

July 28, 2023

International Sustainability Standards Board  
Columbus Building, 7 Westferry Circus  
Canary Wharf, London, E14 4HD  
United Kingdom

## **Comments on Exposure Draft Methodology for Enhancing the International Applicability of the SASB® Standards and SASB Standards Taxonomy Updates**

The Japanese Institute of Certified Public Accountants (hereinafter the “JICPA,” “we,” “our,” and “us”) welcomes the continued efforts of the International Sustainability Standards Board (hereinafter the “ISSB”) and the opportunity to provide comments on the ISSB Exposure Draft “*Methodology for Enhancing the International Applicability of the SASB® Standards and SASB Standards Taxonomy Updates.*”

### **1. Importance of improving the international applicability of the SASB Standards**

We believe that the SASB Standards play an important role in sustainability disclosures under the IFRS S1, for the following reasons:

- IFRS S1 requires that an entity shall refer to and consider the applicability of the SASB standards in identifying the disclosure topics and metrics (per paragraphs 55 and 58 of IFRS S1).
- The ISSB has not developed thematic standards other than climate, and the SASB Standards are the only reference point that an entity can use in identifying the disclosure topics and metrics for non-climate sustainability disclosure.
- Since sustainability-related risks and opportunities often reflect industry- and sector-specific factors, it is important that these industry-specific factors (i.e., disclosure topics) are fully considered in the preparation of disclosures so that information relevant to sustainability-related risks and opportunities is disclosed.

- Investors analyze sustainability information and integrate it into their investment behavior sector by sector. To meet such users' needs for disclosure, the ISSB needs to maintain the standards that serve as a basis for industry-specific disclosure.

As described in our comments on the Exposure Drafts<sup>1</sup>, the SASB standards still contain many requirements referring to U.S.-specific regulations and need to be improved to enable preparers in other jurisdictions to apply them effectively. Given the urgency of addressing these issues, we agree with the ISSB's proposal to enhance the international applicability of the SASB standards by replacing the jurisdiction-specific requirements with general requirements.

## **2. Open and inclusive development process to enhance global acceptance of the SASB standards**

We understand that the proposed amendment approach refining the international applicability aims at generalizing jurisdictional-specific references of the SASB metrics by replacing them with internationally applicable references, but does not intend to enhance global relevance of the disclosure topics and metrics of the SASB standards. Future efforts to refine industry-specific standards should ensure that disclosure topics and metrics required by the standards have globally consistent and universal relevance to sustainability-related risks and opportunities attributed to each industry.

We propose the following approaches to enhance the relevance of the ISSB's industry-specific standards as global standards.

- Conducting future work on industry-specific standards as a project to develop "industry-specific IFRS Sustainability Disclosure Standards" rather than as a refinement of the SASB standards.
- Reviewing the application of the SASB standards in each industry category comprehensively, including the sectors and industries as well as the disclosure topics and metrics identified by the companies after a certain period following the issuance and implementation of IFRS S1.
- Engaging in dialogue with groups of preparers and investors regarding disclosure topics and metrics for each industry to obtain feedback.
- Establishing a mechanism to maintain and improve industry-specific standards in a

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<sup>1</sup> JICPA's comments on two ISSB Exposure Drafts "IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information" and "IFRS S2 Climate-related Disclosures"  
<https://jicpa.or.jp/english/comments/2022/20220705gfg.html>

balanced manner by strengthening cooperation with standard-setters in each jurisdiction and related organizations, including working with them on some research and other activities.

Yours faithfully,

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## Responses to consultation questions

### 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.

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

### Our comment

As noted in paragraph 13 and Question 5 of the Exposure Draft, the proposal is a narrow-scope project to replace the jurisdiction-specific references in the SASB standards with internationally applicable definitions. Based on that premise, the objectives of the methodology and the constraints stated in paragraph 8 are appropriate.

### 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?

### Our comment

We agree that the international applicability of the SASB standards is enhanced to a certain extent through the proposed approaches to replace jurisdiction-specific references, such as substituting available internationally applicable references, providing more generalized references, and adopting generalized jurisdictional references to applicable jurisdictional laws or regulations where an entity operates.

**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.

- (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?
- (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?
- (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?
- (d) 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?

**Our comment**

- (a) We agree with the proposal.
- (b) We partially agree with the approaches and priorities.

