

# Update on the establishment of the ISSB

Emerging Economies Group Meeting

EEG Agenda Paper 3  
December 2021



1. Formation of the International Sustainability Standards Board (ISSB)



2. Consolidation with Climate Disclosure Standards Board (CDSB) & Value Reporting Foundation (VRF)



3. Publication of climate and general disclosure prototype requirements

Creates the necessary institutional arrangements and technical groundwork for a global sustainability standard-setter for the financial markets

# 1. ISSB



Develop global baseline of sustainability disclosure standards



Focus on meeting the information needs of investors



Will enable companies to provide comprehensive sustainability information for the global capital markets



Facilitate compatibility with requirements that are jurisdiction-specific or aimed at a broader group of stakeholders

# 2. Consolidation with VRF & CDSB

Becomes part of the IFRS Foundation



Climate Disclosure Standards Board

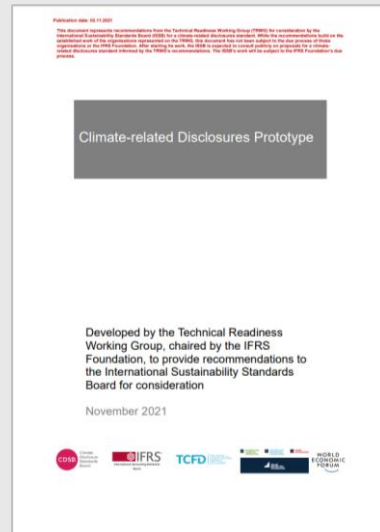


Additional members of Technical Readiness Working Group

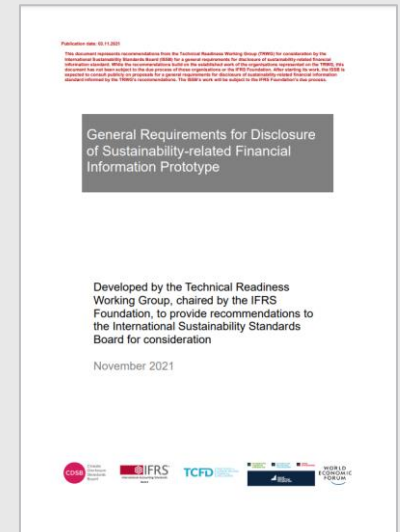


# 3. Publication of prototype requirements

## Climate-related Disclosures



## General Requirements for Disclosure of Sustainability-related Information



- Recommendations – Technical Readiness Working Group to ISSB
- ISSB to consider as part of initial work programme

# COP26 Statement

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“ Finance Ministers and Central Bank Governors from 40+ jurisdictions\* from 6 continents joined the UK in publicly welcoming the announcement of the establishment of the ISSB and its work programme to develop a set of internationally consistent, high-quality, and reliable baseline standards for disclosure of sustainability-related information on enterprise value creation.

\* Australia, Brazil, Canada, Chile, China, Costa Rica, Egypt, Ethiopia, European Commission, Fiji, France, Germany, Greece, Guatemala, India, Indonesia, Italy, Jamaica, Japan, Kenya, South Korea, Luxembourg, Maldives, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Paraguay, Philippines, Russia, Saudi Arabia, Seychelles, Singapore, Spain, Switzerland, Tonga, Turkey, UK, Uruguay, USA

