IFRS Sustainability

SASB STANDARDS
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Educational material

Using the SASB Standards to meet the requirements in IFRS S1

How do the SASB Standards fit in IFRS S1?

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires a company to disclose material information about all sustainability-related risks and opportunities that could reasonably be expected to affect the company's cash flows, its access to finance or cost of capital over the short, medium or long term (a company's prospects).

IFRS S1 references the SASB Standards as a source of guidance that companies are required to consider when identifying sustainability-related risks and opportunities (beyond climate, which is addressed in IFRS S2 *Climate-related Disclosures*) and determining the information to disclose about those risks and opportunities.

IFRS S1 requires that companies *refer to and consider the applicability* of the topics and metrics in the SASB Standards. IFRS S1 does not require companies to apply the SASB Standards.

What are the benefits of using the SASB Standards?

The SASB Standards can be a useful source of guidance in applying IFRS S1 because they:

- are designed to provide investors, creditors and other lenders with information that is decision-useful and comparable with peers;
- are tailored to specific industries, allowing companies to quickly access guidance that is relevant to their business activities; and
- provide guidance on sustainability-related topics beyond climate, including human capital and nature.

SASB Standards are used worldwide by companies and investors of varying size. As of December 2023, the SASB Standards are applied by more than 3,200 companies in over 80 jurisdictions including approximately 75% of the companies in the Global S&P 1200.

What are the SASB Standards?

The SASB Standards are organised by industry, enabling a company to identify sustainability-related disclosure topics and metrics applicable to its business model and operations.

The SASB Standards contain:

- **industry descriptions**—which are intended to help companies identify applicable industry guidance by describing the business models, activities and other common features that characterise participation in the industry;
- **disclosure topics**—which describe specific sustainability-related risks or opportunities associated with a company's activities within a particular industry;
- **metrics**—which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information about a company's performance in relation to a specific disclosure topic; and
- **technical protocols**—which accompany metrics to provide detailed guidance on definitions, scope, implementation and presentation of associated metrics.

Each SASB Standard contains, on average, six disclosure topics and 13 metrics.

How does a company use the SASB Standards to meet the requirements in IFRS S1?

IFRS S1 requires companies to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect a company's prospects. Similarly, IFRS S1 requires companies to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

This document outlines, in four steps, how companies can meet these requirements in IFRS S1.

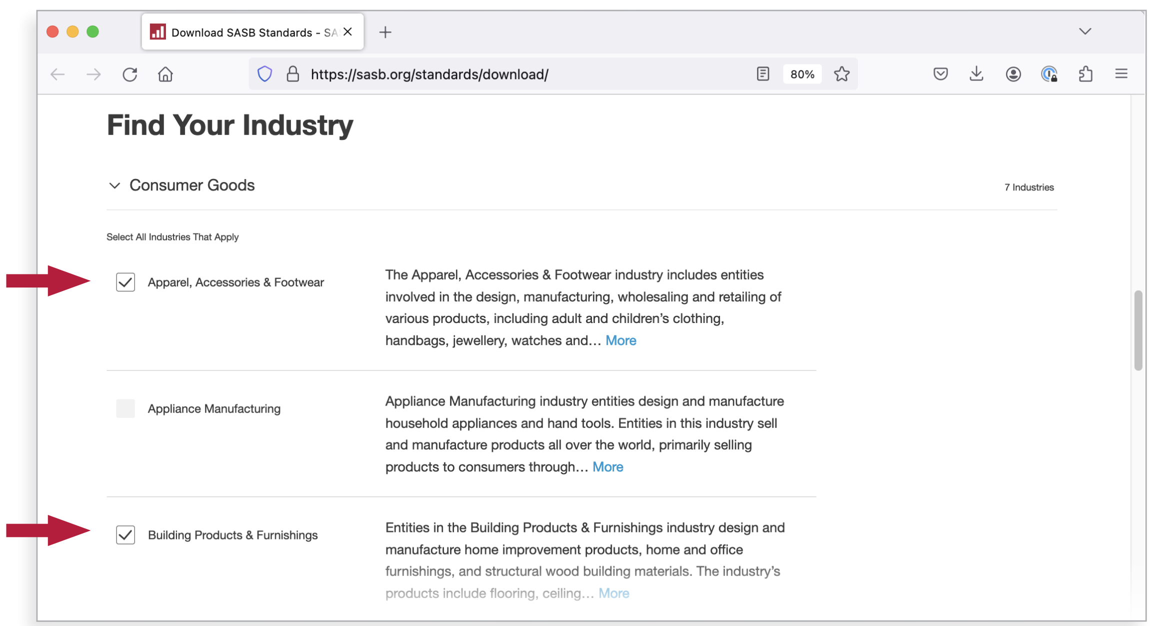
1. Identify the relevant industry Standard(s)

