
An update from the International Sustainability Standards Board

AOSSG 14th Annual Meeting
Nov. 15, 2022

- Sue Lloyd—ISSB Vice Chair
- Bing Leng—ISSB Member

Overview

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Structure

Public accountability

IFRS Foundation Monitoring Board

Governance, strategy, oversight

IFRS Foundation Trustees

Independent standard-setting

International Accounting
Standards Board (IASB)

International Sustainability
Standards Board (ISSB)

IFRS Interpretations Committee

ISSB objectives



Develop standards for global baseline of sustainability disclosures, and a digital taxonomy to enable electronic tagging of information



Meet information needs of investors



Enable companies to provide comprehensive sustainability information to global capital markets



Facilitate addition of disclosures that are jurisdiction-specific / aimed at broader stakeholder groups

ISSB members



Emmanuel Faber
Chair



Jingdong Hua
Vice-Chair



Sue Lloyd
Vice-Chair



**Richard
Barker**



**Jenny
Bofinger-Schuster**



**Verity
Chegar**



**Jeffrey
Hales**



**Michael
Jantzi**



**Hiroshi
Komori**



**Bing
Leng**



**Ndidi
Nnoli-Edozien**



**Tae-Young
Paik**



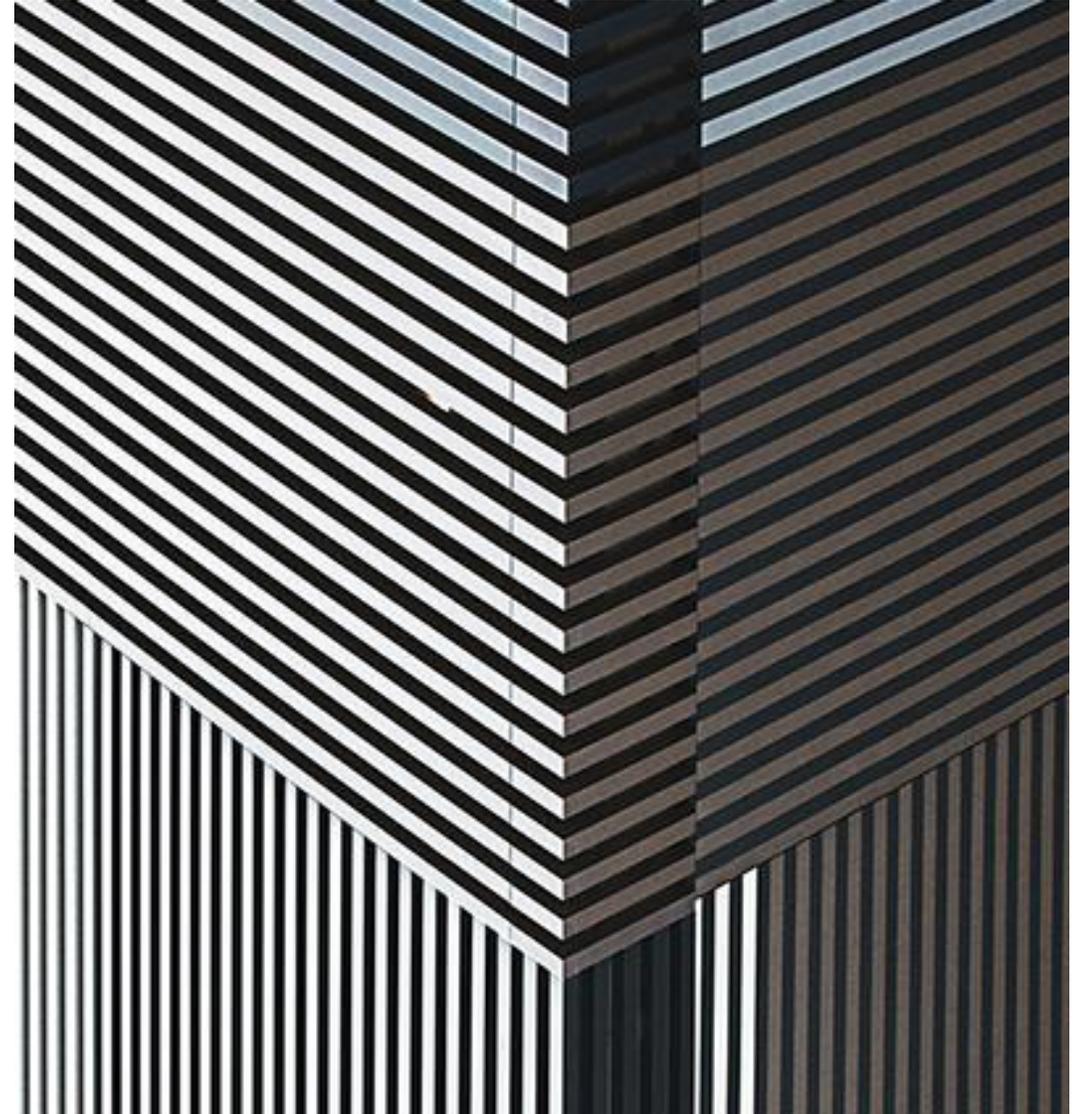
**Veronika
Pountcheva**



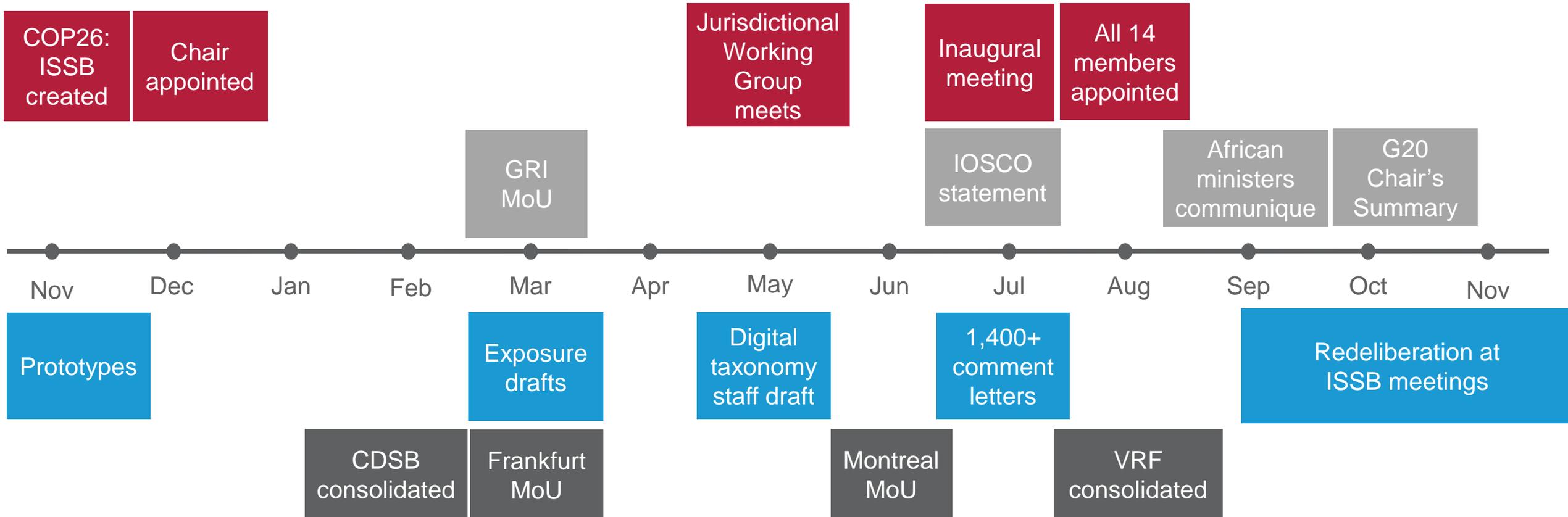
**Elizabeth
Seeger**

Current office locations

- Frankfurt
- Montreal
- London
- San Francisco
- Tokyo



ISSB milestones



Global support



“...we welcome the global baseline of sustainability reporting standards currently under development by the ISSB.

