems available, including the NACE system adopted by Europe and the industry classification systems used by major index providers, that are designed to meet the needs of investors.