Companies can start identifying relevant risks and opportunities by searching for applicable SASB Standards. Rather than being numbered from 1 to 77, the SASB Standards are given descriptive names (for example, Oil & Gas – Exploration & Production) and organised by sectors (for example, Extractives & Minerals Processing). Both the names and the sector groupings are designed to help companies identify the Standards most relevant to their operations. In addition, each industry Standard includes an 'Industry Description' section which summarises the typical business activities to which the Standard applies.

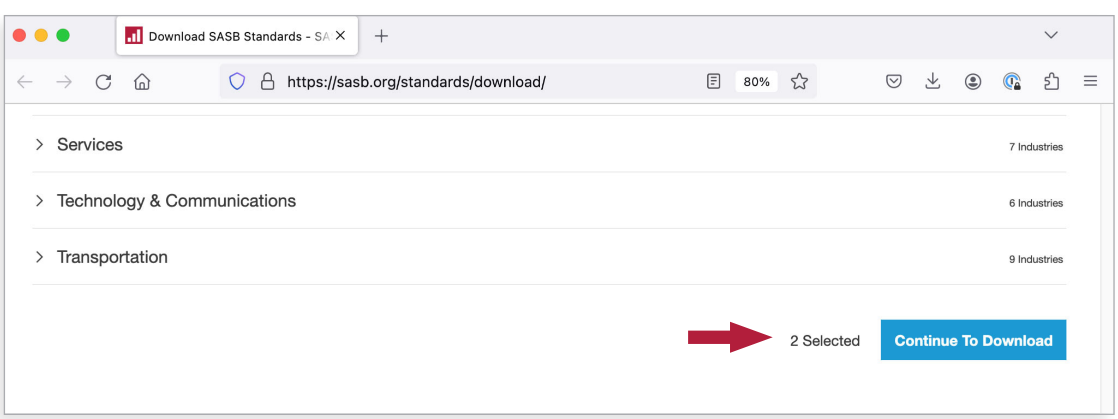
Steps:

1 Navigate to the **download page at sasb.org** or use the SASB **Materiality Finder** tool.

2 Identify the industry (or industries) that may be relevant to your company's business model and activities. Refer to the industry descriptions that describe the business models, activities and other common features within an industry.



3 Download the relevant industry Standard(s).



SELECTING MULTIPLE STANDARDS

Some companies might find that their business models and activities are closely aligned with the industry description of a single SASB Standard. If so, a company might need to refer only to the single applicable SASB Standard. Other companies might need to refer to and consider the applicability of more than one SASB Standard to help them identify relevant disclosure topics associated with their activities. Such companies might include those with complex business models whose activities span a wider array of activities than those reflected in any one SASB Standard.

2. Identify relevant disclosure topics

Disclosure topics in the SASB Standards describe the sustainability-related risks and opportunities most likely to affect a company's prospects in a particular industry. Disclosure topics have been informed by market input and empirical research, and they focus on risks and opportunities that are likely to affect the company's prospects. Many companies might find they are already managing activities and disclosing information related to the disclosure topics in the SASB Standards.

Steps:

1 Within a SASB Standard, navigate to Table 1 (Sustainability Disclosure Topics & Metrics).

2 Review the list of topics. These may help identify sustainability-related risks and opportunities that are likely to affect a company's prospects.

