

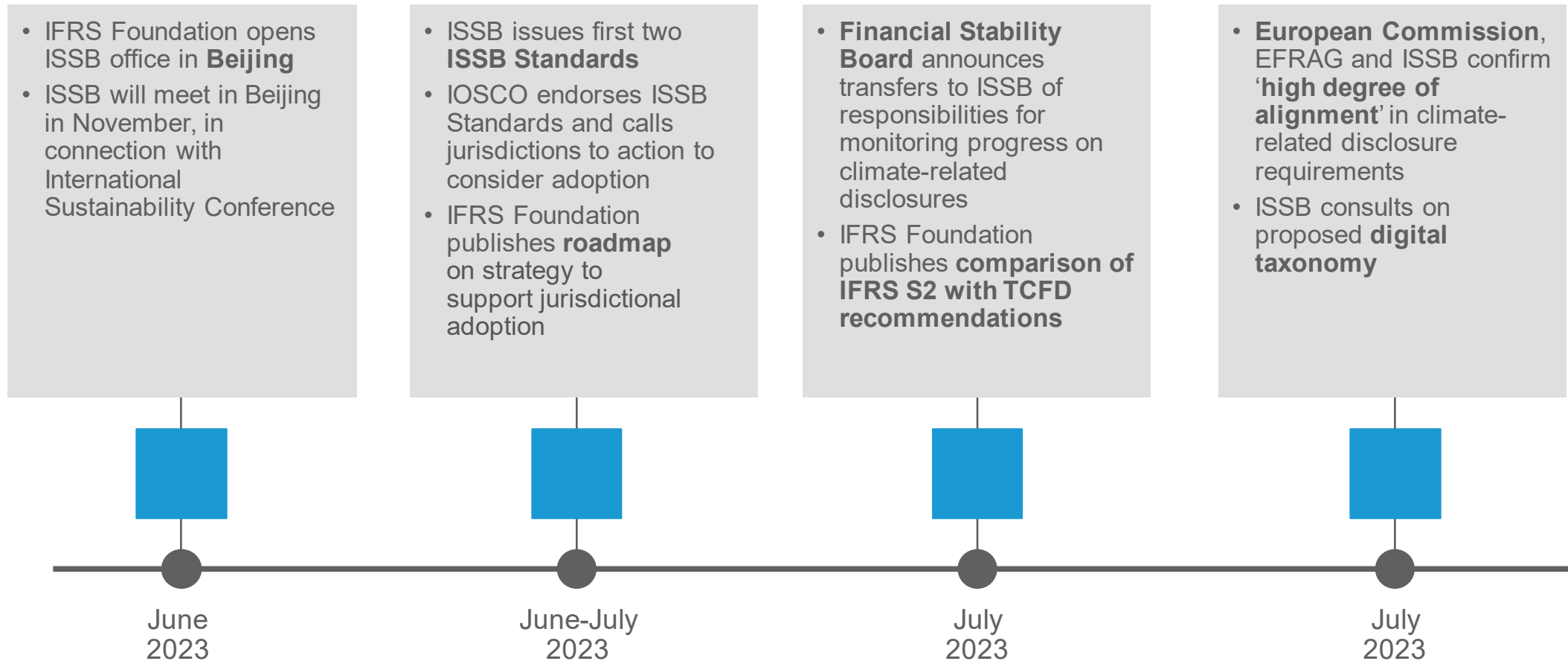
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Agenda paper 3

