



IFRS[®]
Foundation

World Standard-setters Conference 2024

**Adoption or other use of
ISSB Standards**

#WSS2024



Presenters



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Affairs

Agenda

- 1 IFRS Foundation support for the adoption or other use of ISSB Standards
- 2 Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards
- 3 Jurisdictional developments
- 4 Supporting the global baseline through digital reporting and the Taxonomy
- 5 Regulatory Implementation Programme
- 6 Interoperability

IFRS Foundation support for the adoption or other use of ISSB Standards



Making ISSB Standards the global baseline



ISSB

provide comprehensive global baseline through Standards



IOSCO

endorses the ISSB Standards recommending adoption



Audit standard-setters

enhance and develop assurance standards



Jurisdictions

require by adopting the Standards



Market participants

voluntarily opt to apply the Standards

Four-pillar strategy to support the adoption or other use of ISSB Standards

Proportionality and guidance
built into
IFRS S1 and IFRS S2

Transition reliefs

Inaugural Jurisdictional Guide for the
adoption or other use of ISSB Standards

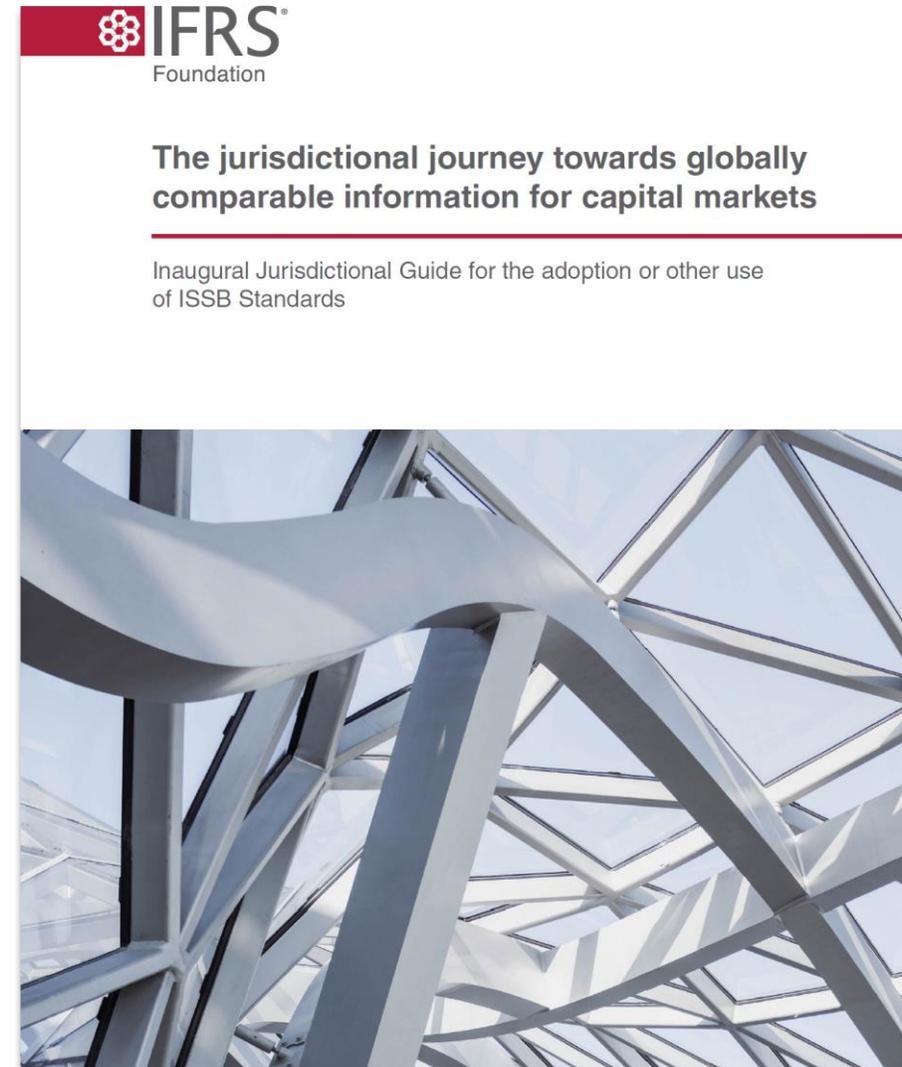
Additional support –
including capacity building
for entities, regulators and other relevant
authorities

Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards



Inaugural Jurisdictional Guide

- Objective: to promote globally consistent and comparable sustainability-related disclosures for capital markets by:
 - ✓ Supporting jurisdictions as they design and plan their journey to the adoption or other use of ISSB Standards
 - ✓ Providing transparency on jurisdictional progress towards the adoption or other use of ISSB Standards and help market participants understand emerging jurisdictional approaches



‘Adoption or Other Use of ISSB Standards’

- Involve the **adoption or other use of IFRS S1 and IFRS S2 directly**
- Involve the introduction of local sustainability-related disclosure requirements (or standards) designed to deliver **functionally aligned outcomes** to those resulting from the application of IFRS S1 and IFRS S2

