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## Sustainability Standards Advisory Forum meeting

Date	<b>April 2023</b>
Project	<b>ISSB work</b>
Topic	<b>Update on ISSB work</b>

This paper has been prepared for discussion at a public meeting of the Sustainability Standards Advisory Forum (SSAF). This paper does not represent the views of the International Sustainability Standards Board (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<sup>®</sup> Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

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# Overview

1. Projects in the ISSB work plan

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2. ISSB priorities

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

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4. Capacity building

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# Projects in the ISSB work plan



## Projects in the ISSB work plan

	Next milestone
Consultation on Agenda Priorities	Publish Request for Information
General Sustainability-related Disclosures	Issue IFRS S1 (final standard)
Climate-related Disclosures	Issue IFRS S2 (final standard)
IFRS Sustainability Disclosure Taxonomy	Publish Proposed IFRS Sustainability Disclosure Taxonomy (exposure draft)
Maintenance of the SASB Standards	Publish Proposed methodology for improving the international applicability (exposure draft)
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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# Consultation on Agenda Priorities

## Project status

ISSB to hold public consultation on four projects to further understand standard-setting priorities:

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- integration in reporting

## Next steps

- ISSB to approve publication of Request for Information and agree length of consultation period (expected April 2023)
- ISSB to publish Request for Information (expected May 2023)

## Future milestones

- Outreach during consultation period
- Analysis and discussion of feedback on the Request for Information
- Drafting of work plan
- Publication of work plan and Feedback Statement

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# General Sustainability-related Disclosures (IFRS S1) Climate-related Disclosures (IFRS S2)

## Project status

- Redeliberations of proposals completed in February 2023  
(refer to next slides for key decisions during redeliberations of proposals of IFRS S1 and IFRS S2)

## Next steps

- Balloting process
- ISSB to issue IFRS S1 and IFRS S2 (expected June 2023)
- Effective for annual reporting periods beginning on or after 1 January 2024 (meaning a company would report its first sustainability related disclosures in 2025 subject to jurisdictions' timelines)
- Available for use before that date to the extent a company applies both IFRS S1 and IFRS S2 at the same time

## Future milestones

- Support adoption by jurisdictions
  - development of an Adoption Guide
- Support implementation by companies
  - set up of a Transition Implementation Group - a public forum for stakeholders to follow the discussion of questions raised on implementation by those reading the words in the Standards
- Capacity building initiative

# Overview of key ISSB's tentative decisions on IFRS S1 and IFRS S2

## IFRS S1

- **Description of sustainability** – It builds on concepts from the Integrated Reporting Framework and enables a company explain how sustainability-related impacts, risks and opportunities can affect its performance and prospects
- **Sources of guidance** for a company to use to identify sustainability-related risks and opportunities and disclosures in the absence of a specific IFRS Sustainability Disclosure Standard
- **Alignment of timing of reporting** – Financial statements and sustainability disclosures published at the same time, but with transitional relief
- **Consistent assumptions** – When sustainability-related financial disclosures incorporate financial data and assumptions, use financial data and assumptions consistent with those in the financial statements

## IFRS S2

- **Scope 1-3 emissions** – Disclosure of GHG emissions in accordance with the GHG Protocol Corporate Standard, with some reliefs
- **Scenario analysis** – Describe use of climate-related scenario analysis to assess risks and opportunities, must use for resilience analysis and disclose whether a scenario aligned with the latest international agreement on climate change has been used
- **Financed emissions** – Disclosure of GHG emissions that assets managers and custodians, commercial banks and insurers finance through their loans and information on lending<sup>1</sup>
- **Industry-based climate disclosure** – Illustrative guidance drawing on SASB Standards will accompany IFRS S2

<sup>1</sup> The ISSB tentatively decided to remove the proposed requirement for a company operating in the Investment Banking & Brokerage industry to disclose its facilitated emissions, considering the lack of a widely accepted calculation methodology

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# Mechanisms to address challenges faced by companies with fewer resources (‘proportionality’)

- Use of existing terminology and concepts, including the concept from IFRS Accounting Standards to use only **information that is reasonable and supportable and is available without undue cost or effort** – means the effort required can be scaled for company circumstances
- Enable provision of **qualitative** scenario analysis and qualitative information (rather than quantitative) **when** a company has more **limited resources or expertise**
- **Provision of guidance** within the Standards and **educational materials**
- Provision of **sources of guidance** to identify sustainability-related risks and opportunities and disclosures (for example, CDSB Framework application guidance – enables companies to continue using materials they used before)

The staff paper *Proportionality and support for those applying IFRS S1 and IFRS S2* of the February 2023 ISSB meeting provides more information about the ISSB’s tentative decisions to address ‘proportionality’. The paper is available on the IFRS Foundation website [here](#).