Revision approaches 1 to 4 would enhance the international applicability of the SASB standards. However, we disagree that Revision Approach 2 has priority over Revision Approach 3. As described in paragraph A9 of the Exposure Draft, we believe Revision Approach 2 and 3 should not be applied individually but in combination. This is because replacing the references to U.S. laws and regulations with generalized definitions (or abstracted definitions) and referring to the applicable laws and regulations in regions in which an entity operates, where appropriate, are useful to increase the credibility of reporting and ensure the entity's reporting is consistent with its regulatory risks. Therefore, it is reasonable to

integrate Revision Approach 2 and Revision Approach 3 and treat them as a single approach.

In addition, we disagree with Revision Approach 5, which introduces new metrics. The objective of this refinement is to implement limited revisions to avoid jurisdiction-specific references without making structural changes to the SASB standards. Therefore, amendments involving the addition of new metrics should be discouraged. If the ISSB is to introduce new requirements, a more extensive consultation on the SASB standards would be required. Such an effort should be undertaken as a comprehensive effort in the next steps outlined in Question 5.

<b>Question 4 : SASB Standards Taxonomy Update objective</b>
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This Exposure Draft describes the proposed approach to updating the SASB Standards Taxonomy to reflect amendments to the SASB Standards.
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| (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? |
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**Our comment**

We agree with (a) and (b) but disagree with (c) of the proposed approach for updating the taxonomy in paragraph 15 of the Exposure Draft. This is because, as shown in our response to the previous question, we agree with revision approaches 1 through 4 but disagree with 5.

<b>Question 5 : Future SASB Standards refinements</b>
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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.
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| (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? |
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(b) Do you have any specific comments or suggestions for the ISSB to consider in planning future enhancements to the SASB Standards?

**Our comment**

We will comment on both (a) and (b).

We understand that the proposed amendment approach refining the international applicability aims at generalizing jurisdictional-specific references of the SASB metrics by replacing them with internationally applicable references, but does not intend to enhance global relevance of the disclosure topics and metrics of the SASB standards. Future efforts to refine industry-specific standards should ensure that disclosure topics and metrics required by the refined standards have globally consistent and universal relevance to sustainability-related risks and opportunities attributed to each industry.

We recognize that the SASB standards were originally developed to identify disclosure topics and metrics that are relevant to U.S. companies and, therefore, that there are disclosure topics and metrics that are both relevant and irrelevant to preparers in other regions. In addition, non-U.S. preparers and investors had little involvement in the development process of the SASB standards.

Based on this recognition, we propose the following approach to enhance the relevance of the ISSB's industry-specific standards as global standards.

- Conducting future work on industry-specific standards as a project to develop industry-specific IFRS Sustainability Disclosure Standards rather than as a refinement of the SASB standards. From the perspective of demonstrating the ISSB's commitment to developing standards that ensure global applicability, it is important to promote an approach that emphasizes the development of new standards instead of continuity with the SASB standards.
- Comprehensively reviewing the application of the SASB standards in each sector and industry, particularly the sectors and industries as well as the disclosure topics and metrics identified for disclosure by the companies after a certain period following the issuance and implementation of IFRS S1. Based on the results of the review, the ISSB will identify (1) metrics that are broadly accepted regardless of region, (2) metrics that have limited acceptance in certain regions, and (3) metrics that are not required by the SASB but are generally accepted in a sector. And the ISSB may consider making changes to or excluding disclosure topics and metrics

of the SASB standards in the case of (2) and new development in (3).

- Engaging in dialogue with groups of preparers and investors in key jurisdictions on disclosure topics and metrics of each industry to obtain their feedback. In the revision process based on the above review, the ISSB may consider establishing industry-specific working groups that reflect regional diversity and implementing open consultation processes.
- Establishing a mechanism to maintain and improve standards in a balanced manner by strengthening cooperation with standard-setters in each jurisdiction and related organizations, including working with them on some research and other activities. Extensive resources with expertise in different industries and jurisdictions will be required to maintain and improve the global industry-specific standards and to conduct ongoing and in-depth research for this purpose. Such efforts will be difficult for the ISSB to undertake alone. Working with the standard-setting bodies in each jurisdiction will be the key to sustained success.

Given the number of industries in the current SASB standards, monitoring the application status and revising the SASB standards is expected to be a pervasive project.

To ensure the practicability of the entire project, in particular, taking into account the cost of developing and maintaining the standards, we suggest that the ISSB considers the following approaches:

- Aggregate the industry categories to some extent;
- Confine the requirements of the industry-specific IFRS Sustainability Disclosure Standards (i.e., subject to “shall refer”) to disclosure topics; and,
- Keep the IFRS S1 requirements where an entity “shall consider” the SASB standards.