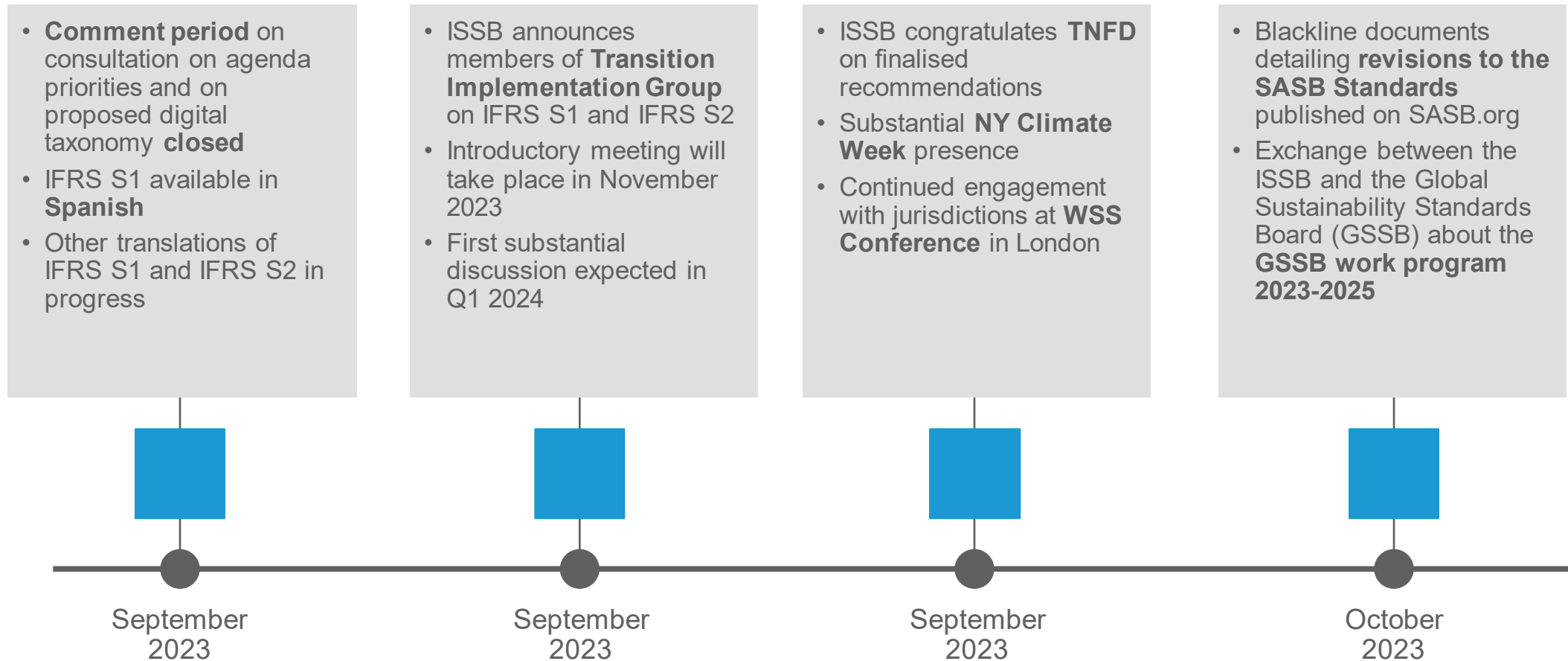
# Update on the ISSB's Activities

IFRS Advisory Council  
November 2023

# Developments since June 2023 Advisory Council meeting

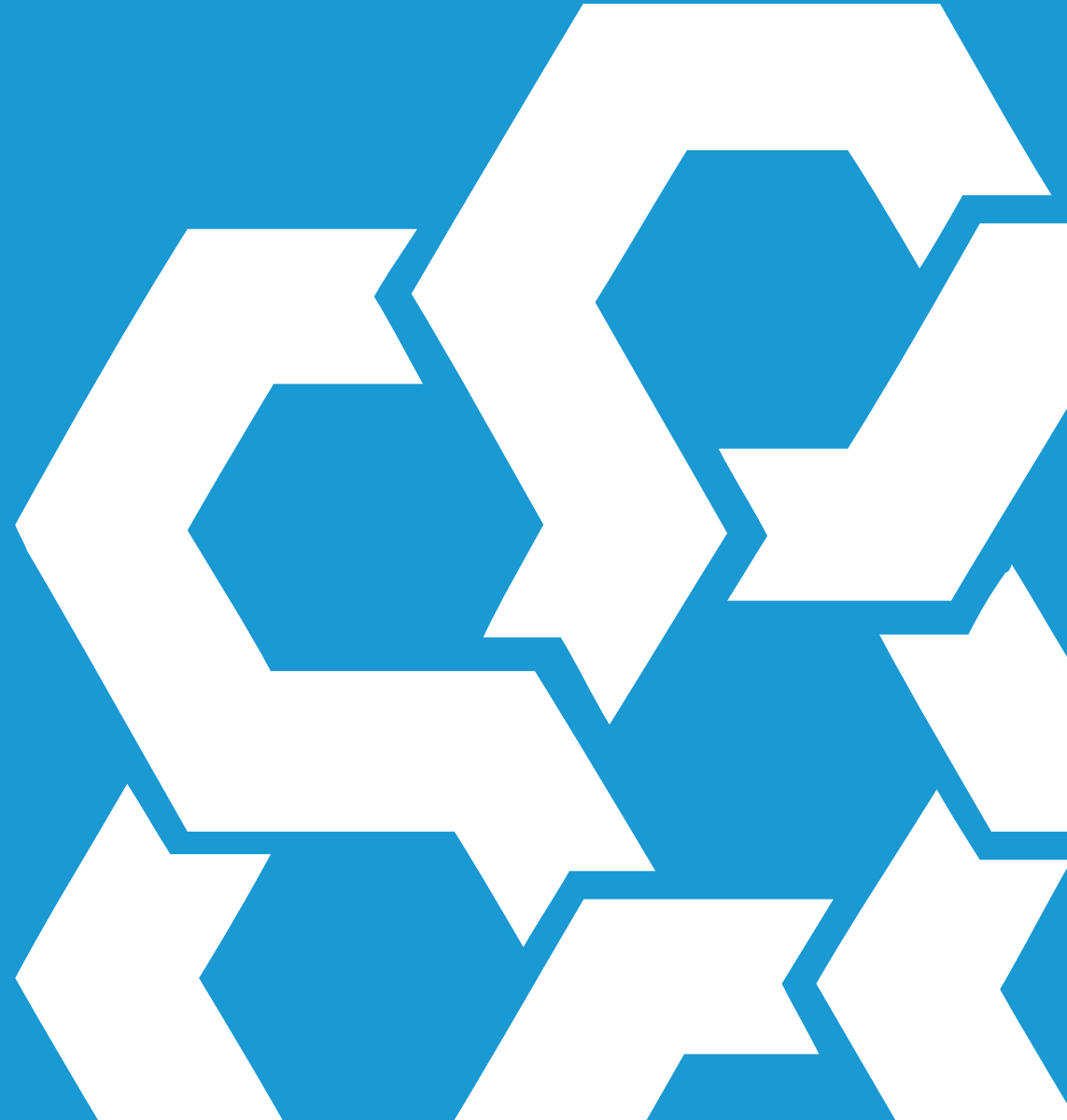


# Developments since June 2023 Advisory Council meeting



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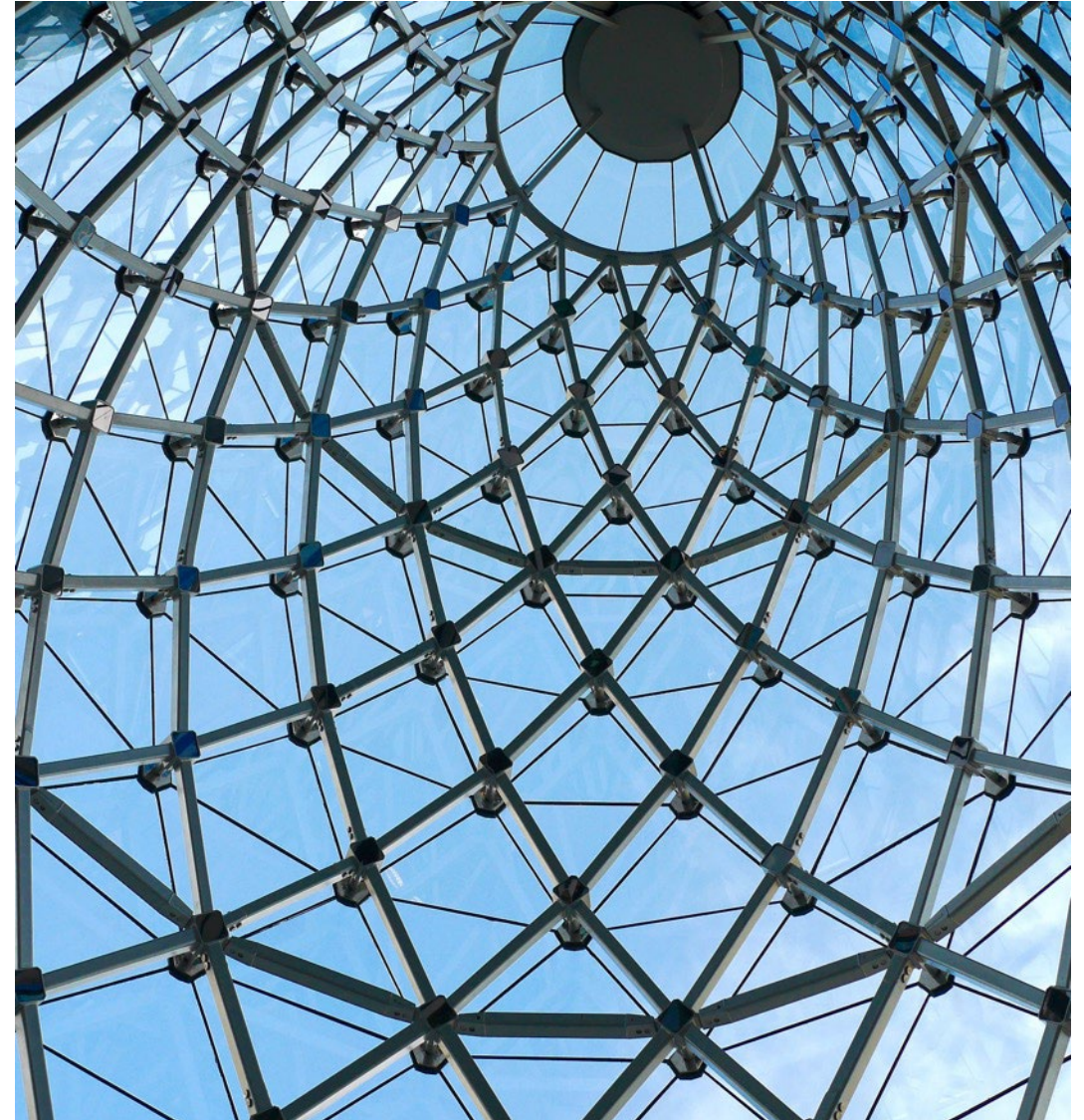
# Key milestones in delivering truly global baseline



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## FSB announces 'Culmination' of TCFD work

- ISSB Standards mark “**the culmination of the work** of the Task Force on Climate-related Financial Disclosures”
- IFRS S1 and IFRS S2 **incorporate** the recommendations of the TCFD
  - **mapping of TCFD to IFRS S2 published** by ISSB
- Financial Stability Board to **transfer TCFD monitoring responsibilities** to ISSB from 2024
- Announcement provides **yet further clarification** of ‘alphabet soup’
- Companies and jurisdictions **still able to use TCFD Recommendations**



## Securities regulators endorse ISSB Standards:



Investors are demanding better information about sustainability risks and opportunities, and the G20, the G7, and the FSB rely on IOSCO to assess whether the ISSB Standards are fit for purpose for capital markets.

Our members, working together, have carefully analysed the ISSB's standards against IOSCO's endorsement criteria.

IOSCO has found that the ISSB conducted a robust process and have concluded that these standards serve as an effective and proportionate global framework of investor-focused disclosures on sustainability- and climate-related risks and opportunities.”

