

August 9, 2023


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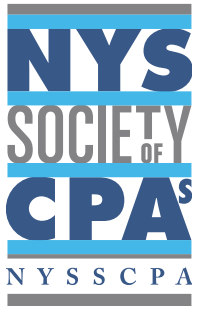
Re: Exposure Draft – IFRS Sustainability Disclosure Standard: Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 19,000 CPAs in public practice, industry, government and education, welcomes the opportunity to respond to the above-captioned exposure draft.

The NYSSCPA's Sustainability Accounting and Reporting Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Sustainability Accounting and Reporting Committee Chair Timothy Coville at (718) 990-8307, or Keith Lazarus, NYSSCPA staff, at (212) 719-8378.

Sincerely,
N Y S S C P A

N Y S S C P A
Liren Wei
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**EXPOSURE DRAFT – IFRS SUSTAINABILITY DISCLOSURE STANDARD:
METHODOLOGY FOR ENHANCING THE INTERNATIONAL APPLICABILITY OF
THE SASB STANDARDS AND SASB STANDARDS TAXONOMY UPDATES**

August 9, 2023

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New York State Society of Certified Public Accountants

Comments on

Exposure Draft – IFRS Sustainability Disclosure Standard: Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates

The New York State Society of Certified Public Accountants welcomes the opportunity to respond to the International Sustainability Standards Board’s (ISSB) invitation to comment on the above-mentioned Exposure Draft (ED).

Executive Summary

We support the internationalization of the SASB Standards and make the following recommendations:

- Establish an Interpretations Committee for the ISSB, analogous to that already in existence for the International Accounting Standards Board (IASB).
- Require a transition period for reporting entities, that already use the SASB Standards, to adopt the new internationally applicable disclosures.
- Amend the language in IFRS S1, that only requires entities to “consider the disclosure topics in the industry-based SASB Standards” to language more consistent with the ED for IFRS S2 that requires disclosures based on the disclosure requirements that have been derived from SASB Standards.

Further background on our reasoning behind these three important considerations and how you might choose to act on them is provided in our question responses that follow.

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 9? If not, why not?

Response: Yes, the scope clearly indicates “...in applying IFRS S1 [entities] can use the relevant metrics in different jurisdictions, regardless of where a preparer operates.” Also, the objective of the proposed methodology is clearly stated. However, this question appears to better align with paragraph 8 as opposed to paragraph 9, which doesn’t indicate “objectives” or “constraints.”

(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?

Response: Yes, the constraints are appropriate; standards need to be consistent across global jurisdictions and industries. For many stakeholders, an often-cited goal for sustainability reporting standards is having timely, consistent, comparable, and representationally faithful sustainability metrics that are widely available. However, contrary to globally comparable metrics, paragraph 8 states, “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.”

Although there is a need to balance comparability with cost constraints, the new resulting internationalized metrics (IM) should not present a cost-prohibitive burden for entities. Thus, entities already using the existing SASB Standards should be offered a transition period to fully report the new IM. We recommend a transition period of no more than three years.

(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?

Response: Yes, an additional objective for internationally applicable SASB Standards should be included. Non-US entities should not be expected to comply with the existing US-centric metrics. Given success with this ED’s envisioned effort to create internationally applicable SASB Standards and taxonomy, we suggest language be included in IFRS S1 to require specific disclosures, not mere consideration of the disclosure topic in the industry-based SASB Standards.

At a minimum, once the envisioned Internationalized SASB Standards, with new IM are available, reporting entities should be required to either implement them or disclose their rationale not to do so, along with plans for future adoption. The mechanism for such a narrow scope revision to IFRS S1 could be used of a Post-Implementation Review (PIR), however we encourage the ISSB to consider something with a shorter lead time than the minimum 24 months used for the IASB PIR process.

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?

Response: Yes, the proposed methodology would enhance the international applicability of the SASB Standards metrics.

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 recognized 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?

Response: Yes, we agree, based on the description of Revision Approach 1 provided in paragraph A3 of the Exposure Draft.

(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?

Response: Yes, we agree that using the remaining four revision approaches would enhance the international applicability of the SASB Standards.

(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?

Response: Yes, some problems could arise for reporting entities that need to establish new data sources and related quality control issues. Some entities may also question the cost-benefit of needing new data that is no longer something they need to track for their existing jurisdictional compliance reports.

(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?

Response: Yes, we concur with the proposed methodology and criteria. However, we encourage the IFRS to create a sustainability-focused Interpretations Committee to address anticipated inquiries regarding the implementation of the new standards and metrics, much like the existing IFRS Interpretations Committee of the IASB.

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?

Response: Yes, we concur with the methodology to update the SASB Standards Taxonomy to reflect changes to the SASB Standards.

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?

Response: As per our Response to Question 1 (c) above, the current language in IFRS S1, allowing entities to merely *consider* the SASB standards, is inconsistent with the spirit and purpose of having internationalized standards. The ISSB can amend IFRS S1 to include the requirement that entities disclose using the proposed internationalized standards, which would put the language in IFRS S1 on par with IFRS S2 and move international sustainability reporting closer to the goal of comprehensive, material, consistent, comparable, and representationally faithful sustainability metrics that are broadly and consistently implemented.

The Technical Readiness Working Group, formed by the IFRS Foundation, to provide recommendations to the ISSB has suggested that industry-based sustainability disclosures be required for all companies to “facilitate comparability between entities within a given industry” that “are relevant to enterprise value” and “establish metric-based . . . disclosure requirements.” (<https://www.ifrs.org/content/dam/ifrs/groups/trwg/summary-of-the-trwg-work-programme.pdf>)

In addition, we concur with the ISSB that industry-based standards will be “cost-efficient for companies . . . useful to investors” and will make it easy for companies to identify their “financially material sustainability risks and opportunities.” This would further the goal of the ISSB to provide a global baseline of sustainability disclosures. (<https://help.sasb.org/hc/en-us/sections/360013432712-International-Sustainability-Standards-Board>)

We encourage the ISSB to require a clear and explicit statement by each reporting entity regarding “fair presentation and compliance” with ISSB reporting standards, consistent with the requirements in place for the IASB’s issued standards. Specifically, we are referring to the language stated in paragraphs 15-24 of International Accounting Standards (IAS)1 Presentation of Financial Statements, which clarifies the meaning of fair presentation of international accounting standards.

Additionally, in describing how an entity should identify the application of ISSB standards, including the application of the SASB general and sector-specific metrics, we encourage

clear and concise definitions consistent with paragraphs 7-12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, that discusses “selection and application of accounting policies,” while preparing preliminary financial statement information. We believe that the general tone of the fair presentation requirements, as well as the selection and application of the ISSB reporting standards, should be unambiguous in defining the newly internationalized SASB metrics, both general and sector-specific, as a component of the ISSB reporting standards -- making them a required element of each reporting entity’s statement regarding fair presentation and compliance with ISSB standards.

We hope that you will see the above response as an important additional “consideration,” in that the investment of time and resources, envisioned in this ED, to make all the existing SASB Standards internationally applicable, will have a much more impactful result for users than mere ‘consideration’ by preparers, thus adding even more meaning to this already meaningful endeavor.

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

Response: Yes, once this internationalization project is realized, hopefully, with consideration of our recommended enhancement of IFRS S1, we suggest a review and assessment of other projects inherited from the SASB. (<https://www.ifrs.org/projects/sasb-standards-projects/>)