# Global baseline approach

## Sustainability reporting (broader multi-stakeholder focus)

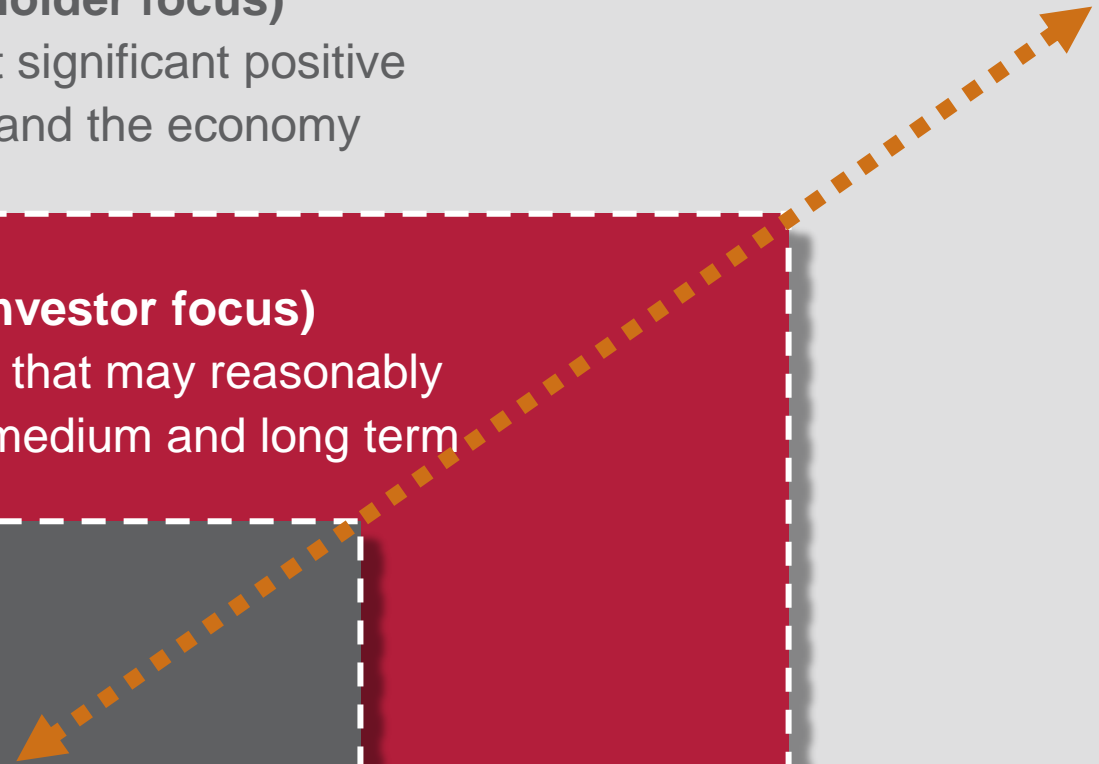
Reporting on all sustainability matters that reflect significant positive or negative impacts on people, the environment and the economy

## Sustainability-related financial disclosures (investor focus)

Reporting on those sustainability-related matters that may reasonably create or erode enterprise value over the short, medium and long term

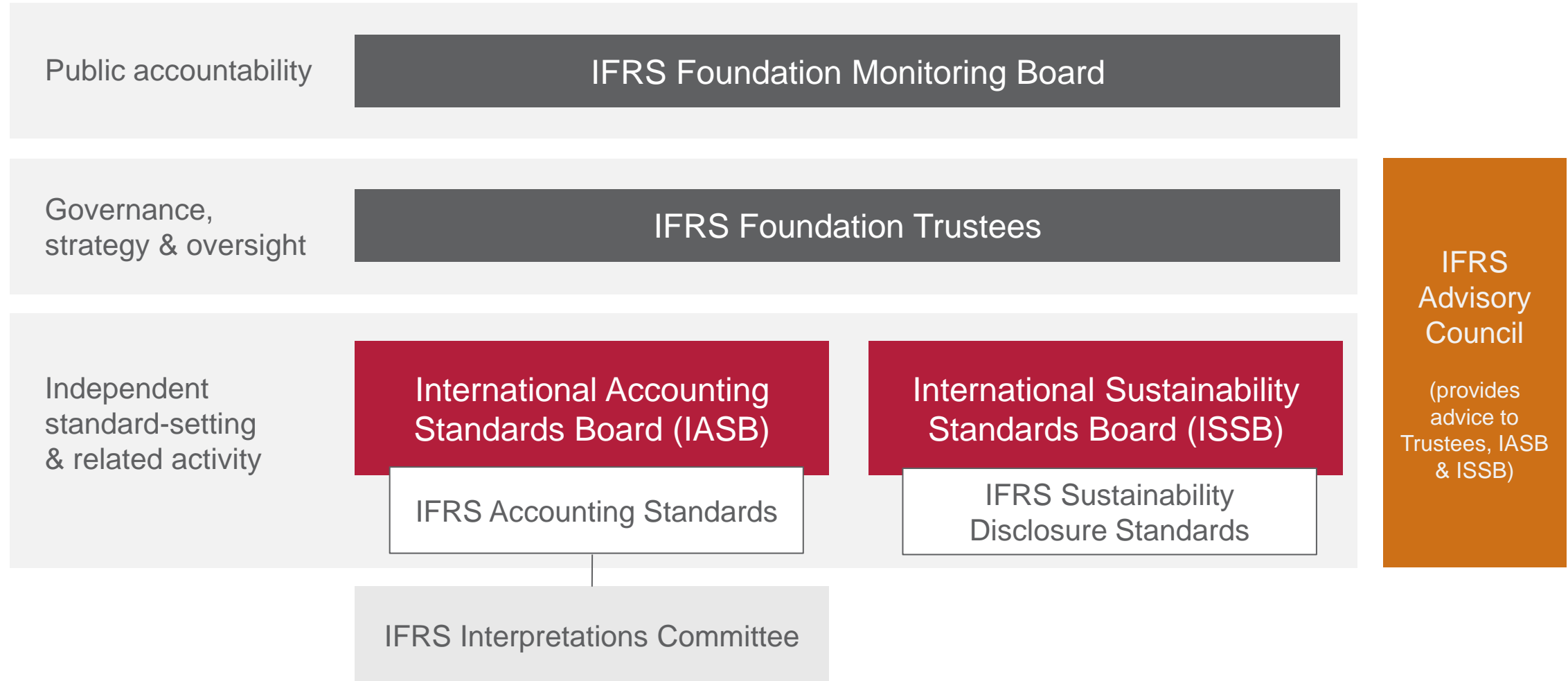
## Financial reporting (investor focus)

