ISSB work

Richard Barker
Ravi Abeywardana
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#WSS2022
Presenters

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ISSB Member

Ravi Abeywardana
ISSB Technical Staff

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ISSB Technical Staff
COP26 announcement

1. Establish International Sustainability Standards Board (ISSB)
2. Consolidate Climate Disclosure Standards Board and Value Reporting Foundation (Integrated Reporting Framework and SASB Standards)
3. Publish general disclosure and climate prototypes as a precursor to ISSB proposals (exposure drafts)
Objectives

- Develop standards for global baseline of sustainability disclosures, and a digital taxonomy to enable electronic tagging
- Meet information needs of investors
- Enable companies to provide comprehensive sustainability information for global capital markets
- Facilitate addition of disclosures that are jurisdiction-specific / aimed at broader stakeholders.
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
Designed for communication to investors

Connectivity supported through the principles of integrated reporting.
ISSB composition – from *Constitution*

- The ISSB shall normally comprise 14 members but no fewer than eight members.
- A minority of ISSB members may be part-time members (the expression ‘part-time’ meaning that the members concerned commit most of their time to paid employment by the IFRS Foundation). The remaining members shall be full-time members.
ISSB composition cont.

• …the best available combination of technical expertise and diversity of international business and market experience, including auditors, preparers, users, academics and market or financial regulators. A broad base of skills, experience and perspectives is needed, therefore ISSB members may also have professional backgrounds that reflect a diverse range of expertise and roles that are relevant to sustainability.

• The main qualifications for membership of the ISSB shall be professional competence and recent relevant professional experience.
ISSB members

Emmanuel Faber
Chair

Sue Lloyd
Vice-Chair

Jingdong Hua
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
## ISSB members – geographical allocation

<table>
<thead>
<tr>
<th>Region</th>
<th>Constitution requirement</th>
<th>ISSB members</th>
</tr>
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<tbody>
<tr>
<td>Africa</td>
<td>1</td>
<td>Ndidi Nnoli-Edozien</td>
</tr>
<tr>
<td>Americas</td>
<td>3</td>
<td>Verity Chegar, Michael Jantzi, Elizabeth Seeger</td>
</tr>
<tr>
<td>Asia-Oceania</td>
<td>3</td>
<td>Bing Leng, Hiroshi Komori, Tae-Young Paik</td>
</tr>
<tr>
<td>Europe</td>
<td>3</td>
<td>Richard Barker, Jenny Bofinger-Schuster, Veronica Pountcheva</td>
</tr>
<tr>
<td>At large</td>
<td>4</td>
<td>Emmanuel Faber, Jingdong Hua, Sue Lloyd, Jeffrey Hales</td>
</tr>
</tbody>
</table>
Multi-location model

- In discussions to build Asia-Oceania footprint
# ISSB members – office base

<table>
<thead>
<tr>
<th>Office</th>
<th>Members based there</th>
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</thead>
<tbody>
<tr>
<td>Frankfurt</td>
<td>Emmanuel Faber, Sue Lloyd, Richard Barker, Jenny Bofinger-Schuster, Ndidi Nnoli-Edozien, Veronika Pountcheva</td>
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<tr>
<td>Montreal</td>
<td>Jeffrey Hales, Jingdong Hua, Michael Jantzi, Elizabeth Seeger</td>
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<tr>
<td>San Francisco</td>
<td>Verity Chegar</td>
</tr>
<tr>
<td>Tokyo</td>
<td>Hiroshi Komori</td>
</tr>
<tr>
<td>Other Asia-Oceania</td>
<td>Bing Leng, Tae-Young Paik</td>
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Due process for the ISSB

- ISSB to apply the due process specified in the *Constitution* plus the due process specified for the IASB in the *Due Process Handbook* as the ISSB’s processes mature
- DPOC will monitor the need for potential adaptations to the IASB’s due process for the ISSB in the interim
- DPOC will update the *Due Process Handbook* once the ISSB’s processes reach a sufficient degree of maturity—public consultation expected in 2023
Reporting System
IFRS Standards within the reporting system

Sustainability reporting (multi-stakeholder focus)

Sustainability-related financial disclosures (investor focus)

Financial reporting (investor focus)

Jurisdictional requirements / GRI Standards

Other GAAP

Integrated Reporting
IFRS Sustainability Disclosure Standards and GRI Standards

**Announcement of intent to collaborate**
IFRS Foundation and GRI announce Memorandum of Understanding in March 2022

**First step**
ISSB and GRI join each other’s consultative bodies related to sustainability reporting activities

**Future work plan**
Align, where possible, terminology, standards structure and metrics, helping to reduce the reporting burden for companies
## Integrated reporting resources – IFRS Foundation use

| Integrated Reporting Framework | The IASB and ISSB are jointly assume responsible for the Integrated Reporting Framework |
| Build on the Integrated Reporting Framework | The IASB and ISSB will work together to determine how to build on the Integrated Reporting Framework in their standard-setting work |
| Integrated Reporting & Management Commentary | The Boards will seek opportunities to further align the Integrated Reporting Framework and Management Commentary |
| Corporate Reporting Framework | The Boards envisage a long-term role for a corporate reporting framework |
Technical developments
Two proposed IFRS Sustainability Disclosure Standards

1. General Requirements

2. Climate
Proposed General Requirements Standard

Requires companies to provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value.

