

Agenda paper 5

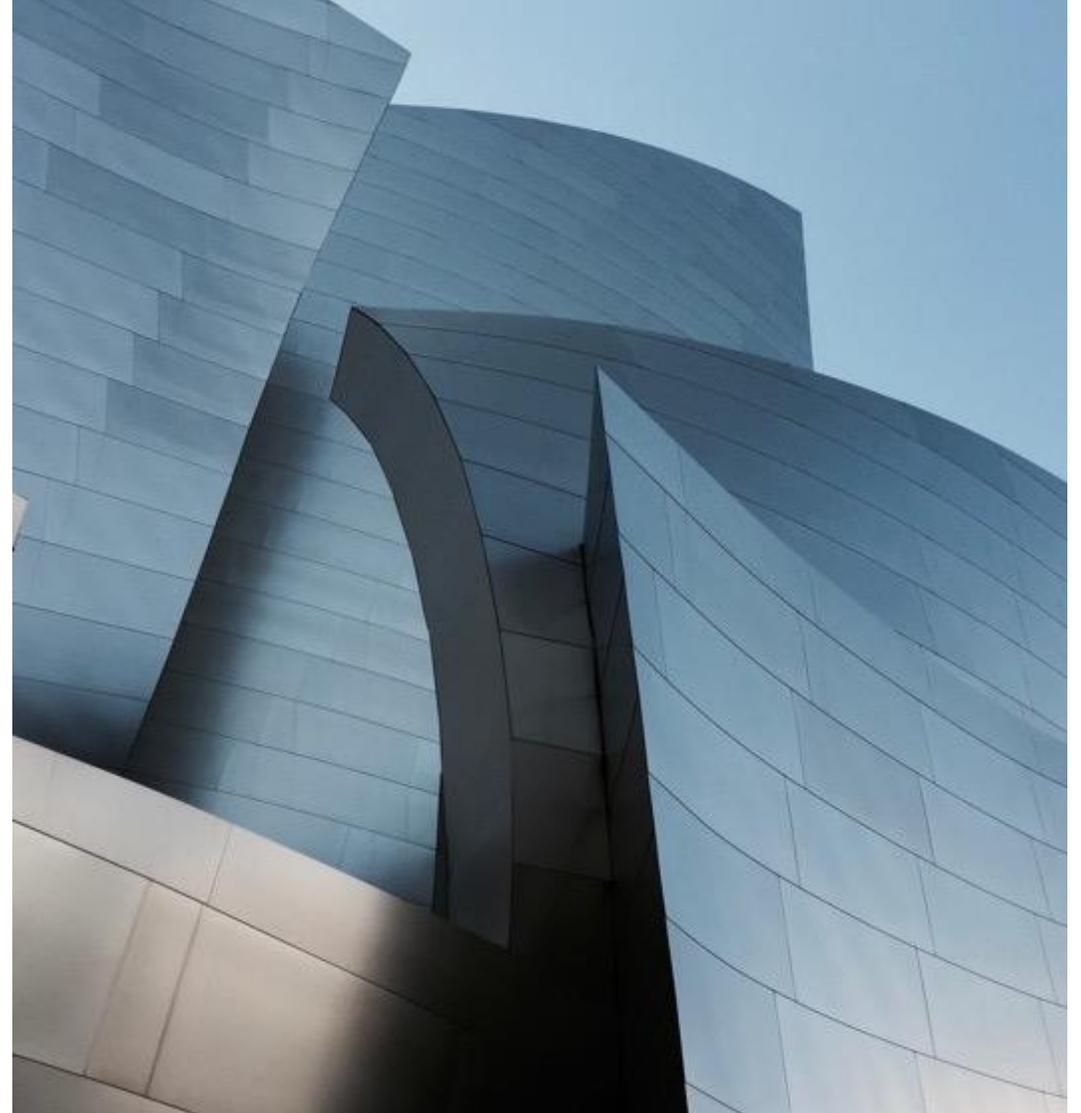
Facilitating market acceptance of the IFRS Foundation's sustainability-related resources