Benefits of transparency on jurisdictional approaches

iosco

Support IOSCO's monitoring on the adoption or other use of ISSB Standards and its capacity building initiatives



Support regulators:

- **prepare** for the adoption or other use of ISSB Standards, including considerations on scalability and phasing-in
- **identify peers** following similar jurisdictional approaches
- **understand** how emerging disclosure requirements support global consistency and comparability



Support investors' understanding of jurisdictional approaches to help them assess, compare and price sustainability-related risks and opportunities

Support the IFRS Foundation identifying capacity building needs across different stakeholder groups, including regulators, and coordinate its own efforts

Jurisdictional profiles

Jurisdictional profiles will provide information for jurisdictions that have already taken, are in the process of, or are taking, steps towards the adoption or other use of ISSB Standards or the introduction of other sustainability-related disclosures

1 Stated jurisdictional target

- Requirements that are planned to become effective or to be introduced in the future

2 Most up-to-date status

- Most up-to-date status of a jurisdiction's sustainability-related disclosure requirements

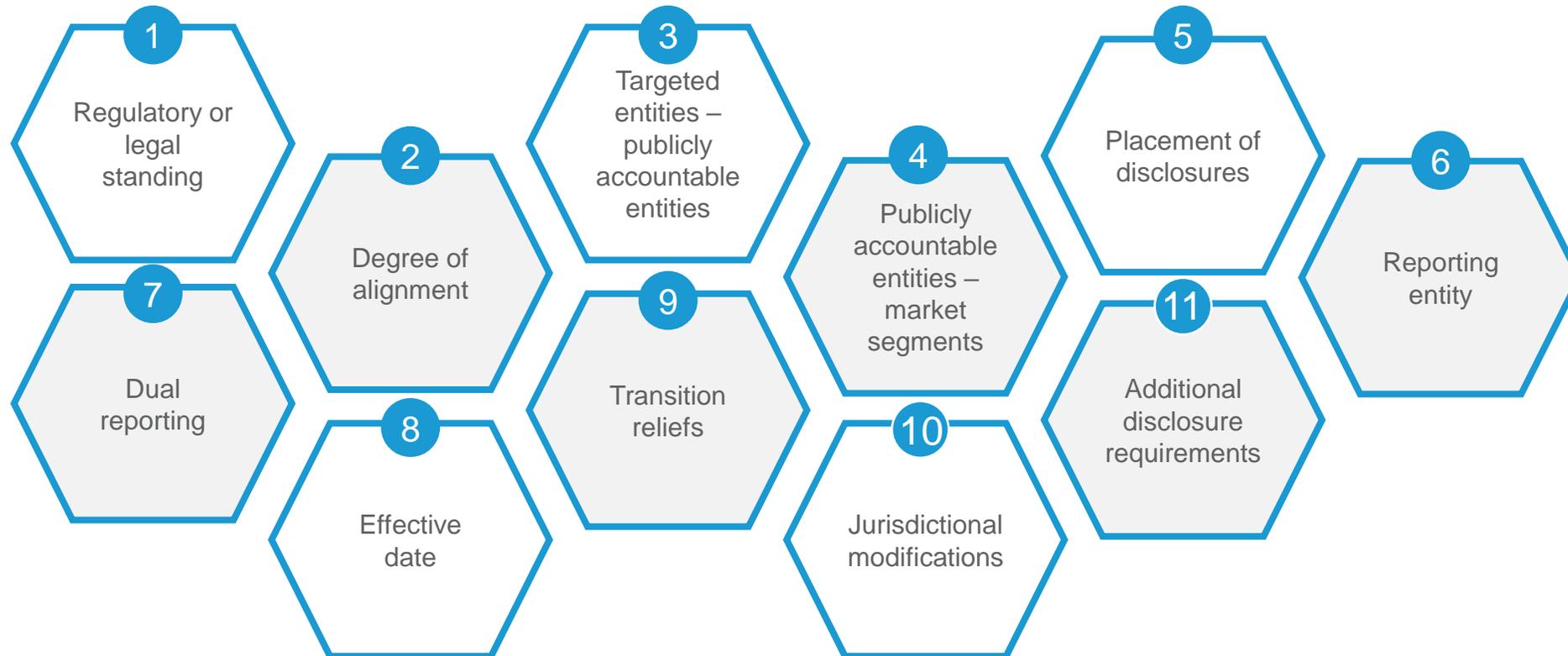
Informed by
bilateral
discussions with
jurisdictions

Developed based
on **publicly**
announced
roadmap/legislation

Covers **scalability**
and **transition**
reliefs

Updated as reliefs
expire or as
jurisdiction updates
roadmap

Features of jurisdictional approaches



Features of jurisdictional approaches

2

Degree of alignment

Extent to which ISSB Standards are fully transposed into regulatory frameworks or, if not fully transposed, the degree of alignment of local standards and ISSB Standards

