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Agenda paper 5

# Update on the ISSB's Activities

IFRS Advisory Council Meeting  
April 2023

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# Overview

1. Recent developments, work plan and priorities

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2. Steps to adoption and application of IFRS S1 and IFRS S2

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3. Capacity building strategy

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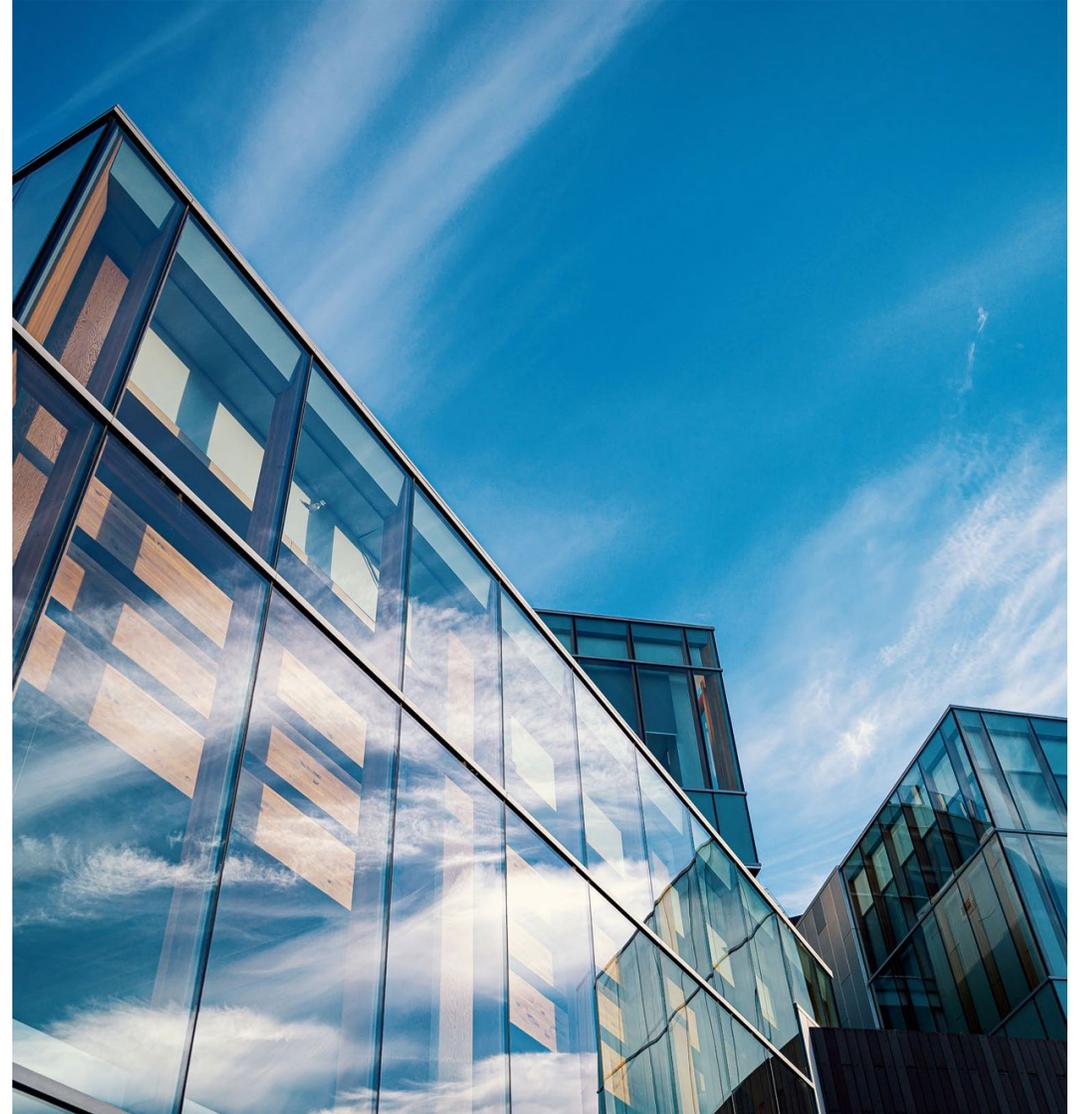
## Recent developments, work plan and priorities