Reflected in monetary amounts in the financial statements



# ISSB within IFRS Foundation Governance structure

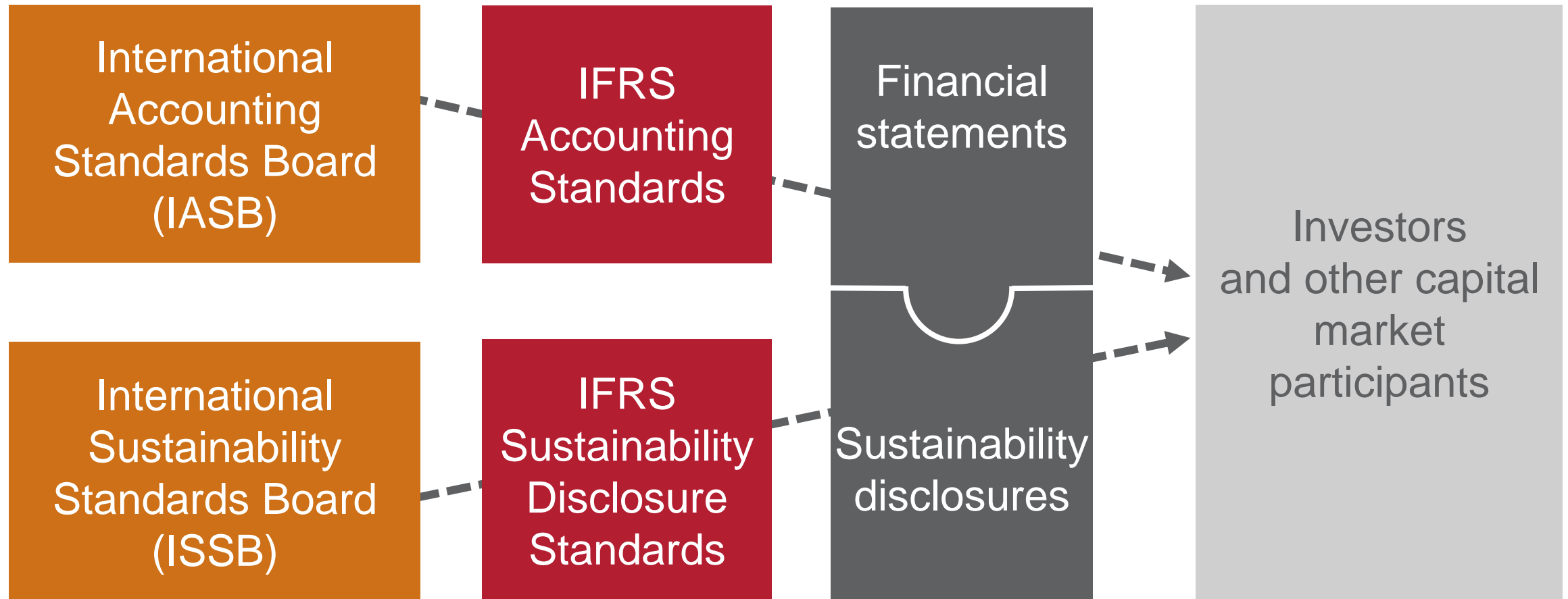
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# Compatible standards to meet investors' needs