Support for the global baseline has the potential to improve information and thus mobilise finance for the needed investments, particularly in emerging and developing economies, and we ask the ISSB to work closely with regional standard setters and any relevant local stakeholders and to provide advisory and capacity support.

We welcome the ISSB’s jurisdictional working group.”

*G7 Finance Ministers
& Central Bank Governors’
Statement on Climate Issues
12 October 2022*

“Support the work of the ISSB to introduce a global baseline of sustainability disclosures to meet the needs of capital markets, which will enhance transparency, accountability, efficiency and comparability across market[s].

Early adoption by African jurisdictions and companies has the potential to attract more investment and to boost private sector development in Africa. We urge the ISSB to work closely with African stakeholders and to provide strong advisory and capacity building support to achieve early adoption of the ISSB standards in Africa.”

International Cooperation Forum
and Meeting of African Ministers of Finance,
Economy and Environment Communiqué
September 2022

“We are seeing huge enthusiasm for IOSCO to contribute to the ISSB’s consultation so that the final versions of these crucial standards fulfil the requirements of our securities regulator membership[...]

Establishing a global baseline for corporate sustainability disclosures is a key ambition of IOSCO’s Workplan for Sustainable Finance, which aims to increase transparency and mitigate greenwashing in financial markets.

The review of the ISSB’s finalized standards for potential IOSCO endorsement will be a crucial step towards increased comparability in sustainability reporting under either voluntary or mandatory reporting regimes.”

Informed by experts

Strategic Advisory Groups

IFRS Advisory Council

Integrated Reporting and Connectivity Council

ISSB Advisory Groups

Sustainability Standards Advisory Forum

Investor Advisory Group

Sustainability Consultative Committee

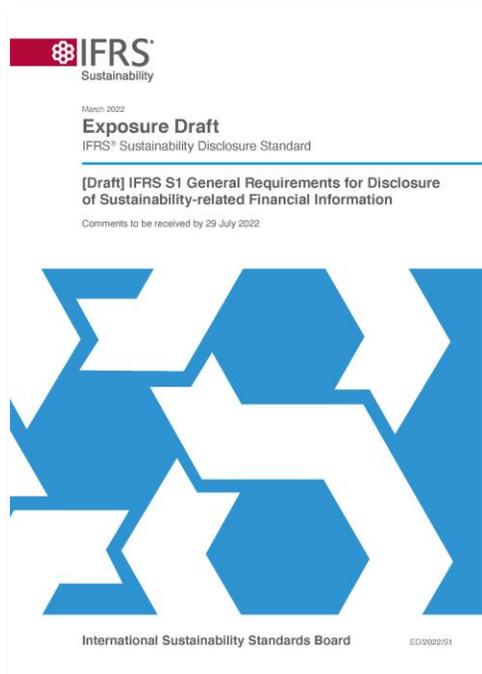
Jurisdictional Working Group

Technical Reference Group

Exposure Drafts



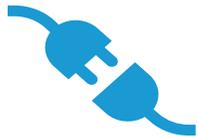
Proposed General Requirements Standard: IFRS S1



Disclosure of material information about sustainability-related risks and opportunities.

- Other IFRS Sustainability Disclosure Standards (e.g. Climate Standard) set out specific disclosures
- Points to other standards and frameworks in absence of a specific IFRS Sustainability Disclosure Standard
- Sets out general reporting requirements (e.g. location and timing of the reporting)
- Equivalent to IFRS Accounting Standards IAS 1 and IAS 8.

Key features



Emphasises need for consistency and connections between financial statements and sustainability reporting by requiring companies to explain linkages in information and use consistent assumptions when relevant

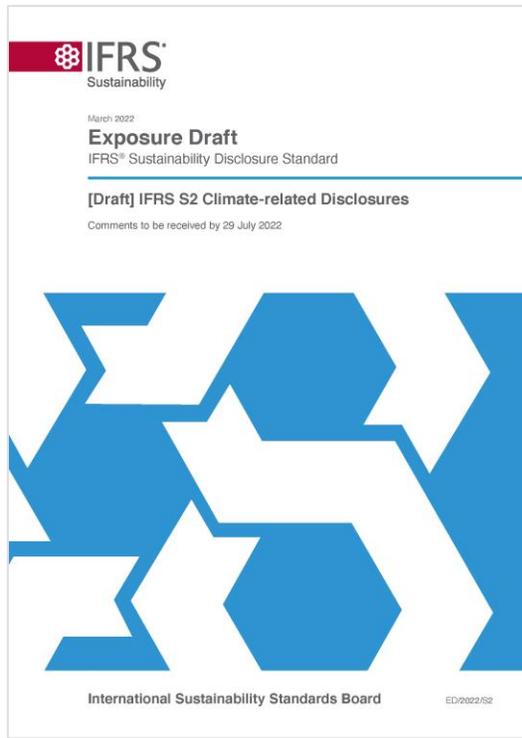


Requires financial statements and sustainability disclosures to be published at the same time



Facilitates application in different jurisdictions by not specifying a particular location for sustainability information and allowing additional information to be provided

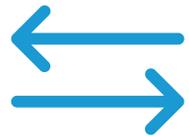
Proposed Climate-related Disclosures Standard: IFRS S2



Disclosure of material information about climate-related risks and opportunities.

- Incorporates TCFD Recommendations
- Includes SASB Standards climate-related industry-based requirements
- Requires disclosure of information about
 - Physical risks (e.g. flood risk)
 - Transition risks (e.g. regulatory change)
 - Climate-related opportunities (e.g. new technology).