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# Recent developments

- ISSB finalised substantial discussions on **IFRS S1** and **IFRS S2** at its February meeting and is on track to issue the Standards towards the end of Q2 2023 – update provided at the Advisory Council meeting on 22 February
- ISSB met virtually in March to discuss:
  - **International Applicability of the SASB Standards**
  - **Agenda Priorities** – an overview of the Request for Information to be published in May 2023 will be presented at a future meeting of the Advisory Council
- Meetings in Japan
  - IFRS Foundation signed a Memorandum of Understanding with **Japan's Financial Accounting Standards Foundation**, extending the financial commitment to support the work of the ISSB, in addition to the work of the IASB
  - **SSBJ** announced work plan setting out plans to propose standards building on IFRS S1 and IFRS S2



# Projects in the ISSB work plan

|   | Next milestone  |
|---|---|
| Consultation on Agenda Priorities               | Publish Request for Information (expected May 2023)   |
| General Sustainability-related Disclosures (S1) | Issue final standard (expected Q2 2023)   |
| Climate-related Disclosures (S2)                | Issue final standard (expected Q2 2023)   |
| IFRS Sustainability Disclosure Taxonomy         | Publish Proposed IFRS Sustainability Disclosure Taxonomy (exposure draft expected H2 2023)                    |
| Maintenance of the SASB Standards               | Publish Proposed methodology for improving the international applicability (exposure draft expected May 2023) |
| Inherited SASB Standards Projects               | Publish exposure drafts for projects that were at advanced stage at the time of the VRF consolidation         |

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# ISSB priorities

## Steps to deliver, strengthen and enhance adoption and application of IFRS S1 and IFRS S2:

- balloting process
- digital taxonomy
- capacity building
- regulatory adoption, working with IOSCO and jurisdictions
- voluntary application, working with companies and investors

## Work to:

- enhance international applicability of SASB Standards
- connect climate and nature by researching incremental enhancements to disclosures required by IFRS S2

## Focus on:

- connectivity with financial statements
- interoperability with GRI Standards



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# Steps to adoption and application of IFRS S1 and IFRS S2



# Achieving global capital market standards



## ISSB

provide comprehensive global baseline through Standards



## IOSCO

assess Standards with a view to recommend adoption



## Audit standard-setters

enhance and develop assurance standards



## Jurisdictions

require by adopting the Standards



## Companies

voluntarily opt to apply the Standards

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# Engagement with IOSCO and jurisdictions

- **Ongoing engagement** with IOSCO representatives, including via monthly meetings of the Jurisdictional Working Group
- Commitment from IOSCO to **assess IFRS S1** and **IFRS S2**, with a view to completing its review in 2023
- Formal statement from IOSCO is expected to **encourage** widespread **adoption** of the Standards by jurisdictions
- **Jurisdictions** are putting into place governance to cooperate with the ISSB and endorse ISSB Standards

Jean-Paul Servais, Chairman of IOSCO

17 February 2023

**“It is particularly important that the ISSB has confirmed that its standards will be ready for use as early as January 2024.**

**We note that the audit standard setters IESBA and IAASB are also aiming to have assurance standards available before the end of 2024.**