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# Guidance and reliefs to assist all companies applying IFRS S1 and IFRS S2

- **Guidance on how to measure Scope 3 GHG emissions** (including when can use estimation and how to estimate)
- **Guidance on how to undertake scenario analysis**
- **Guidance** on requirements associated with revisions to comparative information and **updated estimates** (including examples of situations in which a company would revise comparative information to reflect updated estimates)
- **Greenhouse Gas Protocol:** relief from the requirement for companies to apply the GHG Protocol Corporate Standard, to measure emissions in specific circumstances (for example, to reduce duplication when jurisdiction has a different approach)
- **Scope 3 greenhouse gas (GHG) emissions:** a temporary exemption from disclosing Scope 3 GHG emissions (for one year) when first applying IFRS S2
- **Timing of reporting:** transitional relief from the requirement for companies to provide sustainability-related financial disclosures at the same time as the financial statements (for one year)
- **Comparative reporting relief:** comparative information is not required to be disclosed in the first annual reporting period in which a company applies IFRS S1 and IFRS S2

The staff paper *Proportionality and support for those applying IFRS S1 and IFRS S2* of the February 2023 ISSB meeting provides more information about the ISSB's tentative decisions to introduce reliefs and guidance to assist companies applying IFRS S1 and IFRS S2. The paper is available on the IFRS Foundation website [here](#).

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# IFRS Sustainability Disclosure Taxonomy\*

## Project status

- ISSB to develop an Exposure Draft of the IFRS Sustainability Disclosure Taxonomy, based on final IFRS S1 and IFRS S2

## Next steps

- Publication of Exposure Draft (expected in July 2023)

## Future milestones

- Consultation on the proposals
- Analysis and discussion of feedback on the proposals

\* Enabling digital reporting of IFRS S1 and IFRS S2 information

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# Maintenance and enhancement of SASB Standards

## Project status

- ISSB to develop methodology for enhancing the international applicability of the SASB Standards
- ISSB to advance work on inherited SASB Standards projects

## Next steps

- ISSB to publish Exposure Draft of the methodology (expected in May 2023)
- SASB Standards Board Advisor Group to develop exposure drafts of proposed amendments to the SASB Standards for approval by the full ISSB and for public consultation

## SASB Standards Board Advisor Group in place

- Jeffrey Hales (Chair)
- Bing Leng
- Jenny Bofinger-Schuster
- Sue Lloyd
- Verity Chegar

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# ISSB priorities



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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.”**

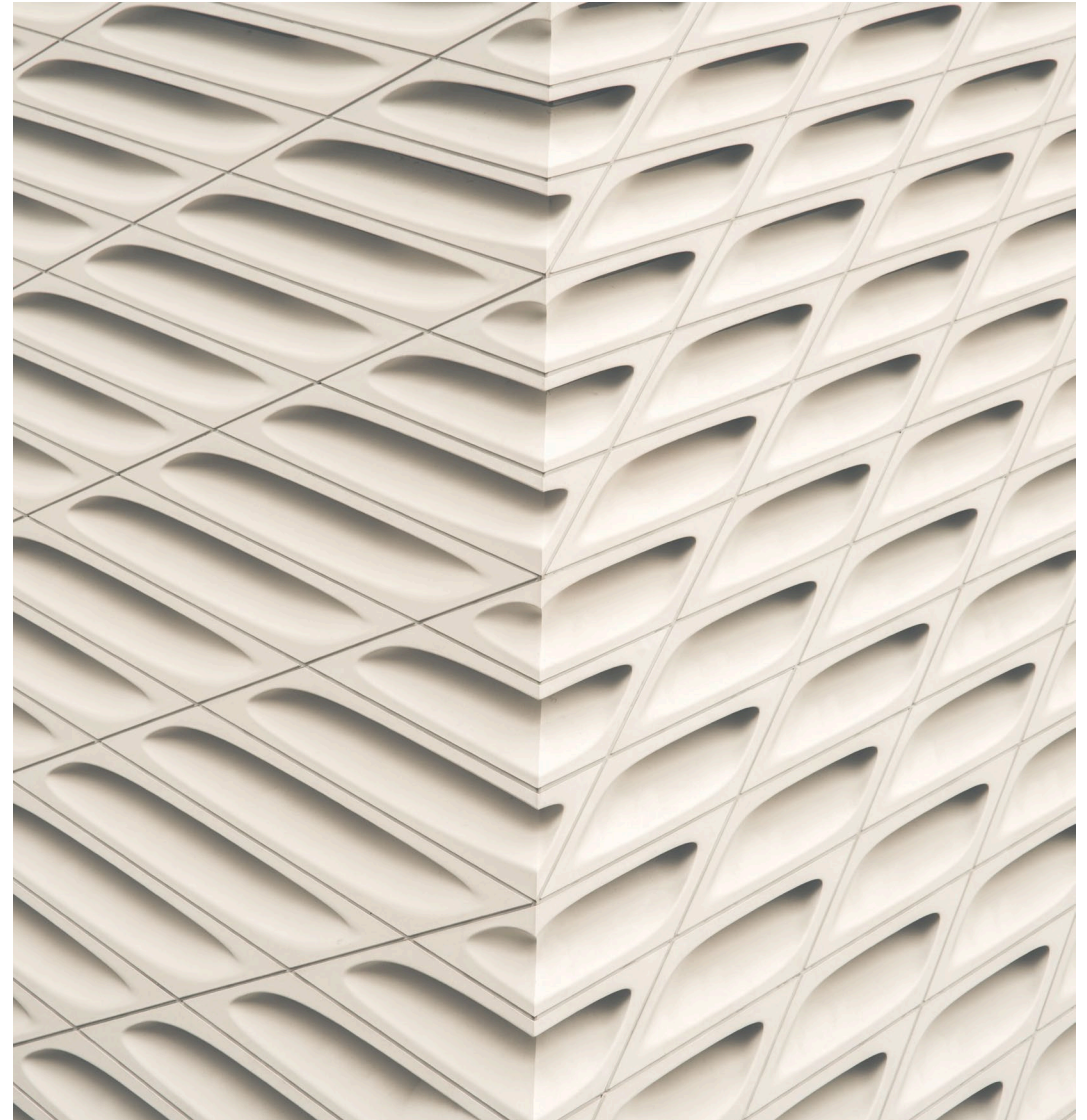
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## Engagement with audit standard-setters