Key features



Transition planning

Emissions targets and use of carbon offsets



Climate resilience

Resilience of business strategy in multiple scenarios



Scope 1-3 emissions

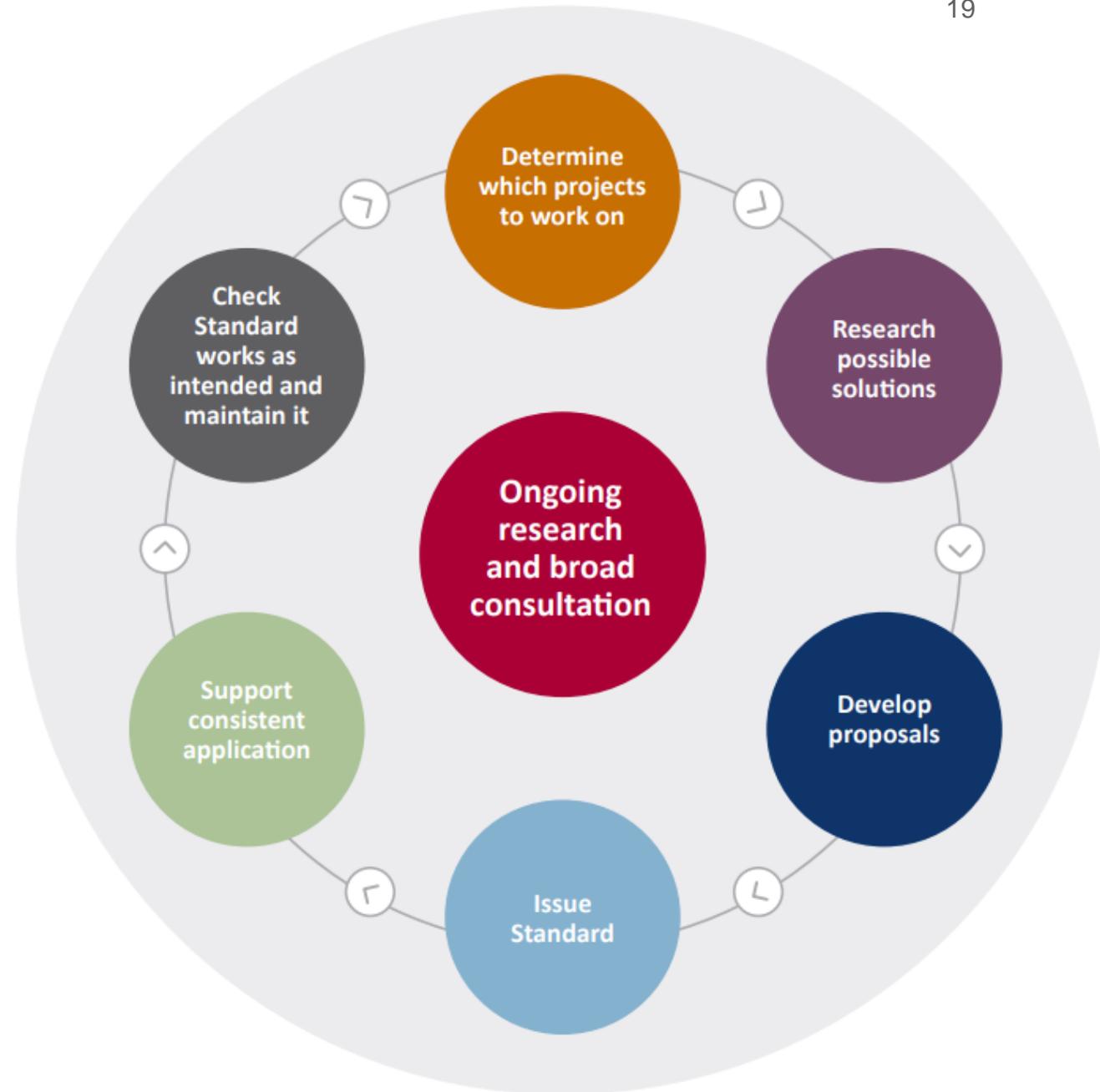
Requirement to disclose GHG emissions in accordance with the GHG Protocol Corporate Standard

Feedback



Standard-setting cycle

- Highly regarded, inclusive and transparent due process
- Enables stakeholders all over the world to contribute and scrutinise the standard-setting process.