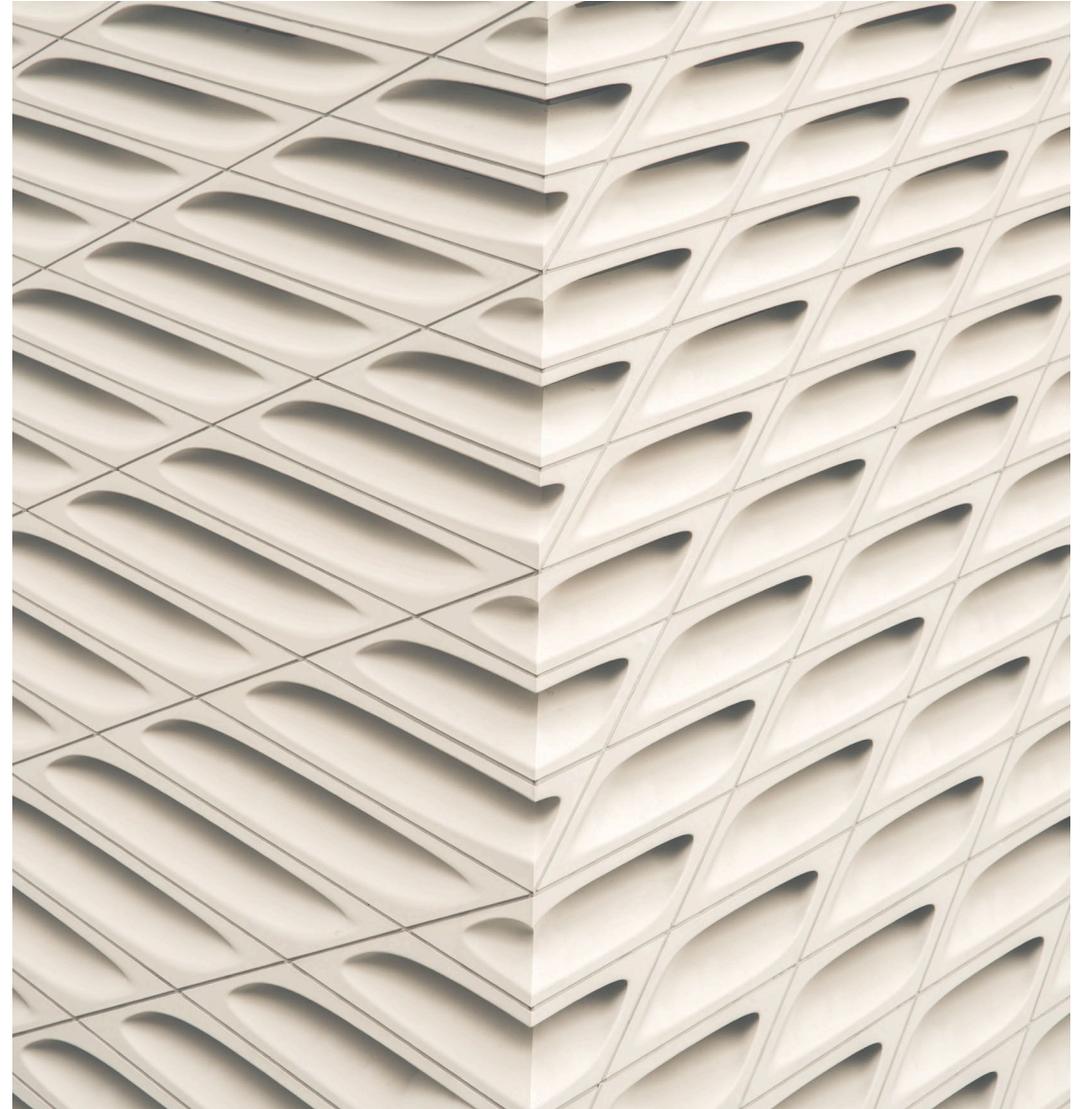
**Together, these standards will meet an urgent need in financial markets to get away from the current fragmented situation when it comes to sustainability disclosures.”**

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## Engagement with audit standard-setters

- ISSB appreciates the **importance of assurance** in providing high quality information to investors to inform their decision-making
- Ongoing **engagement with** the International Auditing and Assurance Standards Board (**IAASB**)
- IFRS S1 and IFRS S2 are designed to make the reported **information assurable**
- IFRS Foundation does not have a mandate to develop assurance standards for sustainability disclosure nor to determine the level of assurance required by those applying IFRS S1 and IFRS S2



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# Interoperability with jurisdictional requirements and GRI Standards

- To **reduce reporting burdens**, the ISSB is working to improve the interoperability of IFRS S1 and IFRS S2 with:
  - the European Sustainability Reporting Standards (ESRS)
  - the GRI Standards
  - other major jurisdictional requirements
- Efforts to **align common disclosures** in IFRS S2 and ESRS **climate** disclosures to reduce the need for companies to produce multiple disclosures
- **For topics other than climate**, in the absence of specific disclosure requirements in an ISSB Standard, companies will be permitted to **use** disclosures set out in ESRS, GRI Standards and **other materials** to the extent those meet investors' information needs and **as long as the global baseline is not obscured**