SUSTAINABILITY DISCLOSURE TOPI

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations
	Discussion of processes to assess and manage risks or hazards associated with chemicals in products
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreements [1]
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment
Labour Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor
	(1) Priority non-conformance rate and (2) associated corrective action rate for suppliers' labour code of conduct audits [2]
	Description of the greatest (1) labour and (2) environmental, health and safety risks in the supply chain
Raw Materials Sourcing	(1) List of priority raw materials; for each priority raw material: (2) environmental or social factor(s) most likely to threaten sourcing, (3) discussion on business risks or opportunities associated with environmental or social factors and (4) management strategy for addressing business risks and opportunities
	(1) Amount of priority raw materials purchased, by material, and (2) amount o each priority raw material that is certified to a third-party environmental or social standard, by standard

[1] Note to **CG-AA-430a.1** – The entity shall discuss its supply chain risk describe how it manages these risks.

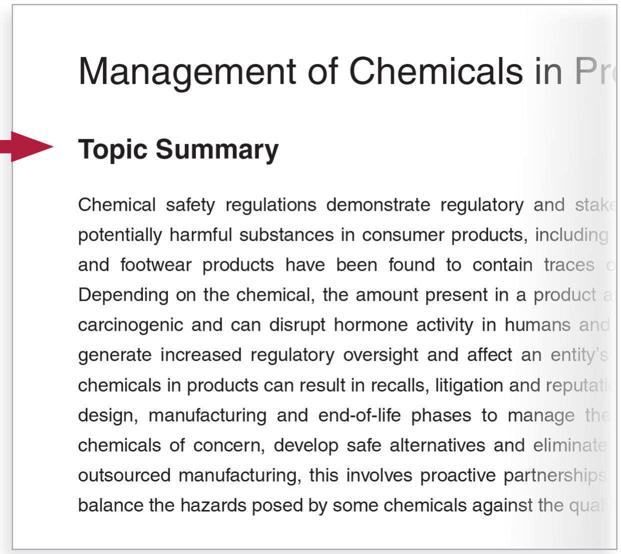
[2] Note to **CG-AA-430b.2** – The disclosure shall include a discussion of methodologies and supply chain transparency.

SUSTAINABILITY ACCOUNTI

3 Within the Standard, the topic summary contains more information on each disclosure topic and explains why it is likely to affect the prospects of a company operating in that industry.

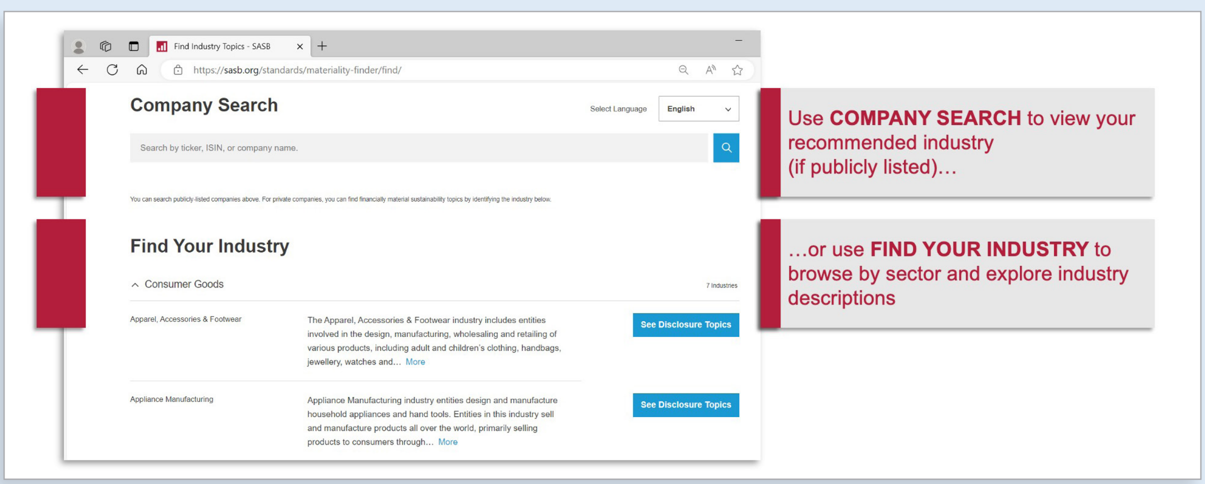
4 Consider the applicability of the relevant disclosure topics to identify sustainability-related risks and opportunities.