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# ISSB composition

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14 board  
members



Majority  
full-time



Diversity in  
expertise and  
experience



Geographical  
balance

Global footprint through multi-location presence

Coverage across the Americas, Asia-Oceania and EMEA (Europe, the Middle-East & Africa)

- Frankfurt & Montreal to host key functions, cooperation with regional stakeholders
- Frankfurt to serve as seat of the ISSB and office of the Chair
- San Francisco & London to provide technical support and platforms for market engagement
- Further discussions with Beijing and Tokyo to finalise Asia-Oceania footprint

Engagement with developing and emerging economies a priority

# Informed by expert advice

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## Sustainability Consultative Committee

- Technical expert advice to the ISSB
- Multilateral institutions & other technical experts

## Sustainability Standards Advisory Forum (TBC)

- Formal mechanism for jurisdictional engagement
- Membership TBC, representing all regions, both developed, developing and emerging economies

## IFRS Advisory Council

- Mandate extended to include strategic advice to ISSB (in addition to Trustees & IASB)
- Approx. 50 members representing cross-section of key stakeholder organisations

# Steps to achieving global capital market standards

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ISSB



Comprehensive  
global baseline  
of standards

IOSCO



Assess  
standards with  
a view to  
recommend  
adoption

Audit standard-setters



Develop  
assurance  
standards

Jurisdictions



Require by  
adopting or  
incorporating  
standards

# Next steps

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Appointments	Chair, Vice-Chair(s), remaining ISSB members
Consultations	Proposed climate and general disclosure standards, work plan and future priorities (due process)
Advisory groups	Appoint members to technical and jurisdictional groups
Consolidation	Complete consolidation with CDSB and VRF
Location	Implement multi-location approach for global footprint



Continue applying existing frameworks



Get familiar with the prototypes – early indication of direction of travel



Be ready to share your views – public consultation early 2022



Sign up for alerts – [ifrs.org/sustainability](https://ifrs.org/sustainability)

A grayscale world map is the background, showing continents and a grid of dotted lines. Overlaid on the left side are several thick, curved, overlapping lines that sweep across the map from the bottom left towards the top right.

# Engaging with Emerging Economies



- Engagement with emerging economies will be key to the success of the ISSB establishing a comprehensive global baseline of sustainability-related disclosure standards which has been illustrated in the Trustees press release upon the announcement of the ISSB and has been highlighted by many stakeholders including the G20 Sustainable Finance Working Group

## Recommendations on overcoming information challenges by improving sustainability reporting and disclosure

1. G20 to welcome the work program of the International Financial Reporting Standards (IFRS) Foundation.
2. The International Sustainability Standards Board (ISSB) should develop a baseline global sustainability reporting standard while allowing flexibility for interoperability with national and regional requirements.
3. Start from climate and extend to other sustainability factors over time. The ISSB should take a 'climate first' approach in the near term, based on the Taskforce on Climate-related Financial Disclosures (TCFD) framework, in developing the reporting standards. However, the ISSB should develop standards covering other sustainability topics, which could include nature, biodiversity, and social issues.
4. Enhance efforts on capacity building for SMEs and emerging markets. While the standards to be developed by the ISSB may be adopted by a broad range of jurisdictions around the world as a global baseline for reporting, SMEs and emerging markets could benefit from additional capacity-building initiatives.

# IASB and emerging economies

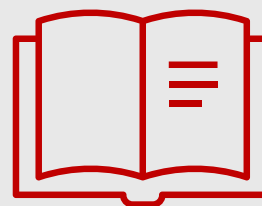
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Emerging  
Economies  
Group



Other  
consultative  
bodies, including  
through the IFRS  
Advisory Council



IFRS for SMEs  
Standard



Engagement with  
regional  
standard-setting  
bodies

IASB engagement with emerging economies

- The staff welcome the opportunity to utilise the expertise of the IASB's Emerging Economies Group in the early consideration for how the ISSB can best engage with emerging economies as it begins its standard-setting work

## General questions for consideration

1. How can the ISSB utilise its operating model and consultative groups to effectively engage with emerging economies?
2. How best to ensure emerging economies engage with the standard-setting process?
3. How can the ISSB work with key stakeholders to improve capacity building to aid the implementation of IFRS Sustainability Disclosure Standards?
4. Can the development of an IFRS Sustainability Disclosure SMEs Standard benefit the engagement with emerging economies?
5. Other comments

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