**Jean-Paul Servais, Chair**

**International Organization of Securities Commission (IOSCO)**

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## IOSCO's endorsement of ISSB Standards

- Sends a strong signal that the ISSB Standards are **fit for purpose** for capital market use, enabling pricing in of sustainability-related risks and opportunities, and to facilitate enhanced data collection and analysis
- Creates **trust** in ISSB Standards for jurisdictions to consider adoption or use of ISSB Standards in their respective regulatory frameworks
- **Called on its 130 member jurisdictions** to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards
- Historic **milestone**, the only other precedent of IOSCO's endorsement was the endorsement of IFRS Accounting Standards over 20 years ago



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## Jurisdictional journey: adopting ISSB Standards

- Supporting regulators adopt the Standards in a timely, consistent and comprehensive manner
- Adoption Guide to be published later this year - supporting jurisdictional regulatory pathways to adoption
- IFRS Foundation [High-level roadmap](#) (a precursor to the Adoption Guide) outlines approach to adoption considerations

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Jurisdictions on the adoption journey include:



- Australia
- Brazil
- Canada
- Hong Kong
- Japan
- Kenya
- Nigeria
- Mexico
- Philippines
- Singapore
- UK



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# Shaping jurisdictional journeys – Adoption Guide

- The Adoption Guide objective is to **facilitate consistent jurisdictional adoption approaches** while supporting jurisdictions to full application of IFRS S1 and IFRS S2
- Balance jurisdictional phasing-in with **need to achieve global consistency and comparability**
- **Set expectations** on scope of application of requirements in ISSB Standards and pace for the introduction of requirements
- Develop **principles for assessing jurisdictional adoption**
- Jurisdictions may consider providing **brief extensions of transition reliefs** beyond the provisions included in ISSB Standards to facilitate the first-time implementation of ISSB Standards

The **Adoption Guide** will consider:

- **legal standing of the jurisdictional requirements** to use ISSB Standards;
- focus on **publicly accountable entities (PAEs)**, listed on prime and main boards;
- focus on **consolidated information**;
- requirements to **remove optional treatments** and alternatives that are otherwise made available in IFRS Standards; and
- the ability of entities to **assert compliance with ISSB Standards** as issued by the ISSB.

# Investor materiality assessment now aligned between ISSB Standards and European standards (ESRS)

The Delegated Acts of 31 July 2023, which adopted final ESRS in the EU, align the definition of Financial Materiality with the ISSB's definition of materiality in that paragraph 48 of ESRS 1 states:

*“information is considered material for primary users of general-purpose financial reports if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that they make on the basis of the undertaking’s sustainability statement”.*

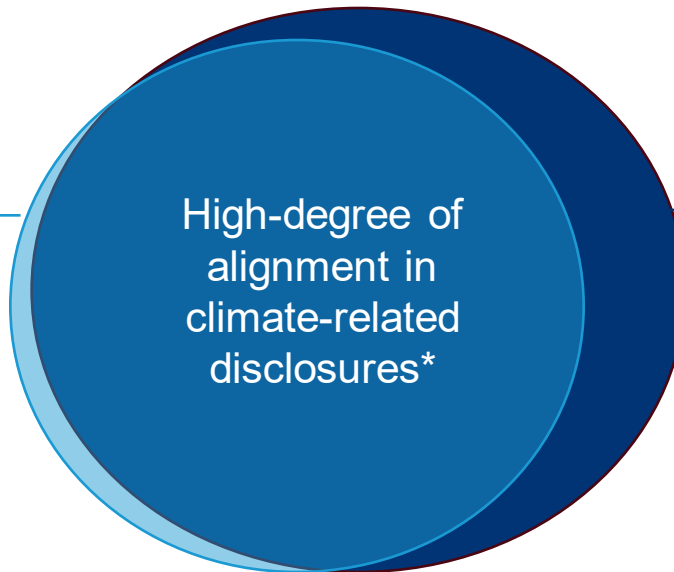


This alignment was an important change in the final Delegated Acts; critical to ensuring that ESRS and the ISSB Standards are fully interoperable and to limit the reporting burden on companies that will report based on both sets of standards.