A company might conclude that disclosure topics specified in the SASB Standards do not apply to the company's circumstances, or that topics not covered by the SASB Standards might also be relevant for disclosure. In such cases, the company may consider the other sources of guidance set out in IFRS S1.



USING THE MATERIALITY FINDER

The SASB **Materiality Finder** offers companies a fast way to browse industry descriptions and disclosure topics. It also allows companies to review and compare disclosure topics from various industries side by side. This tool could be particularly useful for companies that operate in multiple industries. Using the SASB Standards and SASB Materiality Finder, companies can identify relevant sustainability-related risks and opportunities and material information about those risks and opportunities.



What questions should you ask when identifying industry Standard(s) and disclosure topics?

What are your company's principal business activities?

What are the business activities of other companies you consider to be peers or competitors?

Does the SASB Standard you are reviewing contain disclosure topics that accurately describe sustainability-related risks and opportunities relevant to your company?

Which sustainability-related risks and opportunities do investors most often ask your company to discuss or disclose?

Do the disclosure topics align with any risks or opportunities identified by the company's enterprise risk management processes?

3. Identify relevant metrics

For each disclosure topic a company determines is reasonably likely to affect the company's prospects, the company would refer to and consider the applicability of metrics related to that disclosure topic. The metrics in the SASB Standards are designed to provide useful, comparable information about a company's performance in relation to a disclosure topic (that is, a company's performance in responding to a specific sustainability-related risk or opportunity).

Relevant disclosure topic

Associated metrics

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations	Discussion and Analysis	n/a	CG-AA-250a.1
	Discussion of processes to assess and manage risks or hazards associated with chemicals in products	Discussion and Analysis	n/a	CG-AA-250a.2
Environmental	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreements [1]	Quantitative	Percentage (%)	CG-AA-430a.1
	Percentage of (1) Tier 1 supplier facilities			

Activity metric(s)

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1[3]	Quantitative	Number	CG-AA-000.A

Notes on activity metric(s)

[3] Note to **CG-AA-000.A** – Tier 1 suppliers are defined as suppliers that transact directly with the entity, such as finished goods manufacturers (for example, cut and sew facilities). Suppliers beyond Tier 1 are the key suppliers to the entity's Tier 1 suppliers and can include manufacturers, processing plants and providers of raw materials extraction (for example, mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms, or slaughterhouses) The entity shall disclose whether any supplier data beyond Tier 1 is based on assumptions, estimates or otherwise includes any uncertainty.

Steps:

1 Review the list of metrics associated with each relevant disclosure topic. These metrics may help identify applicable disclosures for sustainability-related risks and opportunities.

2 Review the list of activity metrics in Table 2 (Activity Metrics). These activity metrics are intended for use together with the metrics to normalise data and facilitate comparison.

3 Consider the applicability of the metrics associated with each relevant topic, and any relevant activity metrics, to identify applicable disclosures.