Widespread interest



1,400+ responses overall



400+ outreach events during consultation period



Feedback from wide range of stakeholder groups

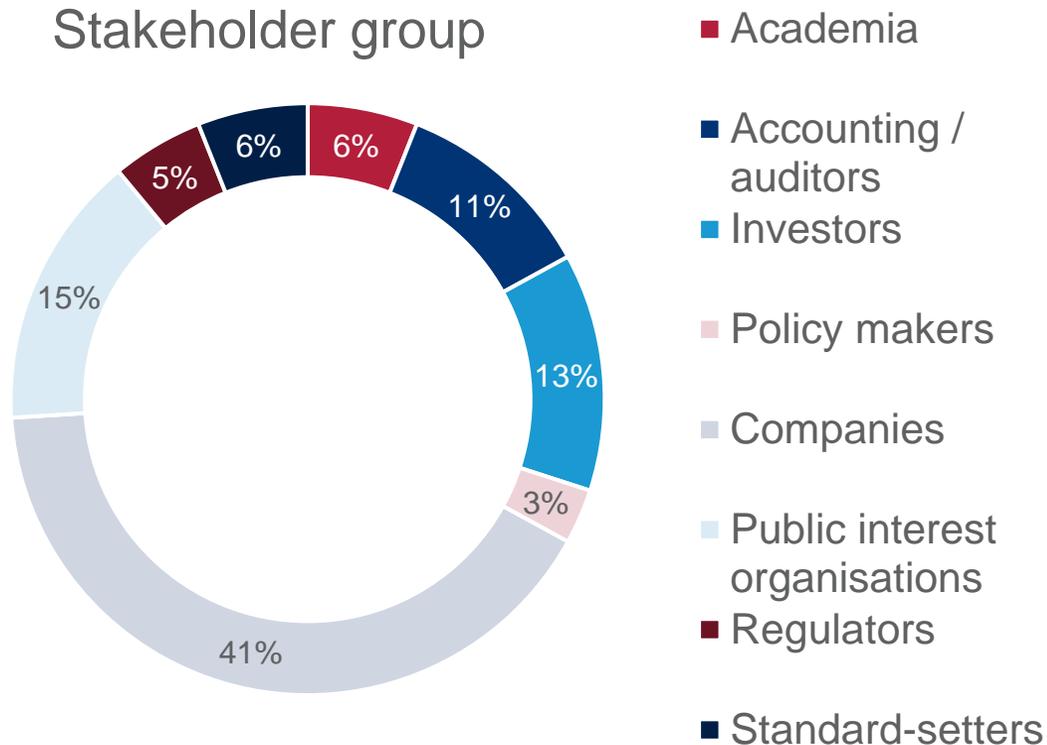


Wide geographic spread

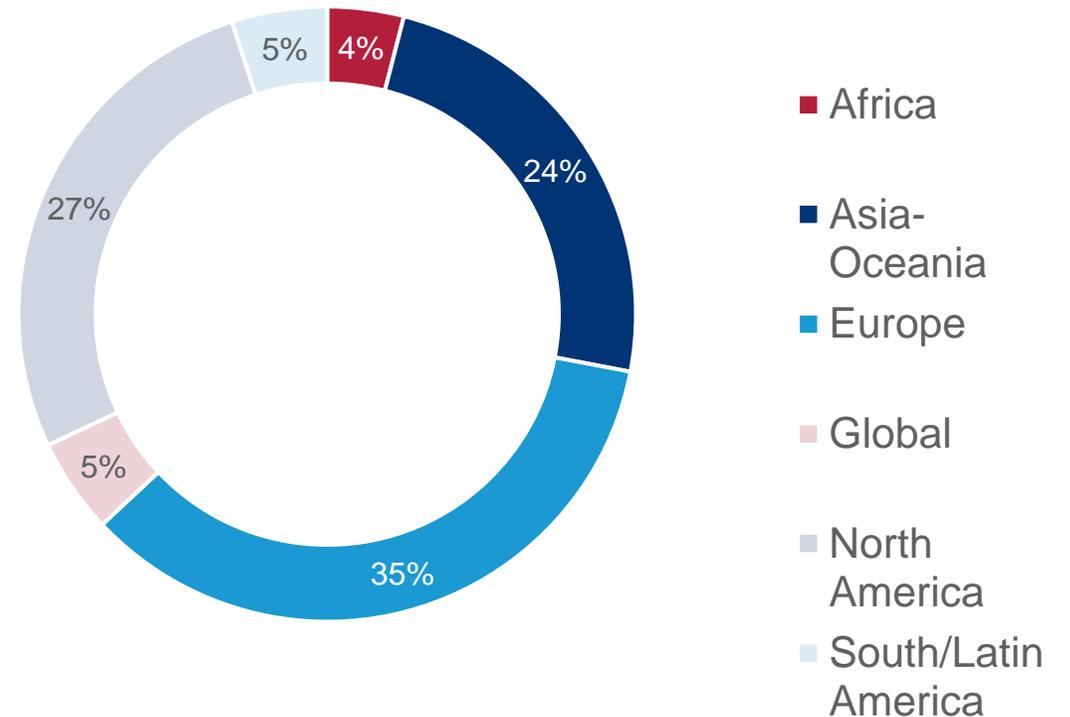
Responses to General Requirements Exposure Draft

 **720**

Stakeholder group



Geographic spread



High-level messages on General Requirements Exposure Draft



Strong support for **timely publication** and encouragement to continue to move at pace



Support for the ED as the **overarching standard** which sets out the general requirements applicable across the IFRS Sustainability Disclosure Standards



Most feedback relates to request for **greater clarity, guidance and examples** to enable effective application of the proposals



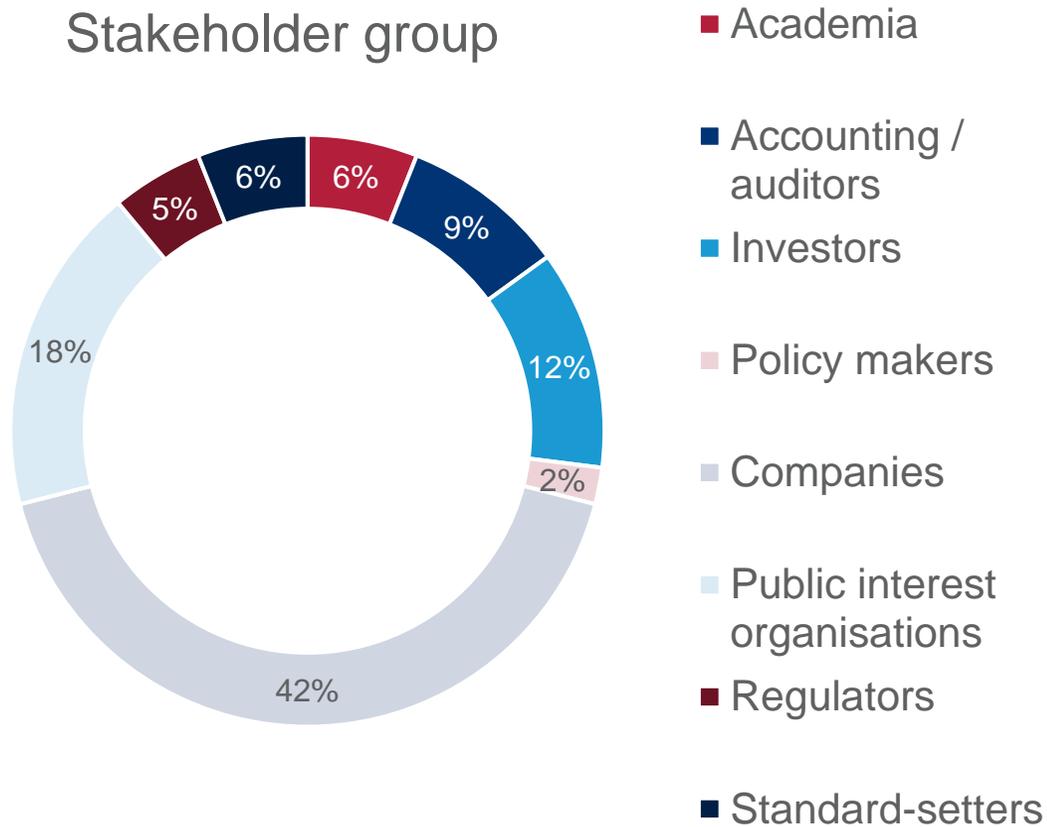
Emphasis on the importance of **connected standard-setting** to facilitate a package of financial and sustainability-related financial reporting that can be assurable

Reponses to Climate-related Exposure Draft

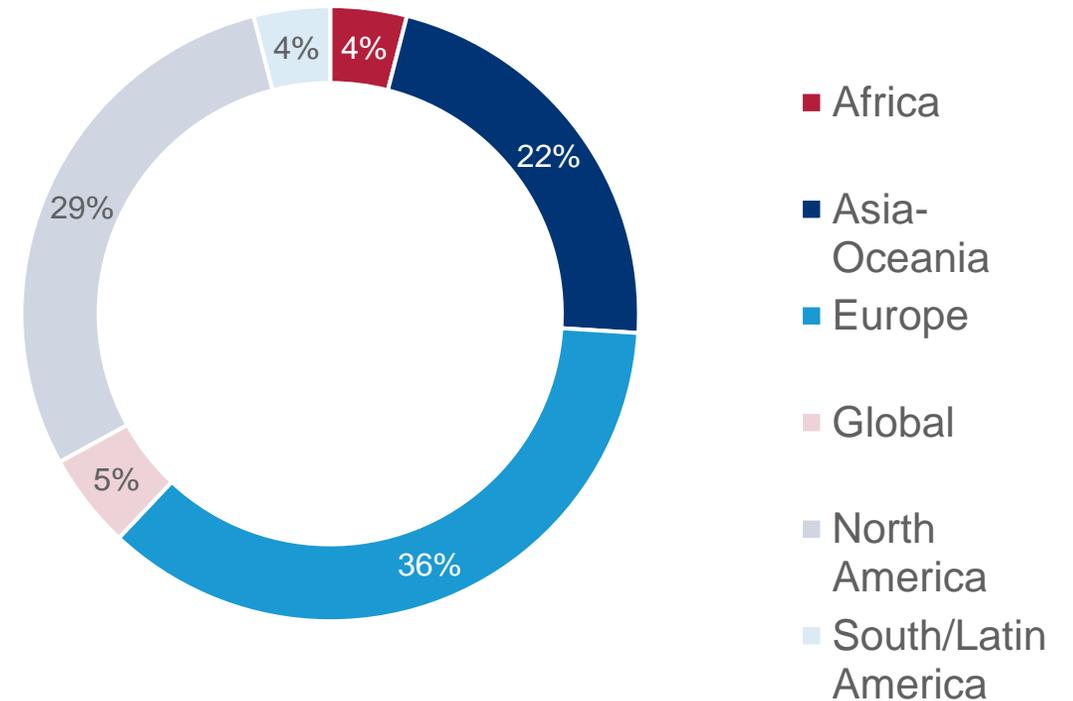


690

Stakeholder group



Geographic spread



Summary of feedback on Climate-related Exposure Draft



The proposals were **well-received** by respondents to the consultation; in particular by investors



