

August 9, 2023

IFRS Foundation
7 West ferry Circus
Canary Wharf
London E14 4HD, United Kingdom

RE: Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates

Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the ISSB and welcomes the opportunity to comment on its project, *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*

Our detailed comments on the questions raised in the project are attached in the appendix to this letter.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,

Dr. Ahmad Almeghames

SOCPA Chief Executive Officer



Appendix: Comments on “Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates”

Question 1 —Methodology objective

This 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.

- Are the scope of the intended enhancements and the objective of the proposed methodology stated clearly in paragraph 8? If not, why not?
- 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?
- 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?

SOCPA Comments:

- SOCPA agrees paragraph 8 clearly outlines the extent of the intended enhancements and the objective of the proposed methodology. However, SOCPA would like to highlight that by constraining revisions to the limited objectives identified, the methodology focuses on procedural revisions and avoids any substantive revisions of the SASB Standards original content.

SOCPA is aware that If the ISSB decides to embark on a project aimed at formulating industry-based disclosure requirements or carrying out substantive revisions to the SASB Standards original content, it would necessitate a substantial allocation of time and resources. However, SOCPA believes this is a requirement to ensure IFRS Sustainability Disclosure Standards are accepted globally. Consequently, we recommend that the ISSB assess the priority of this project in relation to its broader range of activities.

- SOCPA agrees that the methodology is designed to ensure the amendments preserve the structure and intent and decision-usefulness of SASB standards for users of general-purpose financial reports and that the amendments do not increase the costs of application for preparers. However, SOCPA is concerned that an entity already using the SASB Standards could continue to provide the same disclosures irrespective of whether the SASB Standards are amended using this methodology. SOCPA believes this could cause diversity in practice and comparability between entities could be compromised.
- SOCPA suggests that “practicality” is another constraint that can be added. There would be challenges that preparers would face in many jurisdictions. To address these challenges, companies may need to consider adapting the standards to local contexts. These challenges are explained below.

Regulatory differences - Different jurisdictions may have their own specific regulations and reporting requirements for sustainability disclosures. The SASB standards were primarily developed for companies listed on U.S. exchanges and may not align perfectly with the regulatory landscape

of other countries. This misalignment can create challenges when companies need to comply with both local regulations and the SASB standards.

Industry variations - The SASB standards are industry-specific and designed to capture the unique sustainability issues and risks faced by different sectors. However, industries can vary significantly across jurisdictions, with different market structures, regulations, and operating contexts. Applying the SASB standards directly to industries in other jurisdictions may not adequately address the specific sustainability concerns and material issues of those industries in different regions.

Cultural and stakeholder differences – Sustainability reporting is influenced by cultural norms, stakeholder expectations, and the specific priorities of each jurisdiction. What is considered material and relevant in one country may be not in another.

Data availability and quality – SASB standards require companies to disclose specific quantitative and qualitative information. However, data availability and quality can vary across jurisdictions, particularly in emerging markets or regions with less developed reporting infrastructure. Companies may face challenges in obtaining accurate and reliable data to comply with the SASB standards in these contexts.

Question 2 — Overall methodology

This 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?

SOCPA Comments:

- (a) SOCPA believes substituting a reference specific to a particular jurisdiction with an internationally recognized equivalent will facilitate comprehension and application in some jurisdictions. While this would apply to countries where preparers with established expertise regularly make sustainability-related disclosures, the relevant question is how many of the preparers around world are familiar with the SASB standards? Data shows that the SASB Standards are only being applied by approximately 2,500 companies in more than 70 jurisdictions around the world. This includes 71% of the S&P Global 1200 Index. Which indicates that only the largest companies have applied the SASB standards to date.

While the current exercise could enhance the international applicability of the SASB Standards metrics to a certain extent, it should be understood that the SASB standards were primarily developed to address the needs of companies listed on U.S. exchanges and were more focused on financially material sustainability issues. This narrower scope, primarily tailored to the U.S. market, made it less applicable or relevant to companies operating in different regions or industries. This also raises a question regarding the relevance of the ISSB requiring preparers to refer to SASB Standards metrics for disclosures in its current context with revisions to the limited objectives identified and by merely making procedural revisions.