5 April 2023

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Agenda

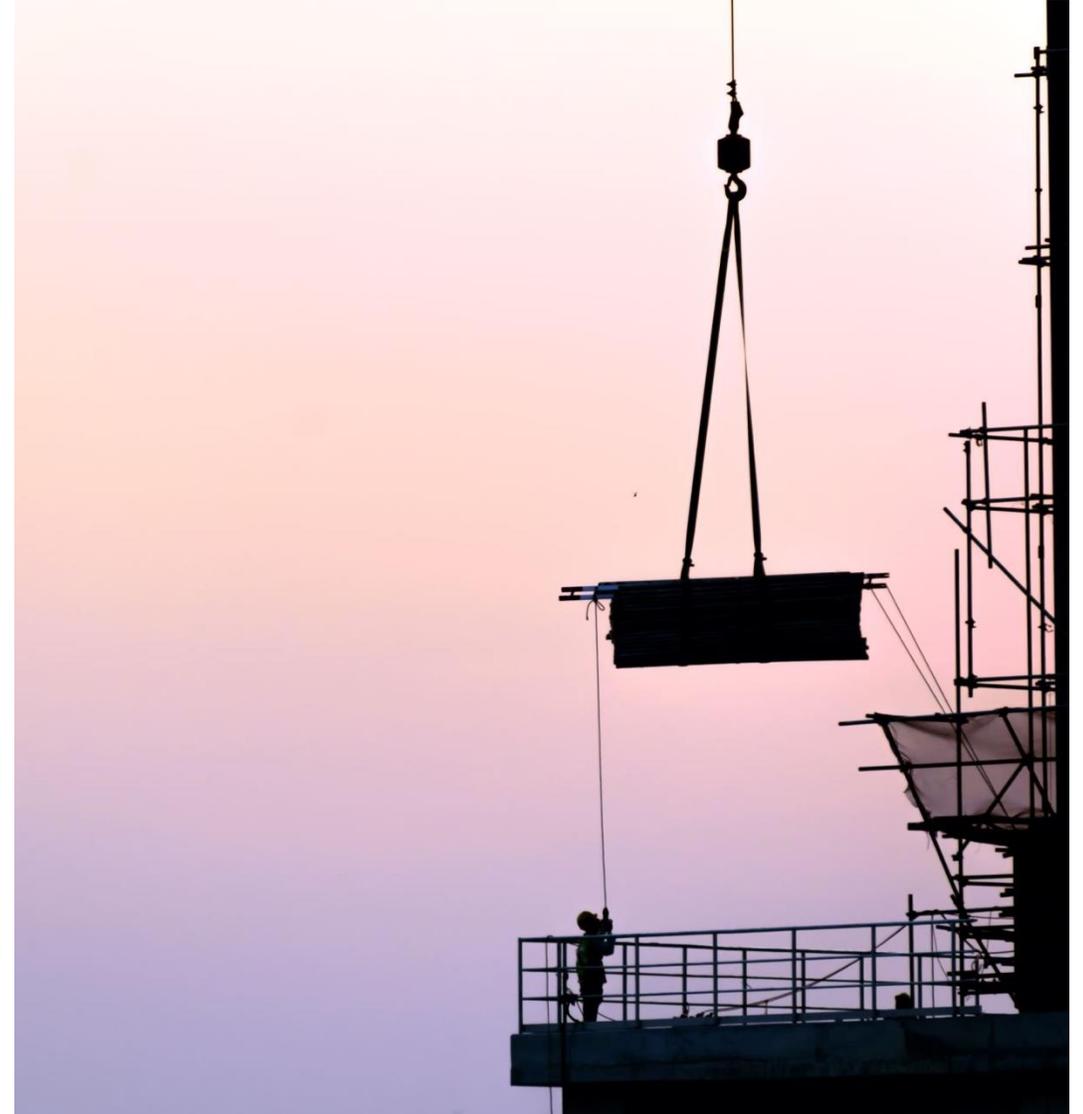
- The Role of ISSB Market Engagement in the Foundation
- ISSB Market Engagement in 2023
- Support from and Questions for Advisory Council