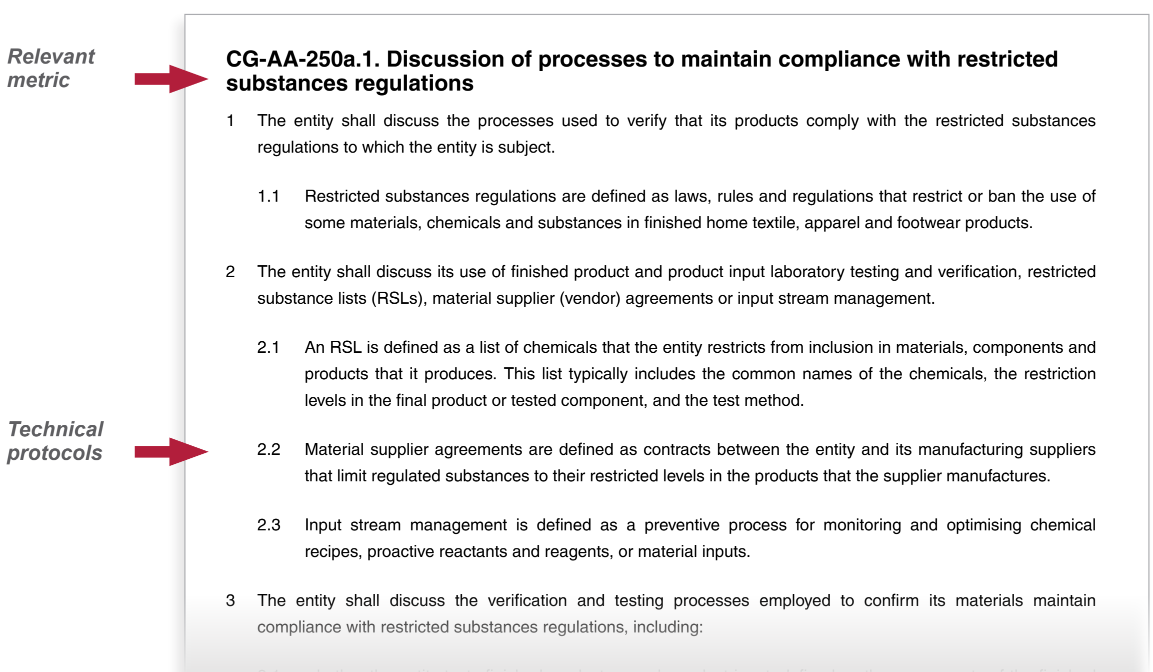
A company might conclude that metrics specified in the SASB Standards do not apply to the company's circumstances, or that metrics not covered by the SASB Standards might also be relevant for disclosure. In such cases, the company may consider the other sources of guidance set out in IFRS S1.

4. Develop disclosures using technical protocols

Each metric is supported by technical protocols that provide detailed guidance on definitions, scope, implementation and presentation of associated metrics.

Steps:

1 For each relevant metric, review the associated technical protocols within the Standard and develop disclosures in accordance with the guidance.



CG-AA-250a.1. Discussion of processes to maintain compliance with restricted substances regulations

1 The entity shall discuss the processes used to verify that its products comply with the restricted substances regulations to which the entity is subject.

1.1 Restricted substances regulations are defined as laws, rules and regulations that restrict or ban the use of some materials, chemicals and substances in finished home textile, apparel and footwear products.

2 The entity shall discuss its use of finished product and product input laboratory testing and verification, restricted substance lists (RSLs), material supplier (vendor) agreements or input stream management.

2.1 An RSL is defined as a list of chemicals that the entity restricts from inclusion in materials, components and products that it produces. This list typically includes the common names of the chemicals, the restriction levels in the final product or tested component, and the test method.

2.2 Material supplier agreements are defined as contracts between the entity and its manufacturing suppliers that limit regulated substances to their restricted levels in the products that the supplier manufactures.

2.3 Input stream management is defined as a preventive process for monitoring and optimising chemical recipes, proactive reactants and reagents, or material inputs.

3 The entity shall discuss the verification and testing processes employed to confirm its materials maintain compliance with restricted substances regulations, including:

What questions should you ask when identifying metrics and developing disclosures?

Would a metric in the SASB Standard help investors understand your company's performance in relation to sustainability-related risks and opportunities to which it may be exposed?

Do your peers or competitors report metrics specified by SASB Standards?

Have investors asked your company to discuss or disclose information consistent with metrics in the SASB Standards?

Have you reviewed the underlying technical protocols in the SASB Standard that accompany each metric to help ensure that metrics are compiled consistently?

Does the metric in the SASB Standards align with information that is already managed or disclosed by the company?

If your company already collects information similar to that required by the metric, how could the information be better aligned?

Does your company employ methodologies for data collection that are similar to those specified in the SASB Standards' technical protocols?