# Work to facilitate access to climate data

- **Access to data** enables actions, encourages accountability and is important for interoperability
- ISSB is member of the Climate Data Steering Committee, launched to create a unified, global open climate data repository – **the Net Zero Public Utility (NZDPU)**
- Given the importance of alignment of data-related initiatives for interoperability, the ISSB has started engaging with the **Jurisdictional Working Group** on this topic



## The Climate Data Steering Committee

- has a wide range of members, covering important ISSB stakeholders
  - policymakers and relevant bodies, including the European Commission and EFRAG
  - international organisations and global standard setters, including the United Nations, OECD, Financial Stability Board, IOSCO, Network for Greening the Financial System, International Energy Agency, CDP
- is informed by input from data service providers - including Bloomberg, London Stock Exchange Group, Moody's, Morningstar, MSCI, and S&P Global - and civil society organisations

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# Implementation support and education

## Capacity building initiative

- Development of general educational materials for all stakeholders (including investors)
- Development of specific educational materials for stakeholders in emerging and developing economies as well as smaller companies
- Leveraging partners to develop jurisdictional thematic interventions

## Support implementation by companies

- Transition Implementation Group - a public forum for stakeholders to follow the discussion of more detailed questions raised on implementation by those reading the words in the Standards

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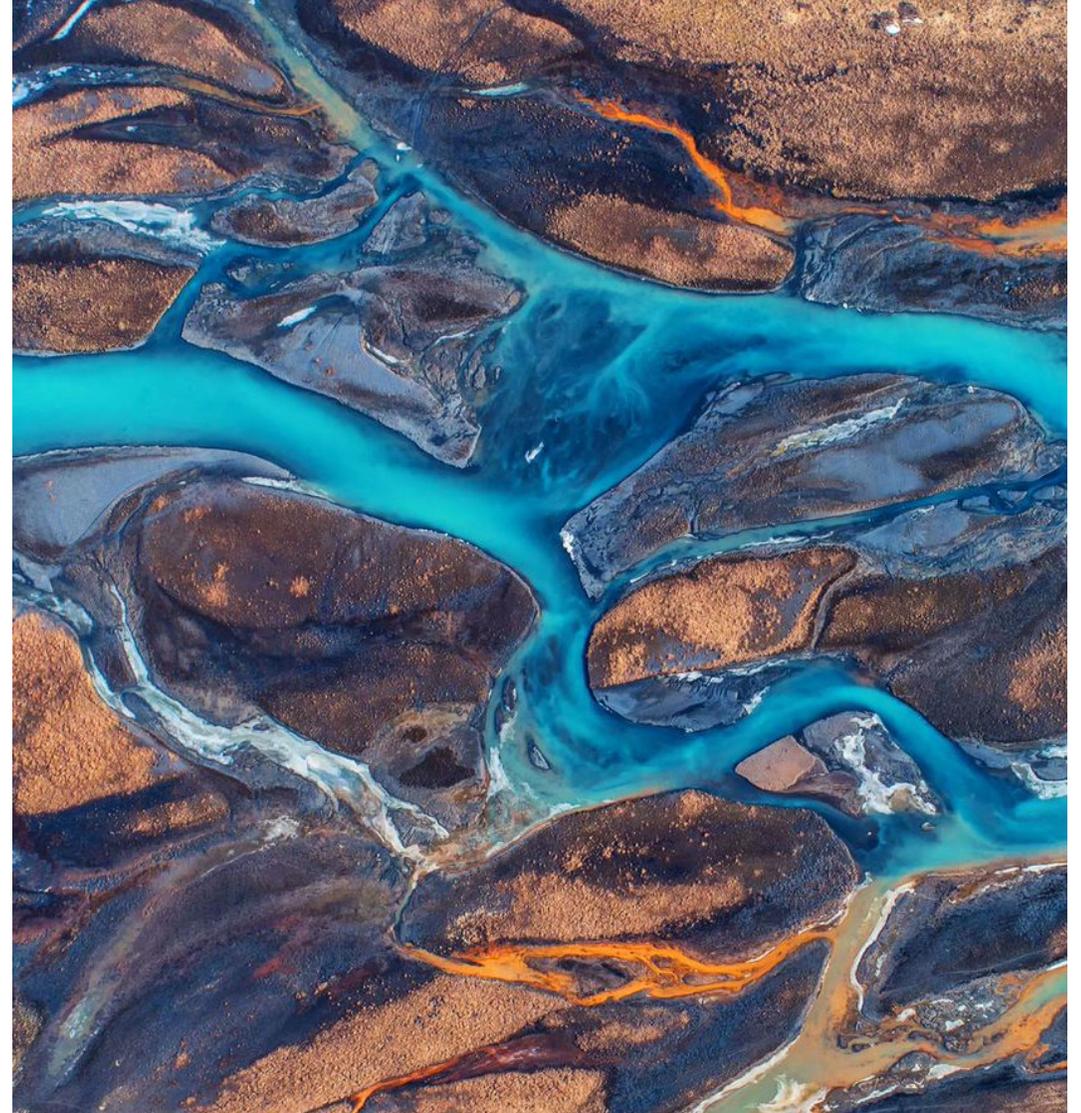
# Capacity building strategy