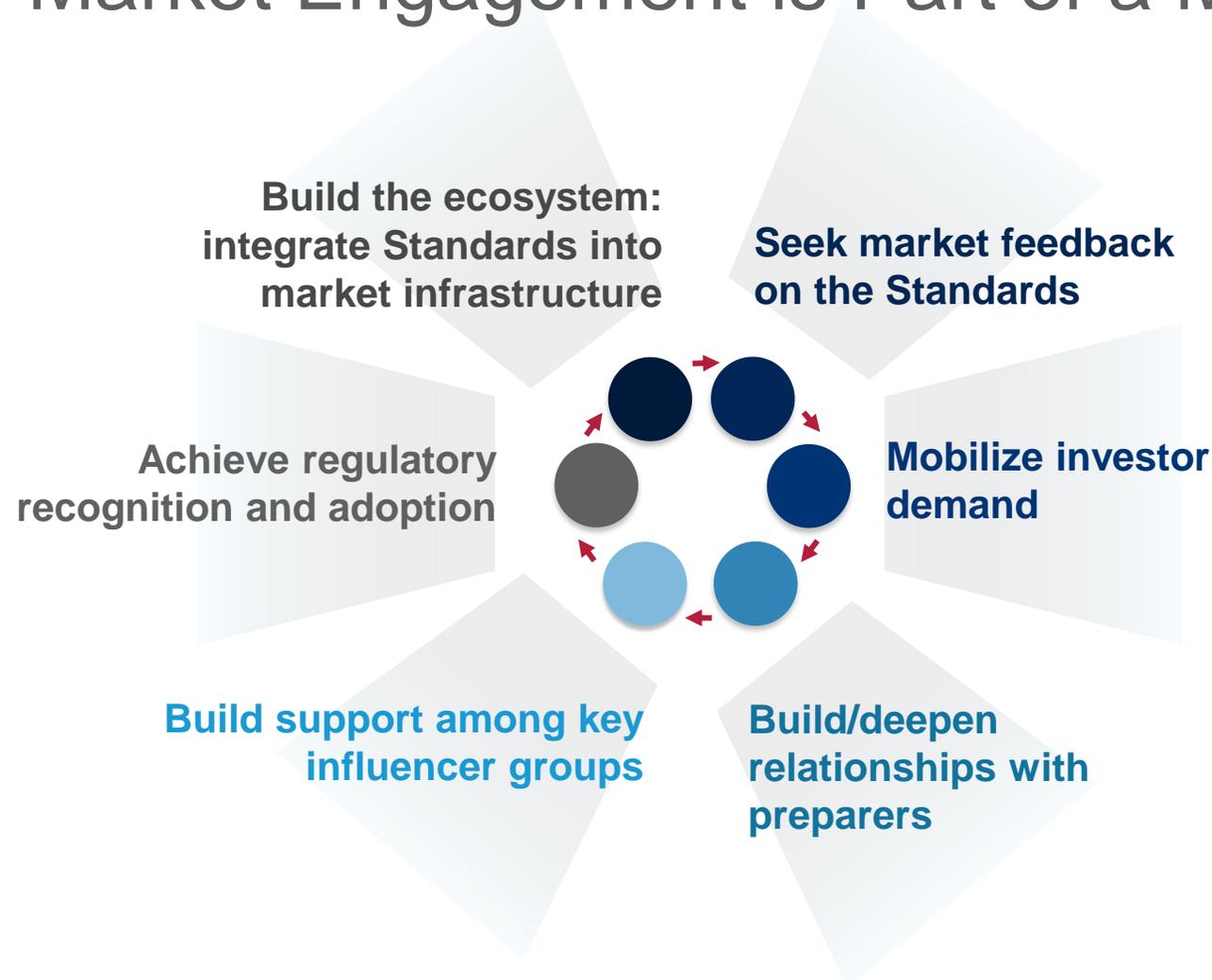
The Role of ISSB Market Engagement in the Foundation