# High degree of climate-disclosure alignment between ISSB Standards and European standards (ESRS)



**ISSB Standards:**  
additional requirements  
(eg financed emissions)



**ESRS:** additional requirements for stakeholders interested in impacts (that do not create risks or opportunities for a company's prospects) and information that if missing or obscured is not reasonably expected to affect investor decisions

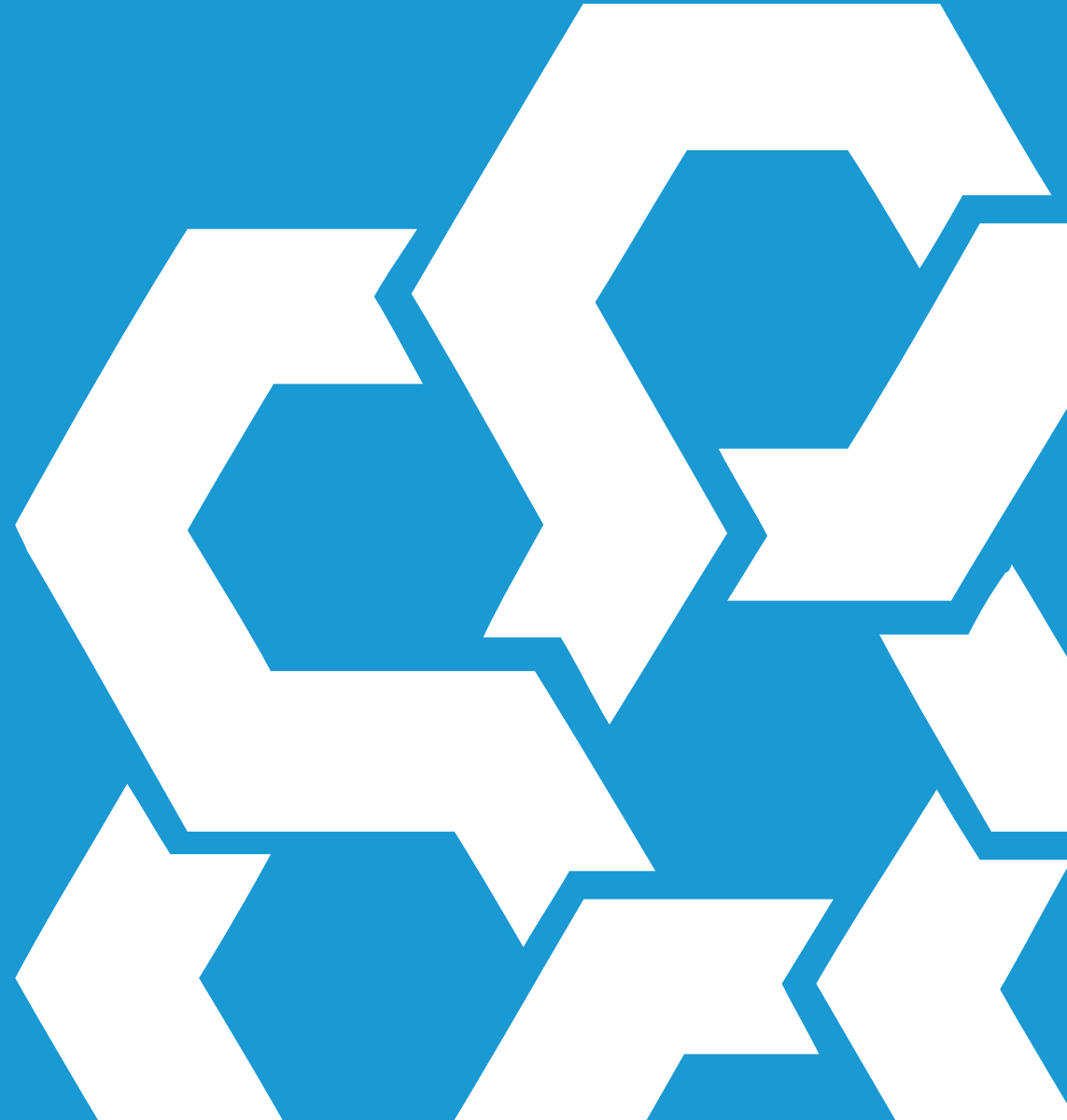


High-degree of alignment around disclosures to provide decision-useful information for investors on risk management and how dependencies and impacts create risks and opportunities for a company's financial position and prospects

\* The ISSB, the European Commission and EFRAG are discussing how to explain the alignment and interoperability between the respective standards, including the choices a company needs to make to enhance alignment and where the standards have specific requirements.