3

Targeted entities – publicly accountable entities

Extent to which requirements are applicable to **all or most domestic publicly accountable entities**

4

Publicly accountable entities – market segments

When applicable, extent to which requirements are applied to **first** (prime, premium or senior) and **second** (standard) **tiers of publicly accountable entities**

Features of jurisdictional approaches

9

Transition
reliefs

Extent and nature of phasing in of specific requirements in ISSB Standards and extensions of transition standard reliefs (referred to as ‘transition adoption reliefs’)

10

Jurisdictional
modifications

Extent and nature of jurisdictional modifications. Jurisdictional modifications are defined as changes to or exemption from requirements in ISSB Standards other than transition adoption reliefs

11

Additional
disclosure
requirements

Whether additional disclosures introduced into requirements **obscure** information required by ISSB Standards

Jurisdictional approaches

Committing to adoption or other use of ISSB Standards

- Jurisdiction has issued a **public policy statement of intent** to adopt or otherwise use ISSB Standards in the foreseeable future
- Credible **roadmap to full achievement of the defined target outcome**

Permitting the use of ISSB Standards

- Jurisdiction has made a decision and set a jurisdictional target to introduce regulation that **expressly permits and encourages the use of IFRS S1 and IFRS S2 (or requirements with functionally aligned outcomes)** or has introduced this permission in its regulation
-

Jurisdictional approaches (continued)

Partially incorporating ISSB Standards

- Jurisdiction has introduced requirements that **include specific content** of IFRS S1 and IFRS S2, **but with modifications** such that the requirements are not designed to deliver functionally aligned outcomes, including:
 - **Changes** to or **exemptions** to requirements in IFRS S1 and IFRS S2
 - Adoption of IFRS S2 (or requirements with functionally aligned outcomes to IFRS S2) **without adopting (the climate-relevant portions of) IFRS S1** (or without introducing requirements with functionally aligned outcomes to IFRS S1)
-

Jurisdictional approaches (continued)

Adopting ISSB Standards with extended transition

- Jurisdiction has **phased in the introduction of** IFRS S1 and IFRS S2 (or requirements with functionally aligned outcomes), **with extension of transition standard reliefs within 3-5 years; or**
- Jurisdiction has introduced transition relief from any reference to **SASB Standards in the application of IFRS S1 (relief removed within 3-5 years) but requires entities to provide industry-specific information**

Adopting ISSB Standards with limited transition

- Jurisdiction has an **accelerated phased-in adoption of** IFRS S1 and IFRS S2 (or requirements with functionally aligned outcomes), targeting full adoption **with extension of transition standard reliefs within 1-3 years**
 - **Extensions of transition standard reliefs** limited to: i) 'climate-first', (ii) timing of reporting, (iii) GHG Protocol, and (iv) Scope 3 GHG emissions
-

Jurisdictional approaches (continued)

Adopting climate requirements in ISSB Standards

- Jurisdiction has **fully and comprehensively adopted IFRS S2 and (the climate-relevant portions of) IFRS S1** (or local climate-related requirements designed to deliver functionally aligned outcomes to those resulting from the application of IFRS S2 in combination with the climate-relevant portions of IFRS S1)
 - **Without introducing extensions of transition standard reliefs**
-

Jurisdictional approaches (continued)

Fully adopting ISSB Standards

- Jurisdiction has introduced **a legislative or regulatory requirement** for **all or most domestic publicly accountable entities** to apply IFRS S1 and IFRS S2, or requirements with functionally aligned outcomes, for **consolidated** sustainability-related financial information **as part of general purpose financial reports with no additional ongoing transition reliefs**
 - Describes: (i) jurisdictions that have directly adopted IFRS S1 and IFRS S2, or (ii) jurisdictions that have introduced requirements with functionally aligned outcomes
 - Also describes jurisdictions that have introduced **sustainability-related disclosure requirements that go beyond the disclosure requirements of IFRS S1 and IFRS S2**, provided that they have also introduced requirements with functionally aligned outcomes
 - Mutually agreed **interoperability guidance** can be an effective means of communicating how disclosures can be prepared to deliver functionally aligned outcomes
-

Assertion of compliance with ISSB Standards

1

With ISSB Standards

Only possible for entities that **comply with all the requirements** in ISSB Standards

2

With climate-related requirements in ISSB Standards

To facilitate investors' understanding, **entities that comply with all the requirements in IFRS S2 and with the climate-relevant provisions in IFRS S1**, including in jurisdictions adopting climate-requirements in ISSB Standards can state they comply with climate-requirements in ISSB Standards

Functionally aligned outcomes

Requirements (or standards) designed to deliver ‘functionally aligned outcomes’ provide the same information and outcomes on sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity

- Need to meet the criteria articulated in the Conceptual Foundations, Core Content and General Requirements in IFRS S1, among other things
- Determination needs to be made on a **case-by-case basis** and subject to a holistic **review of all the features** in local requirements (or standards)
- Focus is on **outcomes** not form

Jurisdictional developments



Jurisdictions taking steps towards ISSB Standards

More than 20 jurisdictions have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks.