Purpose of Market Engagement

ISSB's market engagement activities are designed to establish robust relationships between the Foundation and (i) preparers, (ii) investors, and (iii) other market participants in order to both support ISSB standard-setting and achieve use of and support for the Standards.



Market Engagement is Part of a Multi-faceted Strategy



Desired outcomes (in no particular order)

Market participants are knowledgeable about ISSB standard-setting process and provide **high-quality feedback**.

Investors advocate for ISSB disclosure (S1, S2, SASB Standards, etc.) with companies, and use the Standards in investment decision-making processes.

Companies understand the value of S1 and S2 (and SASB Standards and Integrated Reporting Framework as tools to support good disclosure) and then disclose accordingly.

Influencers advocate for ISSB disclosure (and connectivity between sustainability and accounting disclosures) in policy positions, in publications and at events.

Regulators adopt S1 and S2 for corporate reporting.

Technology, data, and other **market infrastructure firms license** IFRS Sustainability-related IP for use in their offerings.

Market Engagement vis-à-vis Regulatory Engagement

	Regulatory Engagement	Market Engagement
Focus	Achieve mandatory adoption of S1 and S2 (i.e. ISSB Standards are required in jurisdiction by law or regulation)	Bring preparers and investors into standard-setting process and achieve (a) voluntary corporate disclosure and (b) investor use of ISSB disclosures
Stakeholders	Jurisdictional authorities: <ol style="list-style-type: none"> 1. Regulators 2. Policy makers 3. Standard-setters 4. Multilaterals 	Market participants: <ol style="list-style-type: none"> 1. Investors (and their trade groups/coalitions) 2. Preparers (and their trade groups/coalitions) 3. Accounting profession 4. ESG data/analytics providers 5. Civil society 6. Academia