Respondents emphasise **the need for urgency**, citing significant risks that climate change presents to individual entities as well as to financial stability



Many respondents also asked for **greater support, guidance and examples** to enable effective application of the proposals



Preparers emphasise the challenges with some specific proposed requirements, and the importance of **proportional reporting requirements** for smaller companies and in emerging economies; Support for alternatives to the GHG Protocol including national GHG reporting frameworks

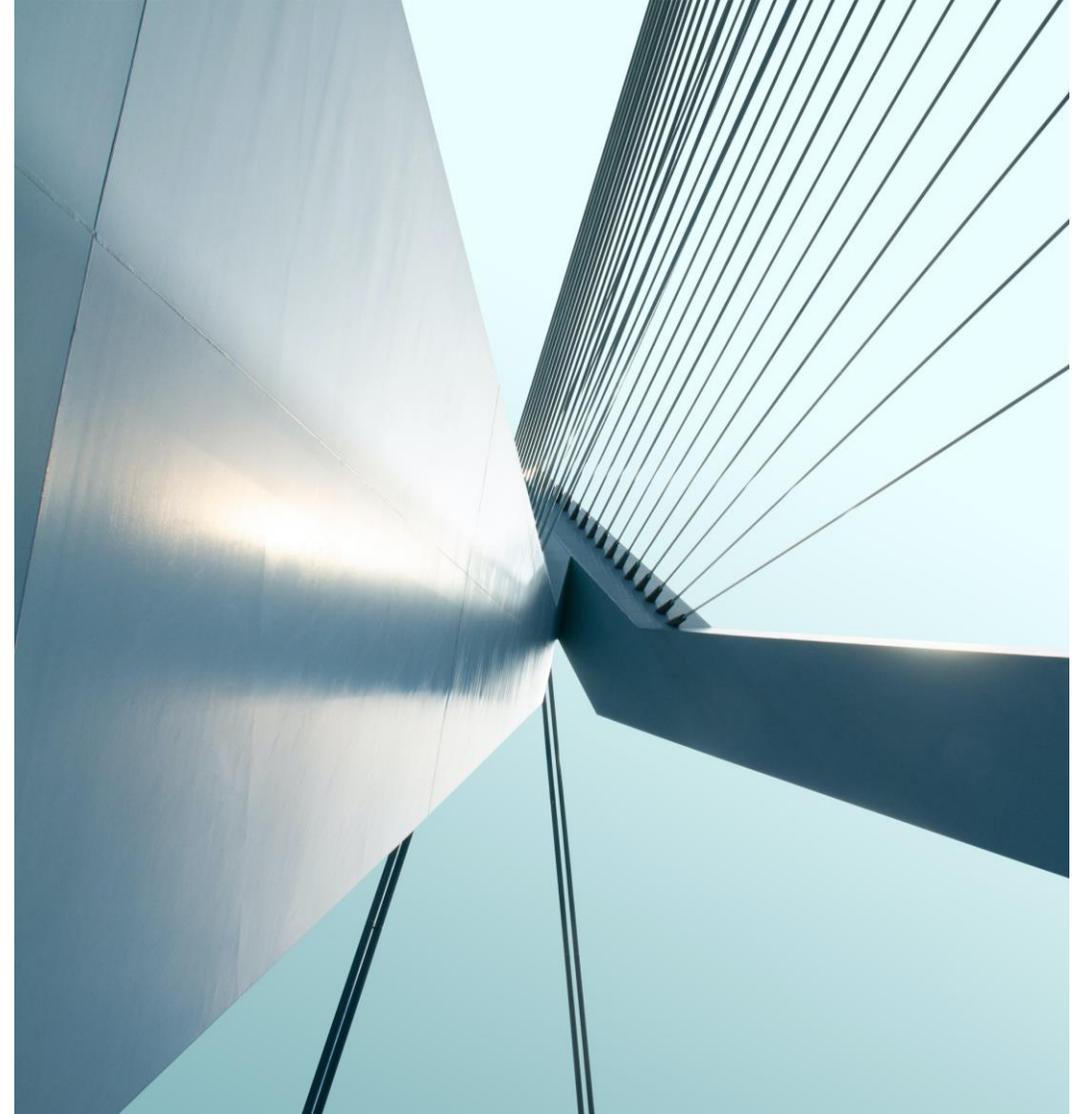
Redeliberation based on feedback

Both proposed standards	General requirements (S1)	Climate (S2)
<ul style="list-style-type: none"> • Proportionality – tools to support adoption • Current and anticipated financial effects of sustainability-related risks and opportunities 	<ul style="list-style-type: none"> • Fundamental concepts: ‘enterprise value’, meaning of ‘significant’, materiality assessment • Breadth of reporting • Connected information • Timing of reporting • Comparative information and updated estimates 	<ul style="list-style-type: none"> • Strategy and decision-making (including transition planning) • Climate resilience • GHG emissions • Industry-based requirements