Together, these jurisdictions account for:

~55%

of global **gross domestic product (GDP)**

40%+

of **global market capitalisation**

50%+

of **global greenhouse gas emissions**

Jurisdictional progress towards the adoption or other use of ISSB Standards

Americas	Asia-Oceania		EMEA	
Bolivia	Australia	Pakistan	EU	Tanzania
Brazil	Bangladesh	Philippines	Ghana	Türkiye
Canada	China	Singapore	Kenya	Uganda
Chile	Hong Kong SAR	South Korea	Nigeria	UK
Costa Rica	Japan	Sri Lanka	Switzerland	
El Salvador	Malaysia	Chinese Taipei		

This list of jurisdictions is based on information available to the IFRS Foundation as of 10 September 2024. A list of ongoing and completed jurisdiction consultations on sustainability-related disclosures is available:

[ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdiction-consultations-on-sustainability-related-disclosures](https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdiction-consultations-on-sustainability-related-disclosures)

Supporting the global baseline through digital reporting and the Taxonomy



Digital financial reporting can enhance capital market efficiency and transparency

Investors benefit from



Automated data collection and reduced search costs



Expanded population of possible investment targets

Companies benefit from



Increased investor coverage and access to capital, including foreign investment

Regulators benefit from



Technology-driven monitoring and enforcement reviews

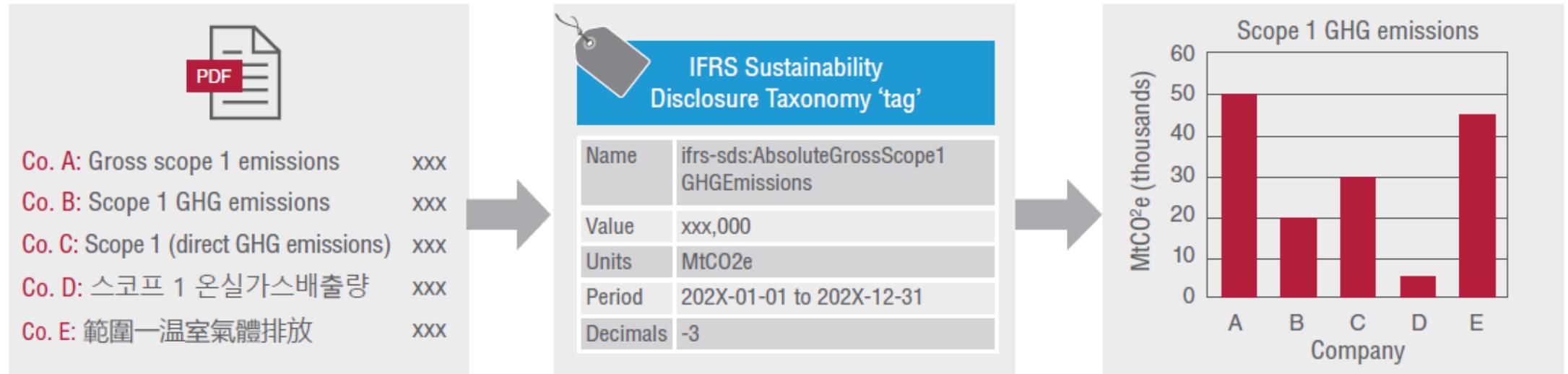


Improved data sharing between regulators and government agencies

+ more

Supporting investors' use of ISSB disclosures in a digital format

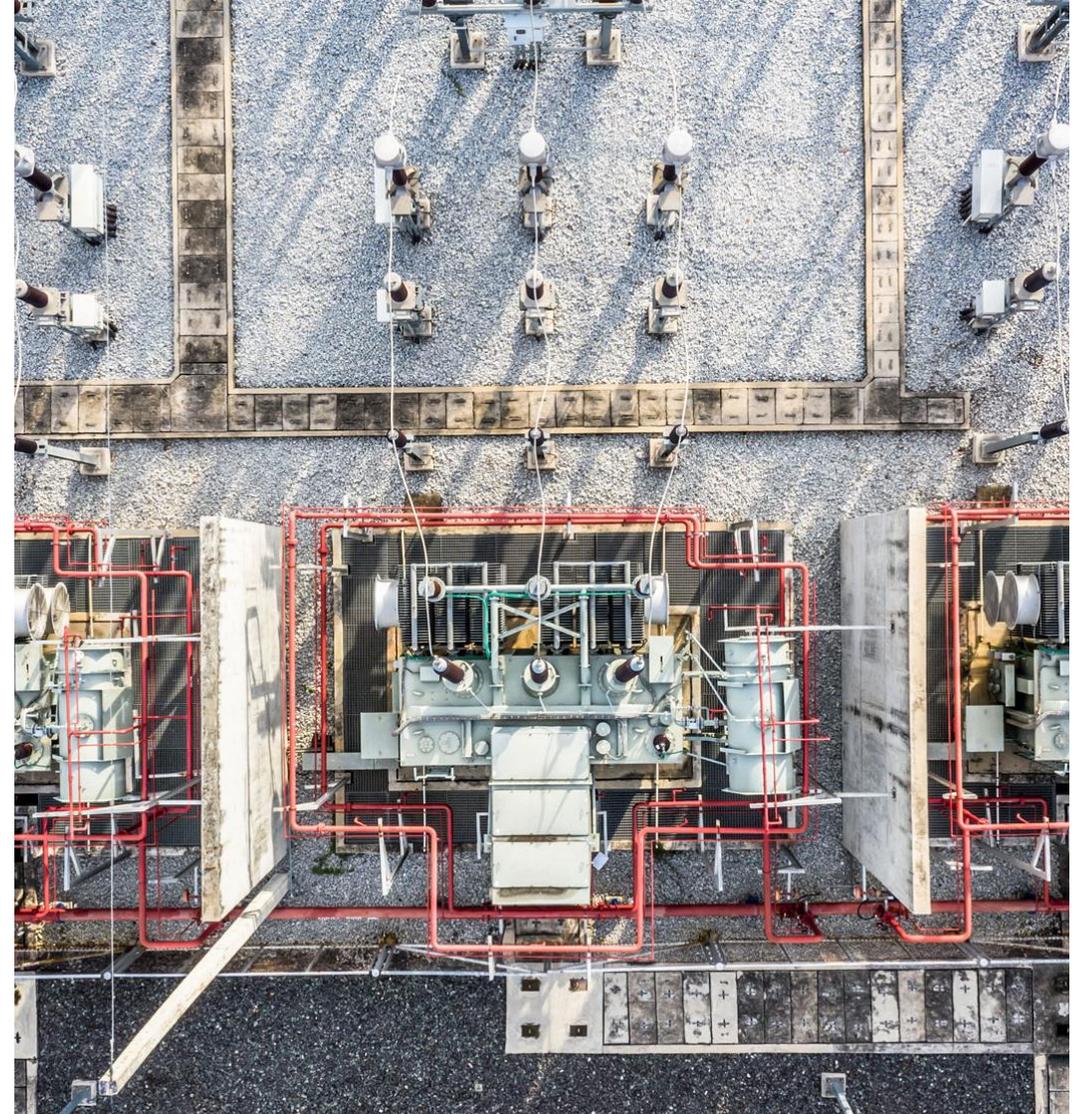
The ISSB Taxonomy provides the common elements (or 'tags') needed to make sustainability-related financial disclosures computer-readable



The ISSB Taxonomy reflects the requirements and accompanying materials of the ISSB Standards. **It does not introduce any new requirement.**

Supporting the global baseline through tagging

- Like the ISSB Standards, the ISSB Taxonomy is designed to be used as a global baseline and enable jurisdictions to build on that global baseline—facilitating digital comparability
- The ISSB Taxonomy:
 - Can be **directly used** by a jurisdiction that adopts the ISSB Standards