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## Capacity building with and through partners

- ~30 partners - global and local - committed to ensuring readiness through our Partnership Framework
- Together, considering specific circumstances of emerging and developing economies and smaller companies
- Focused on enabling consistent and comparable high-quality disclosures to bring benefits of sustainability-related disclosures to all



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# Initial Partnership Framework for capacity building

1. ACCA
2. Brazilian Institute of Corporate Governance (IBGC)
3. CDP
4. Deloitte
5. Environmental Resources Management (ERM)
6. European Accounting Association
7. EY
8. German Federal Ministry for Economic Cooperation and Development
9. Global Reporting Initiative (GRI)
10. Global Steering Group for Impact Investment (GSGII)
11. Group of Latin American Accounting Standard Setters (GLASS)
12. International Corporate Governance Network (ICGN)
13. International Federation of Accountants (IFAC)
14. KPMG
15. Nigerian Ministry of Finance, Budget and National Planning
16. Pan African Federation of Accountants
17. Porticus
18. PRI
19. PwC
20. UK Foreign, Commonwealth & Development Office (FCDO)
21. United Nations Conference on Trade and Development (UNCTAD)
22. United Nations Department of Economic and Social Affairs (UNDESA)
23. United Nations Development Programme (UNDP)
24. United Nations Development Programme–Financial Centres for Sustainability (FC4S)
25. United Nations Environment Programme–Finance Initiative (UNEP-FI)
26. United Nations Sustainable Stock Exchanges Initiative
27. We Mean Business Coalition
28. World Business Council for Sustainable Development (WBCSD) CFO Network

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# Capacity building: activities in development

- Capacity building **programme with IOSCO**
- In partnership with **the United Nations Sustainable Stock Exchange Initiative**
  - updating the Model Stock Exchange **Guidance** to include ISSB Standards – voluntary tool for stock exchanges to guide companies on how to report on environmental, social and governance (ESG) issues
  - developing **training** for companies
- In partnership with **IFAC Education team** to deliver training for professionals
- Global workshops with **CDP**, ahead of CDP incorporating IFRS S2 into its global environmental disclosure platform for the 2024 disclosure cycle
- Work with **Global Reporting Initiative (GRI)**, focusing on jurisdictions where GRI Standards are mandatory, to explain how companies can apply both the ISSB Standards and GRI Standards

# What is already in companies' toolkit?

| 2023  |   | 2024  |   |
|---|---|---|---|
|    | IFRS S1 and IFRS S2 available*  |    | IFRS S1 and IFRS S2 available*  |
|    | Apply to advance industry-specific disclosure   |    | Required to consider for IFRS S1 application, in absence of specific ISSB Standard                  |
|    | Apply as basis for disclosures and for cross-industry climate disclosure                            |    | Optional guidance, in absence of specific ISSB Standard   |
|  | Use to guide disclosure on biodiversity and water   |  | Available as framework on integrating and presenting reporting that includes the ISSB's disclosures |
|  | Available as framework on integrating and presenting reporting that includes the ISSB's disclosures |   |   |

*\*Fully incorporates TCFD*

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