Decisions taken by ISSB in October

Clarifying key concepts

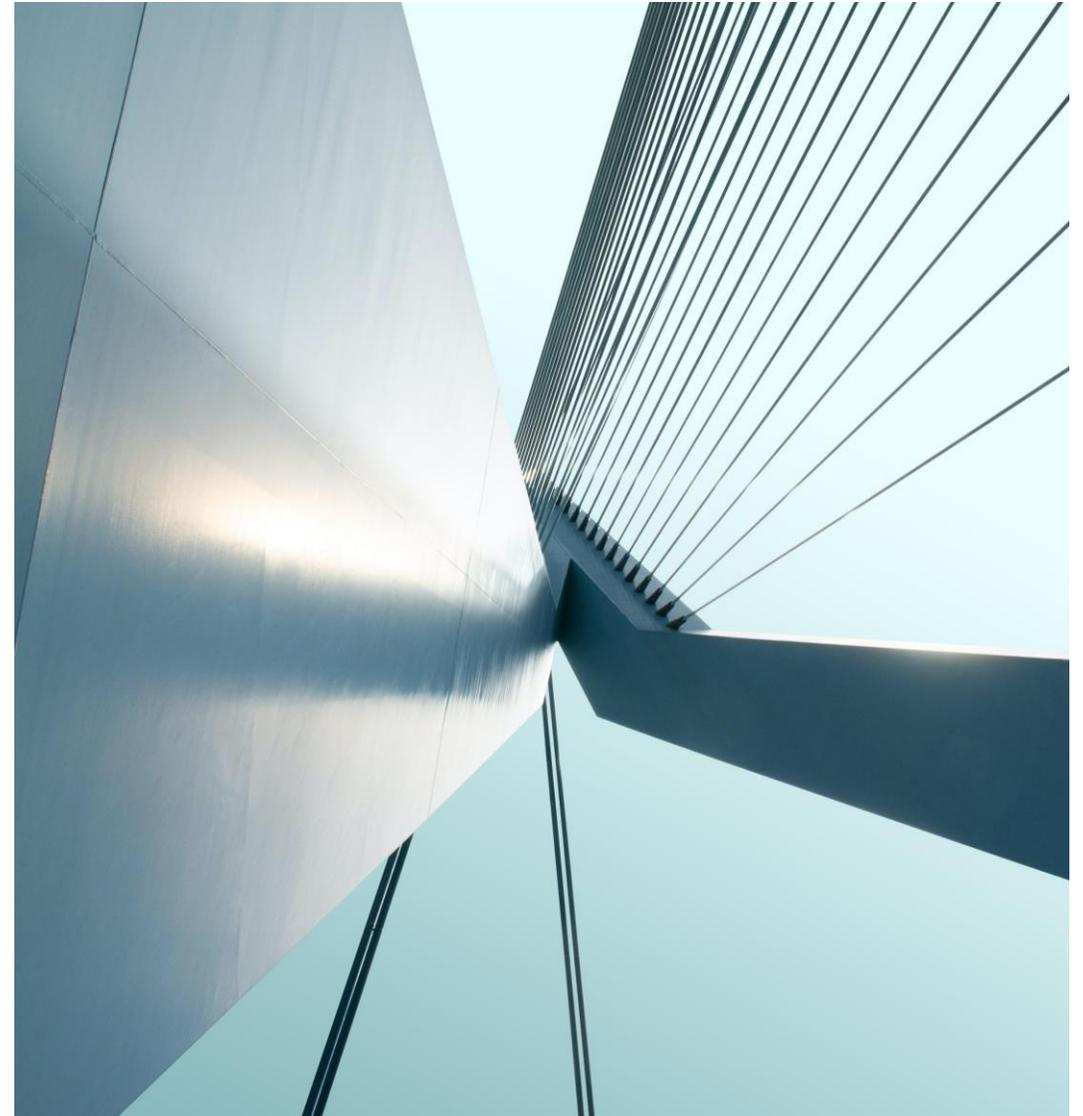
- **Remove term ‘enterprise value’** from the objective and the assessment of materiality – but no change in concept
- **Remove term ‘significant’** to describe which sustainability risks and opportunities to disclose – describe process
- Confirmed use of the same **definition of material** as is used in IFRS Accounting Standards



Decisions taken by ISSB in October

Global baseline

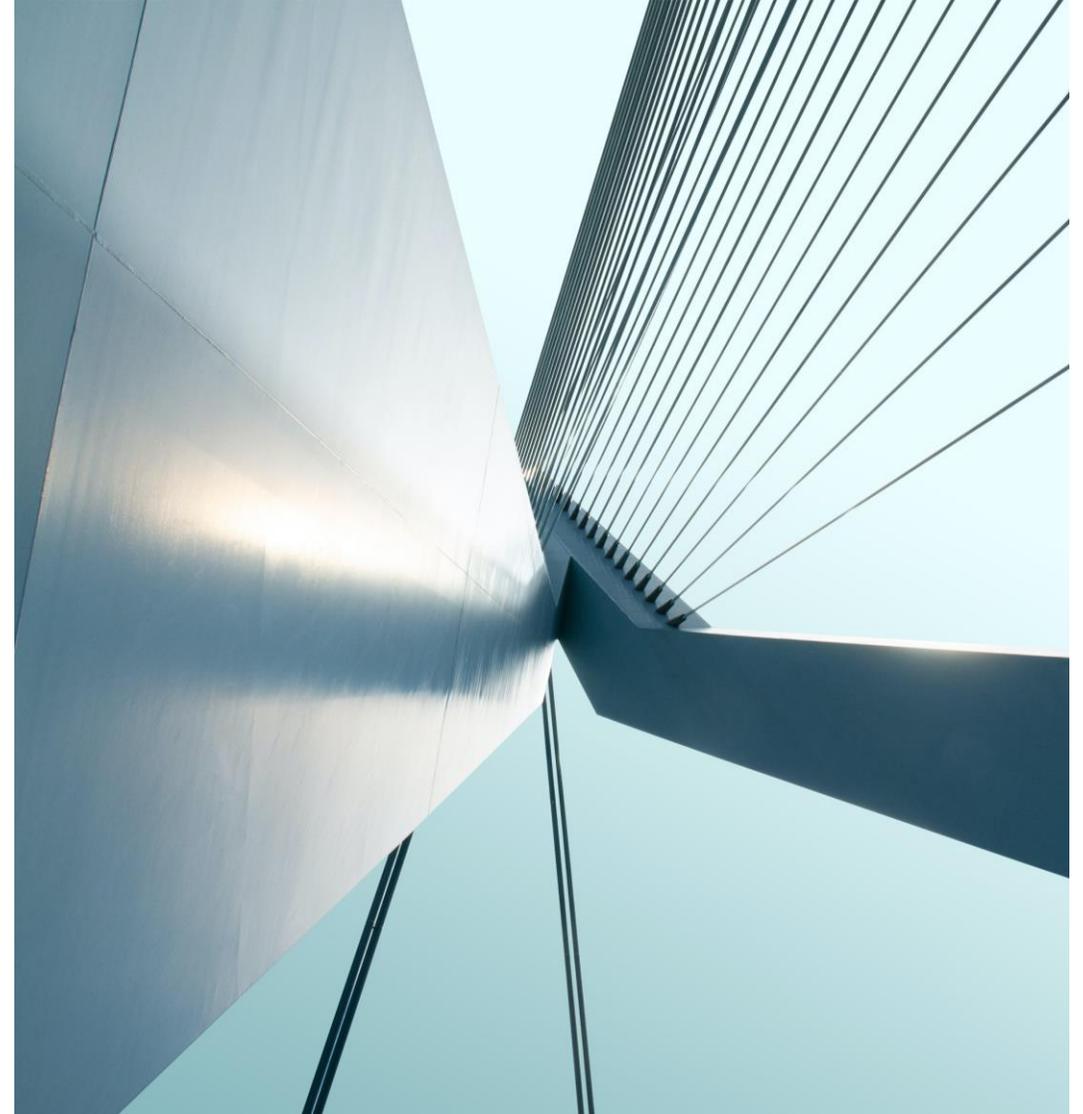
- Prioritised several key topics for decision making to facilitate **ongoing dialogue with jurisdictions** working on jurisdiction-specific disclosure requirements
- Confirmed disclosure of **Scope 1-3 emissions**, with **relief provisions** for Scope 3 decided at a future meeting
- Confirmed use of the **TCFD architecture**
- Modifying some disclosures and language in relation to **transition plans** to facilitate alignment