Market Engagement Objectives – Ongoing

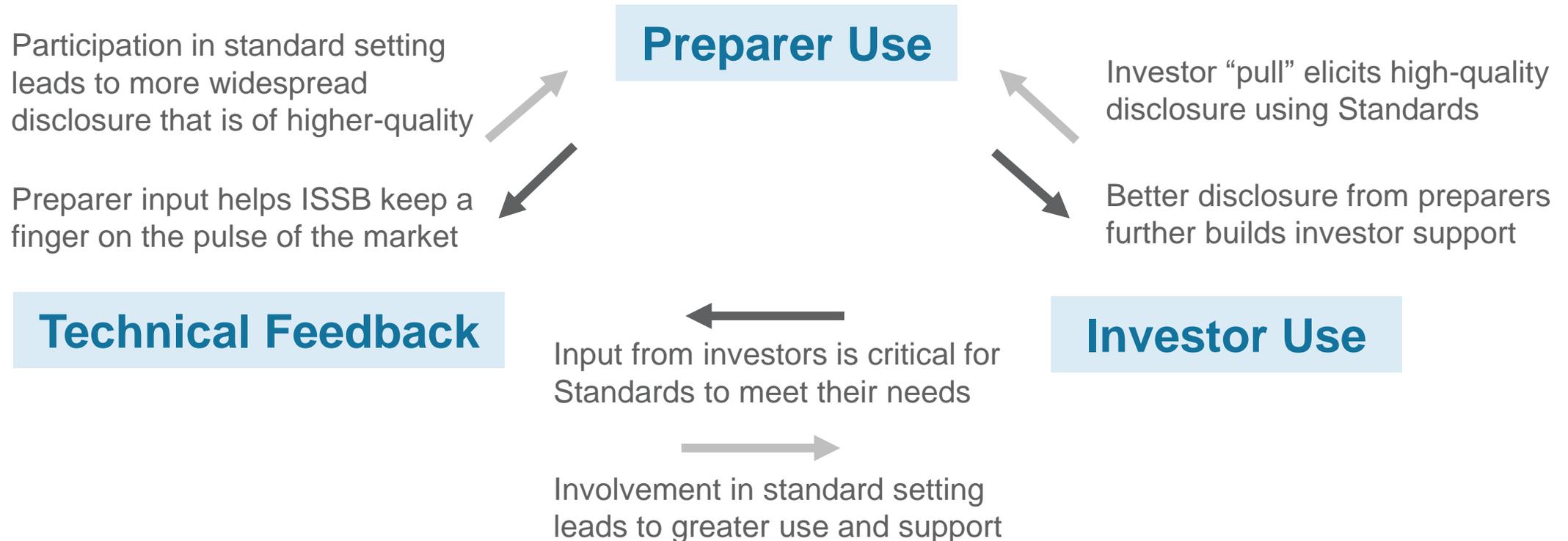
Objectives *(in no particular order)*

1. **Technical Feedback:** Engage market participants in the standard-setting process
2. **Preparer Use:** Achieve corporate support for and use of ISSB (including SASB Standards as implementation tool)
3. **Investor Use:** Achieve investor support for use of ISSB (including SASB Standards as implementation tool)

What's Needed to be Successful

1. We will succeed in **engaging market participants in standard-setting** by being responsive to feedback and proactive in soliciting input
2. We will achieve **preparer support** for and use of our Standards by being pragmatic (cost-effective) and listening, forging ties with leaders, showing the value of disclosure
3. We will achieve **investor support** for and use of our Standards by focusing on investors as the primary users and maintaining strong rapport with the community

The Three Objectives are Mutually Reinforcing



ISSB Market Engagement in 2023

Context for Market Engagement in 2023

1. ISSB Standards are new: the focus is building awareness, securing support, motivating early use.
2. SASB Standards and TCFD are established: we must care and feed these audiences to transition support to ISSB, while ensuring preparers don't stop at SASB + TCFD.

Context for Technical Feedback

3. ISSB's approach to technical feedback is akin to IASB: board and staff aim to hear from a range of stakeholders.
4. The preparer and investor technical advisory group of ISSB (Technical Reference Group, aka TRG) is bigger and more diffuse than IASB CMAC or GPF because the expertise we need on all sustainability topics and/or all industries is hard to cover with ~20 people. The TRG will evolve further in H2 2023.

Context for Preparer and Investor Use

5. Not all jurisdictions will mandate ISSB disclosure (either in near-term or long-term) so robust engagement with preparers and investors is essential for early ISSB "wins."
6. Even in jurisdictions that mandate ISSB disclosure, ongoing engagement with preparers and investors to validate the value of ISSB for identifying risks and opportunities can position ISSB as a useful decision-making tool rather than a compliance exercise.

Our Approach to Market Engagement

Context (from previous slide)	Our Approach to Market Engagement
1. ISSB is new	<ul style="list-style-type: none"> • Raise awareness by speaking at conferences, hosting IFRSF events, and briefing a range of stakeholders globally (bilaterally and via group convenings) • Clearly explain interoperability with ESRS and U.S. SEC
2. Transition SASB/TCFD users	<ul style="list-style-type: none"> • Emphasise continuity of mission (meet the needs of <u>providers of capital</u>) • Clearly explain incremental differences between ISSB and TCFD/SASB • Describe use of TCFD/SASB as a competitive advantage for future ISSB use
3. Same public feedback processes	<ul style="list-style-type: none"> • Continue to mirror IASB's due process and mechanisms for market feedback
4. Unique need for ISSB advisory group	<ul style="list-style-type: none"> • Work with staff, ISSB members, & Trustees to design a technical feedback group (TRG 2.0) that provides ongoing preparer and investor feedback on a range of industries and range of sustainability topics ("E," "S," and "G," topics)
5. Early momentum while regulation takes time	<ul style="list-style-type: none"> • Secure support statements from ISSB Investor Advisory Group and others • Track which preparers implement ISSB disclosure, report on progress
6. Avoid compliance exercise	<ul style="list-style-type: none"> • Ensure ISSB is built into preparer and investor decision-making processes