 - Can be **built on** to accommodate additional jurisdictional requirements by a jurisdiction that builds on the ISSB Standards
 - If necessary, can **support the interoperability** of the ISSB Standards with other sustainability standards—enabling common information to be identified so that investors can clearly identify the global baseline



Materials for supporting implementing and using IFRS digital taxonomies

- Introductory article [Digital financial reporting—Facilitating digital comparability and analysis of financial reports](#) provides a **starting point** for digital financial reporting and the IFRS digital taxonomies
- A [guide for regulators, welcomed by IOSCO](#), helping with the implementation of the IFRS digital taxonomies in a manner that supports cross-border digital comparability and analysis of information prepared in accordance with IFRS Standards.



Regulatory Implementation Programme



Regulatory Implementation Programme

- **Vehicle** to assist regulators as they design and plan their approaches to adopt or otherwise use ISSB Standards
- Role of the IFRS Foundation is to **ensure availability of appropriate materials** to support adoption and application of ISSB Standards
- **Cooperation** with international bodies and partners, including IOSCO, multilateral development banks and other regional bodies, private sector
- **Leverage on global reach** and **experience of partners** to act as multiplier to deliver support for jurisdictions

May 2024

Regulatory Implementation Programme Outline

At a glance

The [Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards](#) (the *Jurisdictional Guide*) and this *Regulatory Implementation Programme Outline* (Outline) are being published shortly before the one-year anniversary of the International Sustainability Standards Board (ISSB) issuing its inaugural IFRS Sustainability Disclosure Standards (ISSB Standards). IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* were issued in June 2023.

In July 2023, the International Organization of Securities Commissions (IOSCO) endorsed the ISSB Standards and called on its members to consider ways in which they might 'adopt, apply or otherwise be informed by'

capital or with cross-border activities that, due to extraterritorial regulatory measures, could be subject to sustainability-related disclosure requirements in other jurisdictions.