Decisions taken by ISSB in October

Future priorities

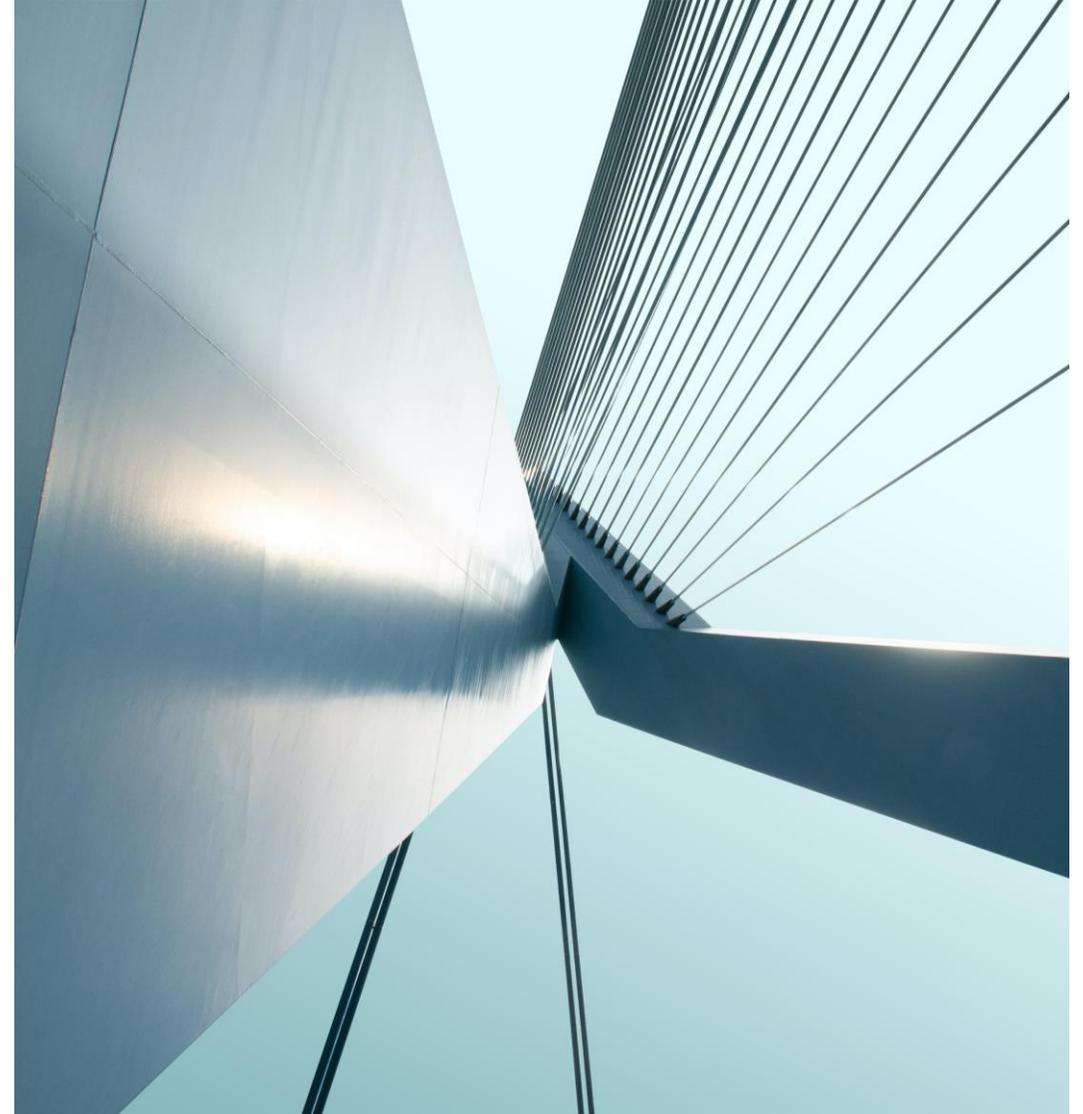
- Foundation building:
 - Support **adoption and application**, including supporting materials
 - Develop a digital **taxonomy**
 - **International applicability** of SASB Standards
 - **Connectivity** with the IASB
 - **Interoperability** with others – e.g. GRI and EFRAG
 - **Research** incremental enhancements to Climate Standard
- **Consult** on new areas of work in H1 2023



Decisions taken by ISSB in October

Industry-based

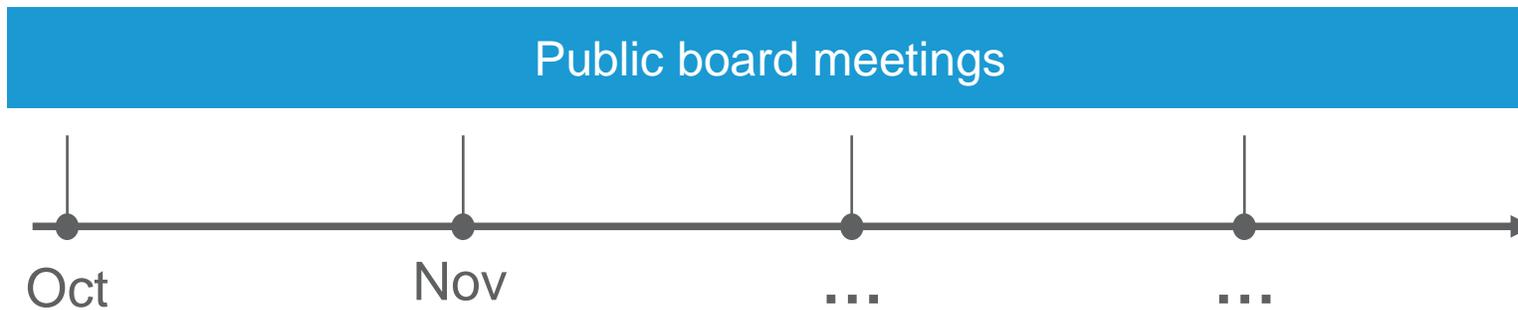
- Feedback during the consultation indicated support from investors for industry-specific disclosures as **decision-useful**
- The ISSB tentatively agreed to:
 - Maintain the requirement that entities provide industry-specific disclosures
 - Make Appendix B of S2 (Climate-related) **illustrative examples**, with the view to make the topics and metrics **mandatory in the future** following further consultation
 - Take time to further ensure that disclosures are relevant across jurisdictions and consider alignment with others



Next steps



Decision-making month-by-month



ISSB votes on interim technical decisions about how to further evolve the proposed Standards in response to feedback from stakeholders