Market Engagement Objectives – in 2023

Mobilise **investor support** for ISSB (and SASB Standards as a tool for ISSB industry-specific disclosures)

- Improve knowledge of S1/S2 among ISSB Investor Advisory Group and investor trade groups/coalitions
- Strategically add members to the ISSB Investor Advisory Group to fill regional gaps
- Work with investors to include ISSB references in stewardship and proxy voting guidelines
- Foster strong relationships with ESG data/analytics providers

Raise **preparers' awareness** of and support for the value proposition of ISSB

- Determine and implement the right mix of activities: IFRSF-hosted events, 3rd party convenings, 1:1 meetings, “train the trainer” approach via consultants/accountants, self-service tools, etc.
- Work with the accounting profession (accounting firms and PAOs) to expand reach, drive preparer use
- Improve/update legacy SASB, integrated reporting, and CDSB self-service resources for preparers

Lay groundwork for **ongoing standard-setting participation** from investors and companies

- Maintain momentum from S1/S2 Exposure Drafts consultation by staying in touch with commenters

Segmenting Engagement with Preparers & Investors

In general, there are two groups of preparers/investors, with each group requiring different approaches

Preparers or investors currently using or supporting TCFD or SASB

- A change management exercise
- Explain that TCFD + SASB have been the best resources to provide comparable qualitative and quantitative sustainability disclosures to investors; but now ISSB is the best Standard to achieve that end
- Frame ISSB as the natural evolution of TCFD and SASB, without radical changes

Preparer or investors not currently using or supporting TCFD or SASB

- A new “product” adoption exercise
- Explain ISSB as the best way to provide comparable qualitative and quantitative sustainability disclosures to investors
- Frame ISSB based on its value proposition and features, minimising the focus on TCFD/SASB

State of TCFD/SASB Use Around the World

Significant Use of TCFD or SASB

- Australia
- Brazil
- Canada
- Colombia
- Denmark
- Egypt
- France
- Hong Kong SAR
- Japan
- Netherlands
- New Zealand
- Singapore
- South Korea
- Sweden
- Switzerland
- Chinese Taipei
- United Kingdom
- United States

Moderate Use of TCFD or SASB

- Austria
- Belgium
- Chile
- Mainland China
- Finland
- Germany
- India
- Ireland
- Italy
- Luxembourg
- Malaysia
- Mexico
- Norway
- Philippines
- South Africa
- Spain
- Thailand
- Turkey