Jurisdictional progress towards establishing the global baseline for sustainability-related disclosures through ISSB Standards can ease the burden of regulatory fragmentation. Adopting or otherwise using ISSB Standards can deliver a passporting mechanism to mitigate various potentially inconsistent reporting regimes that can affect companies preparing disclosures and investors making investment decisions. The costs and quality of functions supporting the reporting ecosystem, such as assurance and other consulting or advisory expert services, may also be affected by the degree of global consistency in

Objectives of the Regulatory Implementation Programme

- **Inform** regulators and other relevant authorities of considerations and outcomes relevant to the adoption or other use of ISSB Standards
- **Outline** policy rationale for the adoption of other use of ISSB Standards
- **Provide clarity** on descriptions of jurisdictional approaches
- Programme aims to **provide tools, materials and instruments useful for** jurisdictions at each stage of their adoption journey
- Materials aimed to **support and guide partners' jurisdictional initiatives**
- Programme materials to be **developed as needs are identified**

Illustrative phases of the jurisdictional journey

<p>1 Becoming familiar</p>	<p>Jurisdiction builds awareness and understanding of ISSB Standards: regulators, entities and investors develop an understanding of the value proposition and build familiarity with the Standards.</p>
<p>2 Assessing the case</p>	<p>Jurisdiction assesses the case for adoption: in consultation with entities and investors, assess the case for adoption or other use of ISSB Standards and consider market readiness.</p>
<p>3 Developing a roadmap</p>	<p>Jurisdiction develops a plan, or ‘roadmap’, for adoption: regulators, in consultation with entities and investors, develop a roadmap for the adoption or other use of ISSB Standards setting out the key features of the proposed regime.</p>
<p>4 Executing the roadmap</p>	<p>Jurisdiction introduces sustainability-related disclosure requirements in a single or multiple steps in accordance with the roadmap: regulators execute the roadmap, introducing measures to give effect over time to the Standards in the legal and regulatory framework. The journey includes the full implementation of the strategy.</p>

How partners can complement efforts by IFRS Foundation

IFRS Foundation deliverables



Educational materials that deepen understanding of ISSB Standards

Materials that guide partners' initiatives to ensure comprehension of ISSB Standards

Policy rationale materials that articulate target outcomes

Capacity building modules

Guidance on adoption, licensing and translations

Jurisdictional profiles



Role of partners

Disseminate content and educational materials

Host, facilitate and support financially meetings and events

Provide technical assistance to develop pathways and regulations

Support development of readiness assessment tools

Support translations

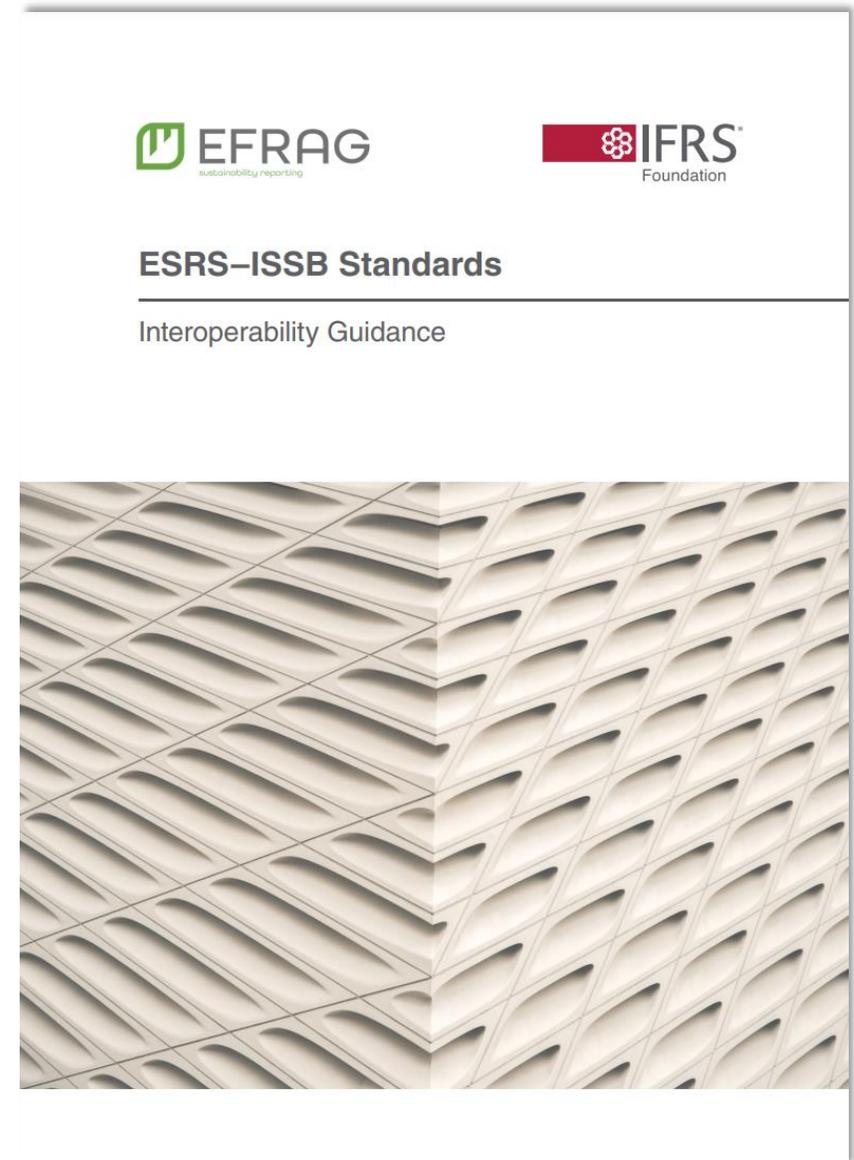
Create forums for information sharing, including on adoption experiences