ISSB votes on overall package of decisions



ISSB finalises Standard, which is issued for adoption

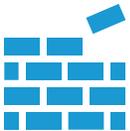
Next steps



Complete discussions on consultation feedback around end of 2022



Issue final Standards as early as possible in 2023



Work to support adoption and application



Consult on proposed digital taxonomy



Consult on future priorities, 1H 2023

How to prepare

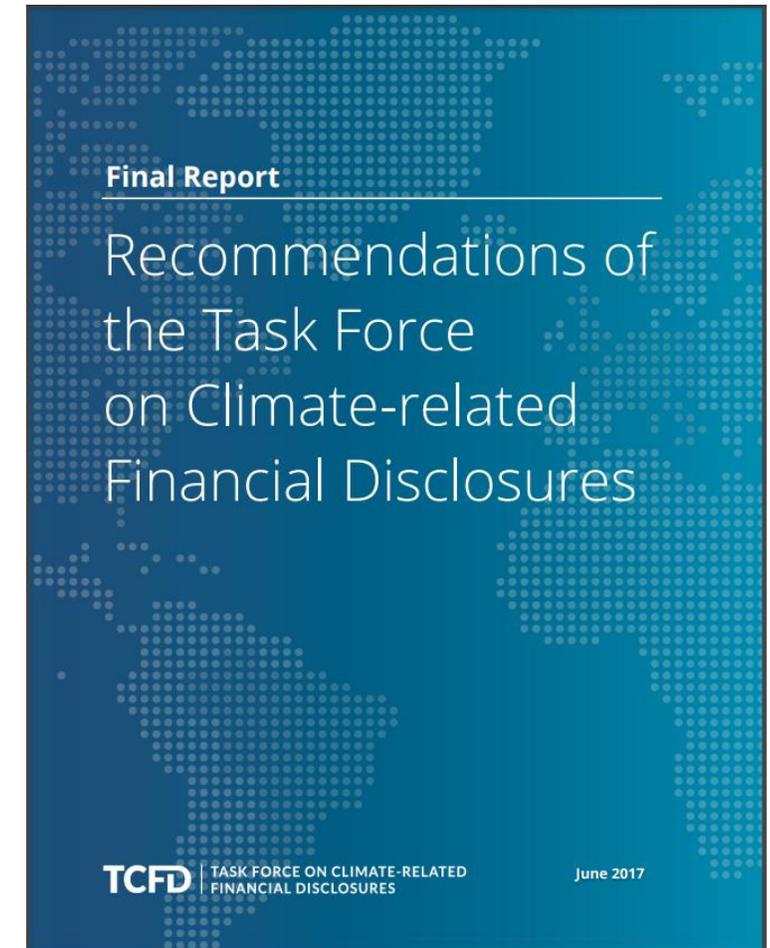


Three reasons to prepare for IFRS Sustainability Disclosure Standards

1. **Cost-effective:** Enables efficient disclosure of what is needed by investors
2. **Decision-useful:** Designed to support capital market decision-making
3. **Market-informed:** Rigorous, international due process to deliver a common language for disclosure.

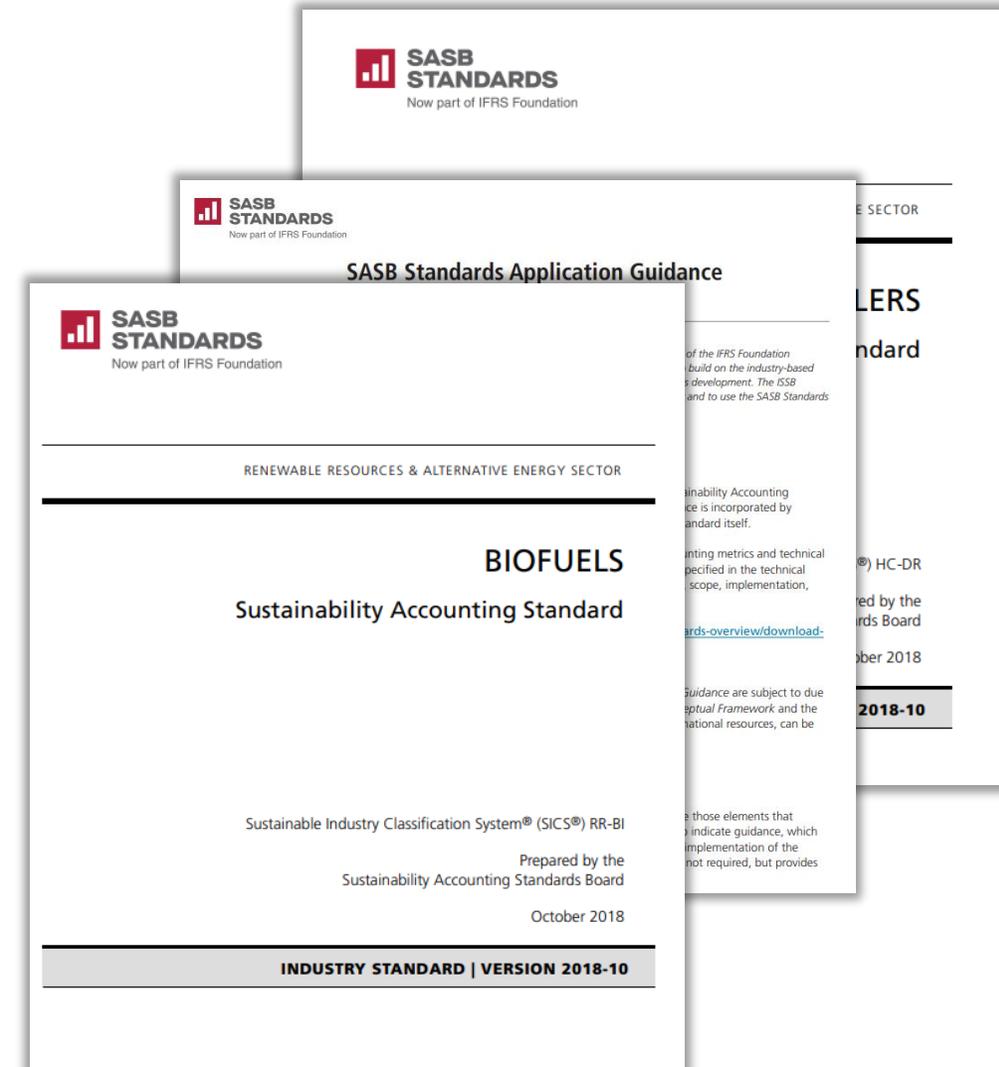
Get ahead: Implement the TCFD Recommendations

- Designed to solicit decision-useful, forward looking information that can be included in mainstream financial filings.
- Focused on governance, strategy, risk management, and metrics and targets.
- Recommends that organisations describe the resilience of their strategy, taking into consideration different climate-related scenarios.



Get ahead: Adopt the SASB Standards

- 77 industry-based disclosure standards
- Provide investors with comparable information on the sustainability factors most relevant to financial performance and enterprise value
- Developed through rigorous, market-informed, due process.



Get ahead: Drive connectivity through the Integrated Reporting Framework



Drives connectivity between financial statements and sustainability-related financial disclosures.



Supports high-quality corporate reporting.



Underpinned by Integrated Thinking Principles, that enhance quality of corporate governance.

The IASB and ISSB will work to align the Integrated Reporting Framework and Management Commentary.

Get involved



Download

proposed IFRS Standards
and supporting materials



Listen

to our monthly podcast with
highlights from meetings
and key developments



Respond

to live consultations



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services that can support
you, including membership
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Observe

ISSB meetings –
the next is w/c 14
November

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