- 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
- 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

Disclosure of material information about significant 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.
Widespread interest

1,400+ responses overall

400+ outreach events during consultation period

Feedback from wide range of stakeholder groups

Wide geographic spread
Digital financial reporting
Over 90% of global market capitalisation now require some form of digital financial reporting (e.g. US, EU, UK, China, India, Japan).

By digitalising financial reports, information becomes machine-readable, allowing investors to access and analyse information efficiently.

Digital financial reporting provides opportunities to improve capital market efficiency and reduce cost of capital.

Over 90% of global market capitalisation now require some form of digital financial reporting (e.g. US, EU, UK, China, India, Japan).
Digital reporting

**Vision:** Decision-useful, high-quality, comparable and globally accessible digital financial reports.

**How we get there:**

- Global adoption of IFRS Standards
- Global adoption of IFRS Digital Taxonomies
- Assurance requirements and enforcer reviews
- Accessibility, including platforms to access digital reports

Staff request for feedback on IFRS Sustainability digital reporting is open to comment: 30th September deadline.
Advisory bodies
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<table>
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<tr>
<th>Strategic Advisory Groups</th>
<th>ISSB Advisory Groups</th>
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<tr>
<td>IFRS Advisory Council</td>
<td>Sustainability Standards Advisory Forum</td>
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<tr>
<td>Integrated Reporting and Connectivity Council</td>
<td>Investor Advisory Group</td>
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<td></td>
<td>Sustainability Consultative Committee</td>
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<td>Jurisdictional Working Group</td>
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<td>Technical Reference Group</td>
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IFRS Advisory Council

**Remit:** advise IFRS Foundation Trustees, IASB and ISSB on strategic matters

**Chair:** Bill Coen, former Secretary General of the Basel Committee on Banking Supervision

**Membership:** 50 representatives from organisations with an interest in international reporting – a broad range of stakeholder groups from around the world

**Observers:** European Commission, Japan Financial Services Agency, US SEC
Integrated Reporting and Connectivity Council

**Remit:** advise Trustees, IASB and ISSB on connectivity between the two boards' requirements and use of the Integrated Reporting Framework and Principles in standard-setting

**Chair:** Charles Tilley OBE, former CEO of the International Integrated Reporting Council and former CEO of the Chartered Institute of Management Accountants

**Membership:** a global group of regulators, investors, companies, standard-setters, the accounting profession, academia and NGOs – formerly IIRC and CDSB members
IFRS Sustainability Standards Advisory Forum

**Remit:** provide feedback to the ISSB’s technical standard-setting, helping ensure interoperability between the IFRS Sustainability Disclosure Standards and jurisdictional requirements

**Chair:** ISSB Chair / Vice-Chair

**Membership:** 12-16 members representing jurisdictional and regional bodies, providing a geographically balanced membership with global representation including a minimum of four members from emerging economies
ISSB Investor Advisory Group

**Remit:** provide strategic guidance to the ISSB on the development of IFRS Sustainability Disclosure Standards ensuring the investor perspective is considered in its standard-setting and encouraging use of the Standards

**Chair:** Richard Manley, Managing Director and Head of Sustainable Investing, CPP Investments

**Membership:** asset owners and asset managers with global investment portfolios from around the world – formerly SASB Investor Advisory Group
Sustainability Consultative Committee

**Remit:** advise on sustainability matters for the ISSB to consider and interdependencies between such matters

**Chair:** ISSB Chair/Vice-Chair

**Membership:** four permanent multilateral organisations (IMF, OECD, UN, WB) + other expert organisations / individuals
Jurisdictional Working group

**Remit:** platform for dialogue to enhance compatibility between the ISSB’s global baseline of sustainability disclosures and jurisdictional initiatives

**Chair:** ISSB Chair

**Membership:** Chinese Ministry of Finance, European Commission/EFRAG, Japan Financial Services Authority, UK Financial Conduct Authority, US SEC
ISSB Technical Reference Group (interim)

**Remit:** provide technical advice on current market practice, reporting and subject matter expertise to ISSB members and technical staff

**Membership:** subject matter experts from corporations, financial institutions and third parties, including those from former Climate Disclosure Standards Board and Value Reporting Foundation technical groups
Next steps and a recap on milestones
Next steps

- Complete discussions on consultation feedback around end of 2022
- Issue final Standards as early as possible in 2023
- Consult on proposed digital taxonomy once Standards are issued
- Consult on future priorities
Observe ISSB’s meetings

- w/c 17 October (Montreal)
- w/c 14 November (Frankfurt)
- w/c 12 December (Montreal)

Observe online:

ifrs.org/news-and-events/calendar

- papers published a week in advance
- summary published within a week
Advisory group meetings

15 September: 
inaugural meeting of Sustainability Consultative Committee

10 November: 
inaugural meeting of Connectivity and Integrated Reporting Council

Access meeting papers and summaries + observe online: 
ifrso.org/news-and-events/calendar
Recap on milestones

- COP26: ISSB created
- Chair
- Vice-Chair
- 6 ISSB members
- 2 ISSB members + 3 ISSB members
- Inaugural ISSB meeting
- Exposure drafts
- Digital taxonomy staff draft
- ED comment deadline
- Digital taxonomy feedback deadline
- CDSB consol.
- Frankfurt MoU + GRI MoU
- Montreal MoU (private)
- Montreal MoU (public)
- VRF consol.
“The G7 welcomes the inauguration of the ISSB and its progress of work on the global baseline of sustainability reporting standards. We [...] call on all relevant stakeholders to participate in the ongoing consultation on the proposed standards.”

G7 Communique, 20 May 2022
“Support the work of the International Sustainability Standards Board (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.”

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