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EFRAG Seeks Input on Draft Response to ISSB's Proposed Internationalization of Accounting Standards

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On June 2, 2023, the European Financial Reporting Advisory Group (EFRAG) **issued a draft letter** requesting comments on the International Sustainability Standards Board's (ISSB) proposal to improve the international applicability of the Sustainability Accounting Standards Board's Standards and Taxonomy.

The proposed enhancements are intended to ensure that entities can apply the SASB Standards regardless of the jurisdiction in which they operate or the type of generally accepted accounting principles they use. The ISSB released the **"Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates"** on May 9, 2023 with a 90-day comment period ending August 9, 2023.

In the Draft Letter, EFRAG generally agreed that the proposed methodology would improve the international applicability of the SASB standards. However, it suggested two further potential improvements:

1. EFRAG recommends maintaining the comparability of SASB standards when adopting generalized jurisdictional references. Internationally applicable regulations should be relied upon as much as possible. But, because jurisdictionally bound references may differ between jurisdictions, comparability between undertakings reporting can be affected. When this is the case, priority should be given to comparability at jurisdictional level instead of international level.
2. When relying on internationally applicable references, a key consideration is whether these references have been ratified because international references do not become

applicable automatically in all jurisdictions. International applicability may differ across countries as well over time. EFRAG recommends that the ISSB create and make available on its website mappings that show all internationally applicable references used and which countries have ratified these references.

EFRAG also requested that the ISSB develop a gap analysis between the SASB standards and sustainability reporting frameworks developed more recently or which are in the process of being developed. The results of this gap analysis would then serve as a basis for updates to the SASB standards.

Taking the Temperature: Internationalization of ISSB's standards as a part of harmonizing globally various sustainability reporting frameworks makes sense, particularly when it comes to taxonomy; an effort to align definitions and labels will ensure that meaningful comparisons can be made, as we have discussed previously in relation to the [European Commission](#), in [Canada](#) and in [Asia](#).

We have also commented frequently on the challenges surrounding climate-related disclosures, including challenges due to a lack of consensus on appropriate disclosures and a lack of quality data on which to base disclosures, and ISSB's efforts to [systematize](#) and [implement](#), climate-related reporting globally in response to demand from investors. Amid a proliferation of guidance, the SASB Standards represent a comprehensive resource addressing industry-specific disclosures across a range of sustainability matters. [As we reported](#) in November, the ISSB indicated that companies will be required to consider SASB Standards to meet its general sustainability requirements.