Support from and Questions for Advisory Council

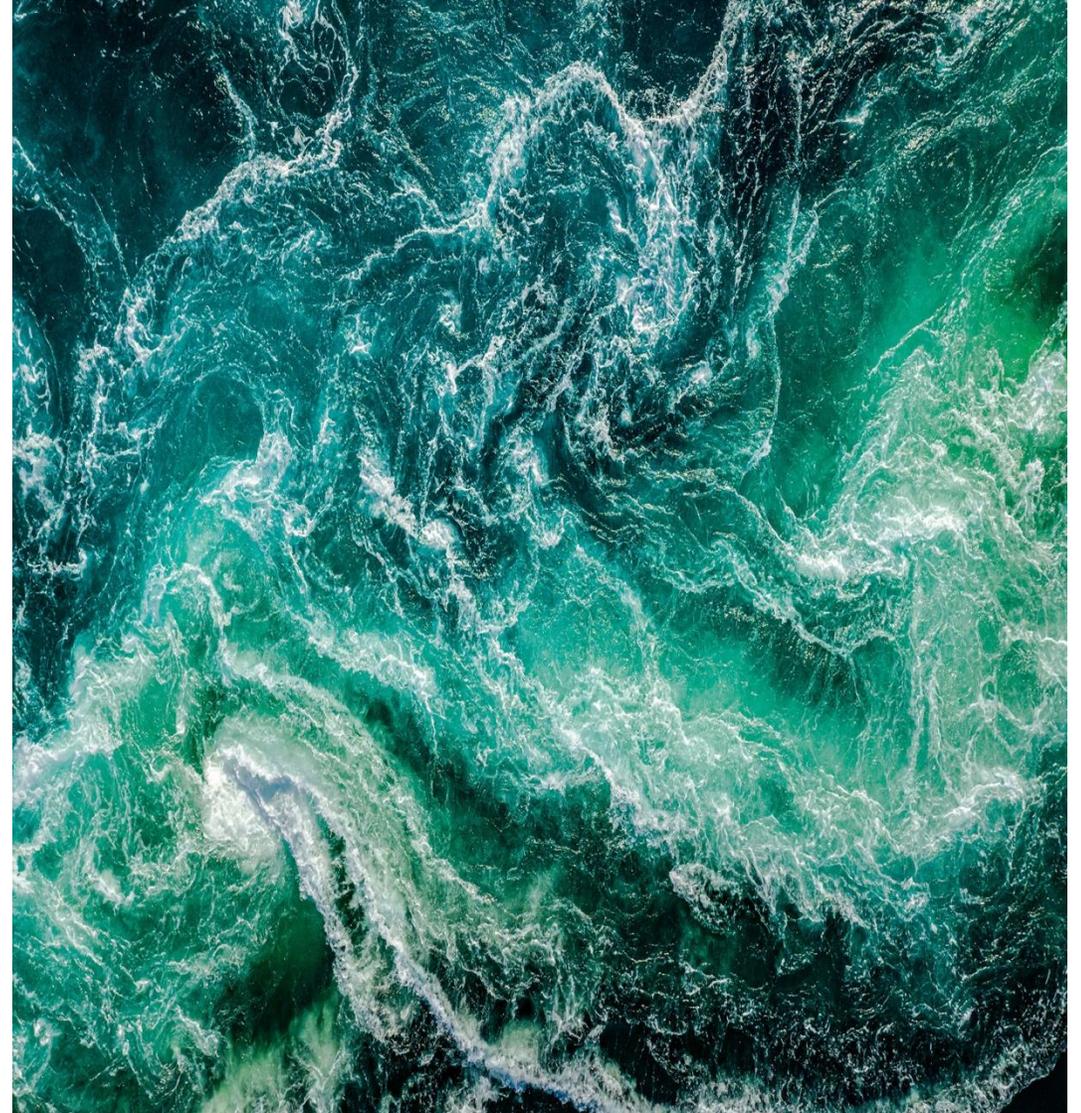
Support from the Advisory Council

Achieving our vision for a comprehensive global baseline of sustainability disclosure will require a collective effort. We would value Advisory Council members' help with:

- Including ISSB speakers in your organisations' conferences, webinars or conferences/webinars where you are participating;
- Identifying organisations who may be interested in offering statements of support for ISSB;
- Advocating for ISSB in your organisations and at convenings or events you attend in the future; and
- Spreading the word when we invite applications for future technical advisory groups and when we publish future consultations.

Questions for Advisory Council

- Do you agree with the ongoing market engagement objectives? Do you agree with the 2023 objectives? Or do you recommend changes?
- Do you think we've accurately described the context for market engagement in 2023? Or do you recommend changes?
- Do you agree with our approach to market engagement? Or do you recommend changes?



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