The purpose of establishing the ISSB is to have one source of globally accepted sustainability standards. SOCPA understands the ISSB builds on and consolidates the work of other standards

setters – SASB, Task force for Climate related disclosures, Integrated Reporting Framework and Climate Disclosure Standards Board, in order to leverage on the research and knowledge of them. However, if the IFRS Sustainability Disclosure Standards are to be accepted globally by more than the 2,500 companies that currently apply SASB standards, SOCPA believes there is a need for making substantive revisions to the SASB Standards original content.

Question 3 — Revision approaches

This 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.

- 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?
- 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?
- 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?
- Do you agree with the criteria for determining which of the proposed revision approaches applies in different circumstances? Why or why not? What changes to the criteria would you recommend and why?

SOCPA Comments:

- Other than our concerns given in question 1 and 2 above, SOCPA agrees if the ISSB is to continue in its current course of action, replacing jurisdiction-specific references (definition or calculation) with internationally recognized frameworks and guidance—if identified—should be the first course of action.

However, SOCPA would also like to highlight that references used in the SASB standards are all third-party initiated and owned. This could lead to several complications such as:

- Use of international references from various recognized frameworks could result, in certain instances, in the definitions and calculations contradicting each other.
- It should also be noted that many of the definitions and calculations prescribed by the internationally recognized frameworks are revised from time to time. The ISSB would not have any influence over this. Would the ISSB update the definitions and calculations every time an internationally recognized framework revises the definitions or calculations?

SOCPA therefore believes the ISSB should clarify what approach it is going to take to maintain and update the third-party industry specific references to ensure it stays up to date, as well as to ensure that there are no contradictions that could arise as a result of any definitions and calculations prescribed by the internationally recognized frameworks included in the SASB standards which would be revised from time to time in the future.

- Subject to our comments to question 1 and 2, SOCPA agrees if Revision Approach 1 is not feasible using the remaining four revision approaches would enhance the international applicability of the

SASB Standards. The hierarchical classification of approaches offers a suitable and sequential framework for implementing the remaining four revision approaches.

- (c) SOCPA believes, in general, the revisions should enable preparers to have increased flexibility in applying metrics that are both relevant and accessible to them.
- (d) Subject to our response to question 1 & 2 above, SOCPA agrees that the criteria for determining the applicable revision approach in various circumstances will assist preparers in effectively implementing the standard.

Question 4 — SASB Standards Taxonomy Update objective

This 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? If you do not agree, what alternative approach would you recommend and why?

SOCPA Comments:

The SASB standards Taxonomy are based on the SASB Standards. Our comments to question 1-3 above highlight our concerns relating to the ISSB's current approach to enhancing the international applicability of the SASB. Therefore, any amendments to the Standards in line with our comments to question 1-3 will require corresponding amendments to the Taxonomy as well.

Question 5 — Future SASB Standards refinements

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

SOCPA Comments:

- (a) SOCPA believes the SASB Standards should be replaced by industry-based disclosure requirements within the IFRS Sustainability Disclosure Standards. This would enhance the value and acceptance of IFRS Sustainability Disclosure Standards. As highlighted elsewhere in our responses to questions 1-3 above, the SASB standards were primarily developed to address the needs of companies listed on U.S. exchanges and were more focused on financially material sustainability issues. This narrower scope, primarily tailored to the U.S. market cannot be considered to be relevant for all entities globally.

(b) Preparers around the world are facing a significant challenge in attempting to commence reporting on IFRS Sustainability Disclosure Standards. SOCPA believes in this context it would be only logical for the ISSB to not have too many changes from the time a preparer initially starts applying the IFRS Sustainability Disclosure Standards. Therefore, SOCPA strongly suggests that it be considered a priority to include industry-based disclosure requirements within the IFRS Sustainability Disclosure Standards at the inception itself.