Interoperability



ESRS – ISSB Standards Interoperability Guidance

- **Provides practical support** that explains how companies can efficiently comply with both sets of standards.
- Illustrates the **high level of alignment** achieved between ISSB Standards and ESRS
- Describes alignment of general requirements including key concepts such as **materiality, presentation and disclosures** for sustainability topics other than climate
- Includes **detailed analysis of climate-related disclosures**
- Explains why companies will **still need to use both** sets of standards, but makes it **easier to navigate** doing so



How we improved interoperability

Both the ISSB and the European Commission and EFRAG **made changes to their standards to improve interoperability** – for example:

- **aligned definition** of CO2 equivalent (consistent with the GHG Protocol)
- **aligned wording** for ‘anticipated financial effects’

Reciprocal references in both ISSB Standards and ESRS:

- ISSB Standards refer to ESRS as a **source of guidance** to identify what information to disclose for matters other than climate, to the extent it meets investor information needs
- ESRS refer to **IFRS industry-based guidance** – including the SASB Standards - to help companies complement disclosures prepared based on the topical ESRS



ISSB Standards: ←

Additional requirements
(eg financed emissions)



ESRS:

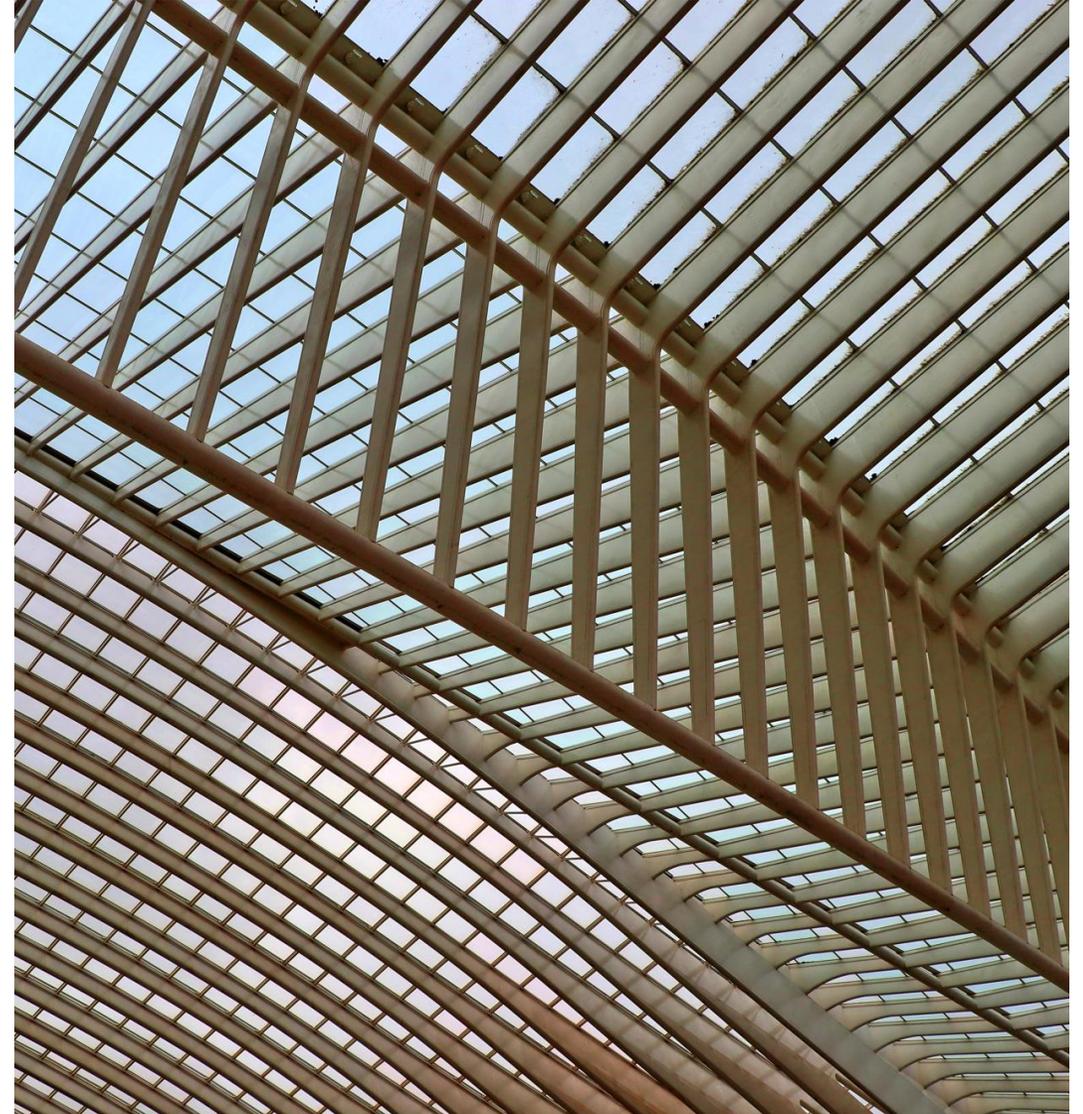
Additional requirements for stakeholders interested in impacts (that do not create risks or opportunities for a company's prospects) and information that if missing or obscured is not reasonably expected to affect investor decisions

