



Response: Methodology for Enhancing the International Applicability of the SASB Standards and SASB Taxonomy updates.

Background

The World Federation of Exchanges (WFE)¹ is the global trade association for regulated exchanges and clearing houses. We represent the operators of over 250 market infrastructures, spread across the Asia-Pacific region (25%), EMEA (58%) and the Americas (17%), with everything from local entities in emerging markets to international groups based in major financial centres. In total, member exchanges trade around \$100 trillion (equivalent) in securities a year and are home to over 55,000 companies, with an aggregate market capitalisation of around \$140 trillion. In addition, the 90 distinct central counterparty (CCP) clearing services (both vertically integrated and stand-alone) collectively ensure that traders put up \$1.3 trillion of resources to back their risk positions.

With extensive experience of developing and enforcing high standards of conduct, WFE members support an orderly, secure, fair and transparent environment for all sorts of companies and market participants wishing to raise capital, invest, trade, and manage financial risk.

Established in 1961, the WFE seeks outcomes that maximise financial stability, consumer confidence and economic growth. We also engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in an internationally integrated financial system.

If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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Response

General Comments

The WFE welcomes the opportunity to comment on the ISSB's Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards taxonomy.

Overall, the WFE is in favour of the measures taken by the ISSB to enhance the international applicability of the IFRS S1 standard. Historically, the WFE has been in favour of harmonisation of sustainability related reporting requirements and this is echoed in this response. Cross border transparency and global alignment on standards would help serve both issuers and investors better.

Specific Comments

We would like to make the following comments regarding proposed changes.

1) Methodology objective

1a) Are the scope of the intended enhancements and the objective of the proposed methodology stated clearly in paragraph 9? If not, why not?

The scope of the intended enhancements and the objective of the proposed methodology are clearly stated.

1b) 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?

It is appropriate that the changes preserve the structure, intent and decision-usefulness of the standards. Given the increased costs that sustainability related reporting is likely to impose on businesses, it is appropriate that the cost increases due to amendments are kept as controlled as possible.

1c) 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.

2) Overall methodology

2a) Do you agree that the proposed methodology would enhance the international applicability of SASB Standards metrics? If not, what alternative approach do you suggest and why?

The WFE is in favour of removing jurisdiction-specific references from the non-climate related SASB Standards metrics in order to improve the metrics' international applicability. Providing standards, definition, calculation processes and generalised jurisdictional references instead of jurisdiction-specific references would be a helpful guide to users; however, it would be useful for the ISSB supplement these with illustrative examples as further guidance similar to the illustrative examples published in March 2022 by ISSB for IFRS S1 and S2.

The changes should be made as long as the intent of the standards remain clear and unchanged.

It may also be helpful for ISSB to work with national standard setters as the next step to ensure that the revised SASB standards have the intended impact of international applicability without leading to fragmentation in the information and quality being reported.

3) Revision approaches

3a) 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?

We agree with replacing jurisdiction-specific references with internationally recognised frameworks and guidance as long as the substance of the standard is unchanged. Adherence to an international framework would also help aid global alignment on sustainability reporting.

3b) 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?

Revision Approach 1 is most likely to provide global alignment out of the 5 Revision Approaches.

However, if Revision Approach 1 is unavailable, using general definitions, disclosing and reporting against local regulations, removing and potentially replacing metrics can help guide users as long as the substance and intent of the standard is unchanged.

As stated in the answer to question 2a, it is useful to have illustrative examples to further guide users. In addition, it may also be helpful for ISSB to work with national standard setters as the next step to ensure that the revised SASB standards are having the intended impact of international applicability without leading to fragmentation in the information and quality being reported.

3c) 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?

Revision Approaches 2 and 3 require the preparer of IFRS S1 standards reporting to potentially make a significant amount of judgement; although this can enhance international applicability, this may risk fragmentation in information being reported as well as the quality of disclosures. This potentially can mean that the risks/ opportunities being reported are not as clear to the investor, particularly if a company is operating under more than one jurisdiction.

As stated in the answer to question 2a, it is useful to have illustrative examples to further guide users. In addition, it may also be helpful for ISSB to work with national standard setters as the next step to ensure that the revised SASB standards are having the intended impact of international applicability without leading to fragmentation in the information and quality being reported.

3d) Do you agree with the criteria for determining which of the proposed revision approaches applies in different circumstances? Why or why not?

The hierarchy of the Revision Approaches proposed seems reasonable.

4) SASB Standards Taxonomy Update objective

4a) Do you agree with the proposed methodology to update the SASB Standards Taxonomy to reflect changes to the SASB Standards? Why or why not?

The WFE believes that it is appropriate that the SASB Standards Taxonomy is updated to reflect changes in the SASB standards.

5) Future SASB refinements

5a) 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 stated in the answer to question 2a, it may also be helpful for ISSB to work with national standard setters as the next step to ensure that the revised SASB standards are having the intended impact of international applicability without leading to fragmentation in the information and quality being reported.

5b) Do you have any specific comments or suggestions for the ISSB to consider in planning future enhancements to the SASB Standards?

Guidance around how the TNFD interacts with SASB standards would be helpful.