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## IFRS Advisory Council

Date **8 June 2023**  
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This document summarises a meeting of the IFRS Advisory Council, the formal strategic advisory body to the Trustees of the IFRS Foundation, the International Accounting Standards Board and the International Sustainability Standards Board. The IFRS Advisory Council consists of a wide range of representatives, comprising individuals and organisations with an interest in international financial reporting.

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## Introduction

1. The IFRS Advisory Council (Council) met via videoconference on 8 June 2023. In addition to the Advisory Council members, some members of the International Sustainability Standards Board (ISSB), International Accounting Standards Board (IASB) and members of the IFRS Foundation staff attended the meeting.
2. The agenda and paper for the meeting, as well as the meeting recording, are available at: [IFRS - IFRS Advisory Council](#)
3. The Council Chair, Mr. Bill Coen, welcomed everyone to the meeting. He highlighted that there was only one item for discussion on today's agenda – the [Request for Information \(RFI\)](#) to support the ISSB's consultation on its future agenda priorities which was published in May 2023 with comments to be received by 1 September 2023. The Council first discussed the ISSB consultation on its agenda priorities at its meeting in [October 2022](#) when it provided feedback that helped shape the content of the RFI.

## ISSB Consultation on Agenda Priorities

4. Mr. Greg Bartholomew, ISSB Research Fellow, presented [agenda paper 1](#), outlining the objectives of the RFI, the timeline of the consultation, the committed works the ISSB is already undertaking and the three areas where the RFI is seeking input:
  - strategic direction and balance of the ISSB's activities;
  - criteria for assessing new projects; and
  - potential new research and standard-setting projects.
5. The ensuing discussion sought feedback from Council members on questions relating to the three areas where the RFI is seeking input.

***Strategic direction and balance of the ISSB's activities - Do you have any comments or questions on the activities within the scope of the ISSB's work, including the relative priority of the activities and whether any other activities should be included?***

6. The RFI asks stakeholders to indicate the relative priority of the following activities to determine how the ISSB should allocate its resources:
  - Supporting implementation of IFRS S1 and IFRS S2
  - Enhancing the Sustainability Accounting Standards Board (SASB) Standards
  - Researching targeted enhancement to ISSB Standards
  - Beginning new research and standard-setting

7. In the Council's discussion, the following themes arose:

- **Supporting implementation of IFRS S1 and IFRS S2:** A number of members emphasised the importance of supporting the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2) as a priority, highlighting it is essential for the ISSB's success.

The Council was advised that education materials to support implementation will be published alongside the Standards. However, further materials will be developed once there is a better understanding of the transition support needs. The ISSB is currently seeking nomination of suitable candidates for membership of the [Transition Implementation Group on IFRS S1 and S2](#). The call for candidates closed on 30 June 2023.

- **Enhancing SASB Standards:** The Council noted that current work to enhance SASB Standards focuses on their international applicability, removing jurisdiction-specific references. This is necessary because IFRS S1 *requires* SASB Standards to be considered when identifying sustainability-related risks and opportunities, and the disclosures to provide, when there are no ISSB Standards that can be applied. It was explained that SASB Standards referenced by IFRS S1 have undergone their own due process, as opposed to the ISSB's due process. However, SASB Standards that were incorporated into IFRS S2 have undergone the ISSB's due process, as part of the public exposure of the proposals that preceded IFRS S1 and IFRS S2.

The Council were advised that investors highlight the need for data on climate-related risk and therefore the priority should be support for the implementation of IFRS S1 and IFRS S2. However, this also requires enhancement of SASB Standards because investors need sectoral, as well as sector-agnostic data. It was noted that EFRAG is developing sectoral standards and interoperability is therefore very important.

- **Researching targeted enhancement to ISSB Standards:** It was clarified that the focus is on enhancing disclosures under the Standards, specifically IFRS S2, as opposed to exploring amendments to the Standards. It is not in anticipation of deficiencies in the Standards, but it is acknowledged that there may be confusion regarding how certain nature and human capital-related aspects of climate are addressed in IFRS S2, for example, water, biodiversity, and 'just transition'.
- **Beginning new research and standard-setting:** Some members advocated for the prompt development of the full suite of standards, beyond climate and the environment. It was asserted this would provide a view of the global baseline and facilitate global acceptance.

***Criteria for assessing new projects - Do you have any comments or questions on the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan, including whether the identified criteria are appropriate and whether any other criteria should be considered?***

8. In the discussion on criteria, it was questioned whether 'deficiencies in the way a company discloses on a matter' was a valid criterion because, if it were applied to every new topic, there would always be deficiencies identified. Council members also discussed additional criteria that could be considered when selecting and prioritising projects for the future workplan, including:

- Materiality and cost-effectiveness.
- Likelihood of a project being adopted. For example, the extent to which it is politically feasible for regulators to require disclosure on a particular sustainability-related matter. For instance, a standard on biodiversity is likely to be more globally accepted than a standard on human rights.
- The capacity of the ISSB and its stakeholders to implement a new standard. For example, how much additional capacity does a new standard require of the ISSB and stakeholders without it detracting from the existing core activities. It was also highlighted that speed and timeliness of

delivery are more likely to be achieved if there are already existing frameworks that have been proven or piloted.