- 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

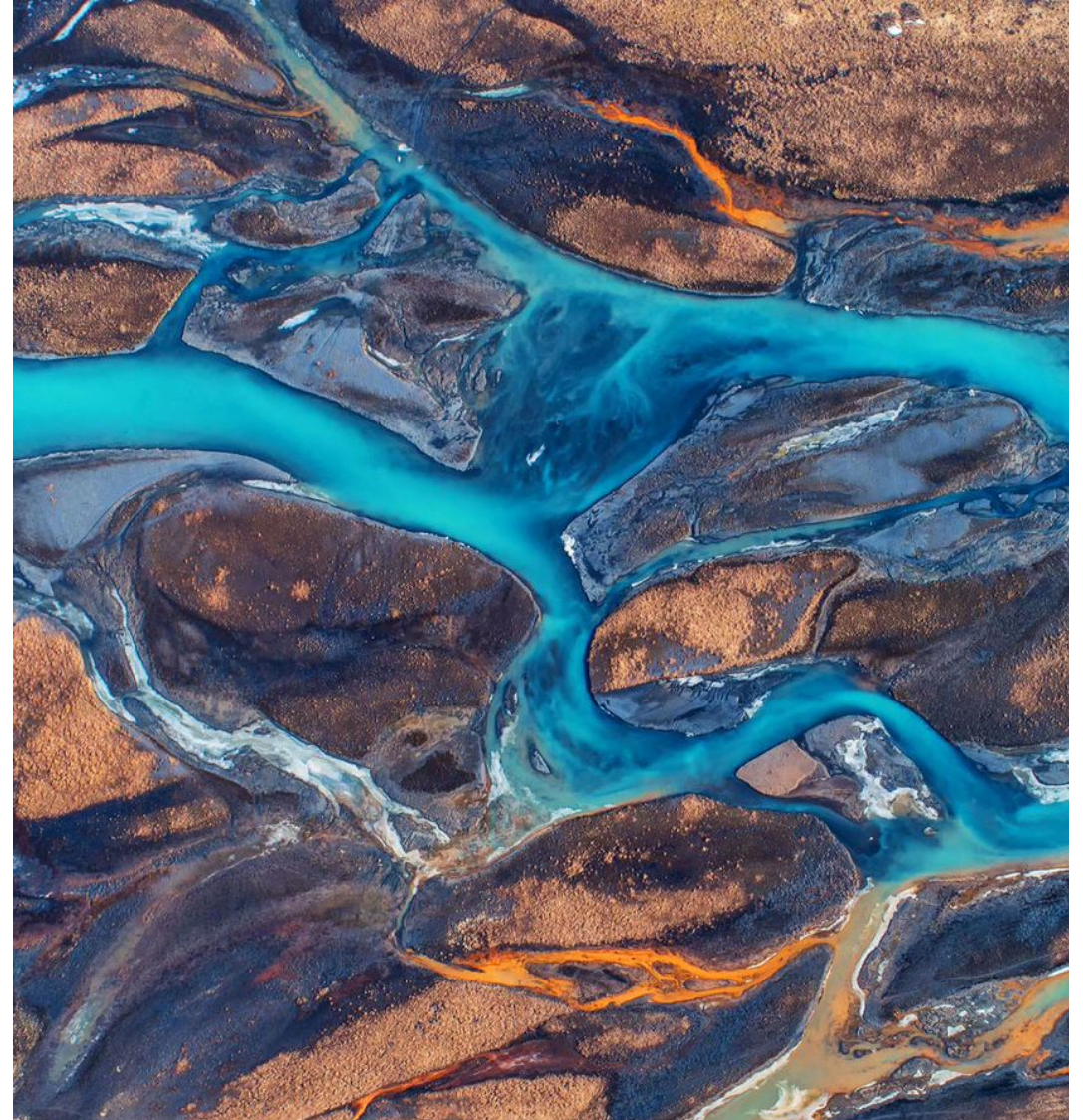




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## Capacity building with and through partners

- ~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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