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# ISSB technical activities



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# Supporting implementation of IFRS S1 and IFRS S2

## Establishment of the Transition Implementation Group

- Composition of the Group announced in September 2023: 17 members, of which 13 preparers and 4 assurance providers; 3 official observers
- The frequency of the meetings of the Group depends on the volume and the complexity of the implementation questions submitted
- A submission log with the list of questions submitted to the group and the actions will be publicly available
- Meetings will be chaired by ISSB Vice-Chair – a total of 5 ISSB members will officially participate in the meetings

## Development of Knowledge Hub

- Free online resources to help preparers get ready for applying IFRS S1 and IFRS S2 (including an archive of key resources from consolidated organisations (IR, SASB and CDSB))

## Development of educational material for nature and social aspects of climate-related risks and opportunities

- Explain and illustrate how a company might apply some requirements in IFRS S2 to disclose information about some nature and social aspects of climate-related risks and opportunities

## Work on interoperability

- Developing material to support the interoperability of ISSB Standards with other relevant standards, including:
  - work on interoperability with European Sustainability Reporting Standards (ESRS)
  - work in relation to GHG emissions disclosures in the Global Reporting Initiative (GRI) Standards

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# Supporting implementation of IFRS S1 and IFRS S2 - project in the ISSB work plan

## IFRS Sustainability Disclosure Taxonomy

- **Objective:** enable digital reporting of IFRS S1 and IFRS S2 information
- **Current stage:** analysis of feedback on the Exposure Draft of the IFRS Sustainability Disclosure Taxonomy based on final IFRS S1 and IFRS S2, which was open for comment until 26 September 2023
- **Next step:** the ISSB will consider feedback on the proposals and the need for further changes before publishing the IFRS Sustainability Disclosure Taxonomy

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# Projects in the ISSB work plan (continued)

## International Applicability of the SASB Standards<sup>1</sup>

- **Objective:** ensure the SASB Standards can be used by international stakeholders to provide information beyond climate
- **Current stage:** in September 2023 the ISSB discussed the feedback on the Exposure Draft which proposed the methodology for updating references to jurisdiction-specific laws and regulations in the SASB Standards. In October 2023 a blackline was posted on the IFRS Foundation website for information before final publication.
- **Next step:** the SASB Standards Board Advisor Group will recommend amendments to the SASB Standards for ratification by the ISSB

## ISSB Consultation on Agenda Priorities

- **Objective:** determine strategic direction and balance of ISSB's activities, including assessment of potential new projects (biodiversity, ecosystems and ecosystem services, human capital, human rights, integration in reporting)
- **Current stage:** analysis of feedback on the Request for Information, which was open for comment until 1 September 2023
- **Next step:** discussion of feedback on the Request for Information and draft of work plan for a two-year period following the determination of the work plan

<sup>1</sup> The SASB Standards will serve as an important source of guidance to help companies produce relevant and comparable disclosures when applying IFRS S1 in the absence of specific disclosure requirements in an ISSB Standard.

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## Next steps





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# What will keep the ISSB busy in the next few months?

- Support implementation of IFRS S1 and IFRS S2
- Get IFRS S1 and IFRS S2 used
  - regulatory adoption, continuing working with jurisdictions, in coordination with IOSCO and FSB, and making available the Adoption Guide
  - voluntary application, continuing working with companies and investors
  - ensuring the market is aware and prepared (capacity building programme)
- Continue engagement on climate data, including working with the Jurisdictional Working Group
- Substantial presence at COP28
- Interoperability
  - GRI (technical work / capacity building / communications)
  - TNFD (nature-related disclosures)
  - IPSASB (public sector)
  - Basel Committee and International Association of Insurance Supervisors (climate disclosures)
- Progress projects on ISSB work plan

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