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

* IFRS Foundation and EFRAG have published interoperability guidance material: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/esrs-issb-standards-interoperability-guidance.pdf>

Using both ISSB Standards and ESRS

- Many companies are expected to choose—or be required—to **apply both** ESRS and ISSB Standards
- As jurisdictions around the world introduce the ISSB Standards as a global baseline, companies will be **better prepared to meet disclosure requirements around the world**
- The high-degree of alignment between ISSB Standards and ESRS **reduces complexity and duplication** for companies applying both
- ISSB Standards facilitate decision-useful information targeted at capital markets enabling **global comparison for investors**



Ongoing interoperability

Future interoperability work with EU

- Interoperability is **embedded** in the ISSB's future standard-setting
- ISSB will continue to work with EFRAG and the European Commission to ensure ongoing interoperability of relevant respective requirements
- In future this will focus on:
 - **Sector-based standards;**
 - **Digital reporting;** and
 - Research projects on **biodiversity, ecosystems and ecosystem services, and human capital**

ISSB meeting

Date **July 2024**
Project **Work plan**
Topic **Embedding interoperability in the ISSB's ongoing activities**
Contacts **Samuel Prestidge (sprestidge@ifrs.org)**

This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board (ISSB). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

Purpose

1. The purpose of this paper is to provide the International Sustainability Standards Board (ISSB) with:
 - (a) background on the ISSB's work on interoperability thus far;
 - (b) an overview of the role of interoperability in the context of the ISSB's objective of developing standards that provide a global baseline of sustainability-related information for capital markets and supporting the adoption of the ISSB Standards; and
 - (c) the staff view on how we intend to embed interoperability into the ISSB's ongoing technical activities.
2. The staff welcomes input from the ISSB into how:
 - (a) the ISSB's ongoing consideration of interoperability relates to but is distinct from:
 - (i) the strategy to support the adoption of the ISSB Standards globally; and
 - (ii) the ISSB's work to identify opportunities to build on existing sustainability disclosure standards or frameworks.

Sector-specific standards

- EFRAG's **priority is implementation support** for those adopting sector-agnostic ESRS
- Nonetheless, EFRAG is working on the development of **sector-specific standards** over the next few years
- ISSB is **engaging with EFRAG** on the relevance of the SICS to EFRAG's sector-specific standards
- The ISSB encourages the use of the **SASB Standards** as a basis for EFRAG's sector-specific standards
- ISSB **encourages alignment** between the two sets of standards

EFRAG's priority sectors



Oil and gas



Mining,
quarrying and
coal mining



Road
transport



Textiles, accessories,
footwear and jewellery



Financial
institutions



Agriculture, farming
and fishing



Motor
vehicles



Energy production
and utilities



Food &
Beverage

ISSB and the Global Reporting Initiative

Background

- GRI Standards help companies meet the information needs of a **broad range of stakeholders** about an organisation's **impacts**.
- ISSB and GRI collaboration seeks to deliver **full direct interoperability**
- **12,000+ companies** that apply GRI Standards will be able to plug into ISSB Standards
- Companies in **20+ jurisdictions** on the journey towards using ISSB Standards will be able to plug into GRI Standards
- Interoperability between ISSB and GRI standards **supports interoperability between ISSB Standards and ESRS** as GRI Standards and ESRS are aligned

Ongoing interoperability work

- Interoperability work starting with GRI 101 **Biodiversity** Standard and ISSB's project on Biodiversity, Ecosystems and Ecosystem Services
- Committed to **jointly identify and align common disclosures** that address information needs under the distinct scopes and purposes of respective standards for both thematic and sector-based standard-setting
- GRI has established a **sector program** to develop standards for 40 sectors. To date, GRI has released four sector standards. The ISSB's work to enhance the **77 industry-based SASB Standards** will support interoperability with GRI's sector work

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