9. Some Council members raised concerns about the ‘importance to investors’ criterion. For example, it was noted there may be a difference between what investors consider important to disclose versus what the companies are under pressure to disclose or what they consider material. In response, it was confirmed that the ISSB, like the IASB, focuses in the first instance on the needs of investors, as required by the [IFRS Foundation Constitution](#). This provides a ‘laser’ focus, as well as ensuring connections with the financial statements and a commonality between the reporting required by both the IASB and the ISSB. However, it was acknowledged that a broad range of interests influence the financial consequences that are of interest to investors and therefore care needs to be taken regarding how the ISSB’s ‘investor focus’ is communicated to and understood by stakeholders.

***New research and standard setting projects:***

- i) ***Do you have any comments or questions on the relative priority of the four potential projects included in the RFI and whether the ISSB should prioritise a single project or multiple projects?***
10. There was a range of views amongst Council members regarding the relative priority of projects and whether a single project or multiple projects should be pursued. Some members expressed a preference for a single project to ensure resources were not overstretched and did not detract from supporting the implementation of IFRS S1 and IFRS S2. Other members considered the relative impact of one large project versus several smaller projects, noting one large project could take longer to deliver. As mentioned previously, some members also felt it important to develop a full suite of standards as soon as possible.
11. Council members also proposed ways the ISSB could consider prioritisation, including:
- **Developing a framework of the future sustainability reporting:** It was suggested that the ISSB develop a framework of what sustainability-reporting would look like when complete to give the market a sense of how reporting might be built over several years. If the ISSB were explicit in its understanding of when an issue is ready for standard-setting, this could help navigate the sequencing for filling out the framework over time.
  - **Level of effort required by the ISSB to progress a project:** It was suggested that the ISSB consider what it would need to invest in each project, relative to what it can work on in partnership. For example, there is already significant research taking place around capacity building which the ISSB can leverage off, whereas the ISSB will need to play a more significant role in taking forward the *integration in reporting* project.
- ii) ***Do you have any comments or questions on any of the four potential projects on:***
- ***biodiversity, ecosystems and ecosystem services;***
  - ***human capital;***
  - ***human rights; and***
  - ***integration in reporting?***
12. Some members highlighted other topics that could be considered for potential projects:
- **Governance of sustainability:** The Council noted that IFRS S1 and IFRS S2 emphasise the responsibility of governing bodies to identify and manage sustainability-related risks and opportunities. A broader governance project was considered (see Appendix B of the [RFI](#)), focused on aligning disclosures on governance-related matters not just limited to governance of sustainability-related risks and opportunities. However, it was not considered to have the same level of priority as other projects.
  - **Climate Transition Plans:** It was advised that a key issue for investors is establishing a global understanding of Climate Transition Plans, as opposed to a number of jurisdictional initiatives.

13. Some Council members supported the prioritisation of the *biodiversity, ecosystems and ecosystem services* project, noting it was the logical continuation of IFRS S2. One member suggested the *human capital* project should be prioritised because it relates to all companies and yet is an area where at present insufficient information is disclosed.
14. Some members emphasised the importance of the *integration in reporting* project. Reasons in support included:
  - ensuring connectivity between the IASB and ISSB works as efficiently as possible;
  - facilitating interoperability by giving stakeholders a clear picture of the end-game and how it will fit with jurisdictional initiatives;
  - ensuring consistency between what companies disclose on sustainability and what is in financial statements.

The Council heard that some view current connectivity activity as bottom up, with the ISSB and IASB working together to ensure coherence as issues are addressed. The proposed *integration in reporting* project would take a top-down approach to ensure integrated and cohesive financial and sustainability reports. Some members consider that both are needed – collaborative work requires shared objectives and continued clarity over time about those shared objectives (coherence by itself is insufficient).

15. With reference to the *integration in reporting* project, the Council noted work on ‘connectivity’ between the IASB and ISSB is already taking place as part of the core activities of the ISSB’s committed works and connections between the financial statements and information in the sustainability-related financial disclosures have been created in IFRS S1 and IFRS S2. *Integration in reporting* is a larger research project that would move beyond connections between sustainability-related financial disclosures and the financial statements and would potentially result in a single comprehensive reporting framework.

## Meeting close

13. Mr. Coen thanked the Council members for their engagement in the meeting. He reminded members that the deadline for responses to the [Request for information and comment letters: Consultation on Agenda Priorities](#) is 1 September 2023 and encouraged members to submit responses, either as an individual or from their organisation.
14. Mr. Coen thanked the staff for their participation in the meeting and congratulated the ISSB on its forthcoming publication of IFRS S1 and IFRS S2 on 26 June 2023.
15. In concluding the meeting, Mr. Coen confirmed the Council was next scheduled to meet in-person in London on 7 and 8 November 2023.