
IFRS Advisory Council

Date **22 February 2023**
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This document summarises a meeting of the IFRS Advisory Council, the formal strategic advisory body to the Trustees of the IFRS Foundation, the International Accounting Standards Board and the International Sustainability Standards Board. The IFRS Advisory Council consists of a wide range of representatives, comprising individuals and organisations with an interest in international financial reporting.

Introduction

1. The IFRS Advisory Council (Council) met via videoconference on 22 February 2023. In addition to the Advisory Council members, a Vice-Chair of the International Sustainability Standards Board (ISSB) and some members of the IFRS Foundation staff attended the meeting.
2. The agenda and papers for the meeting, as well as the meeting recording, are available at: [IFRS - IFRS Advisory Council](#)
3. The Council Chair, Mr. Bill Coen, welcomed everyone to the meeting. He offered a particular welcome to the [new members](#) of the Council who were attending a meeting for the first time since their appointment.

Update on the ISSB's activities

4. Ms. Sue Lloyd, Vice-Chair of the ISSB, presented agenda paper 1, outlining the main developments in the ISSB's work since she last met with the Council in October 2022, as well as the next steps of the ISSB's work. She provided an overview of key ISSB's tentative decisions on the first two IFRS Sustainability Disclosure Standards that the ISSB expects to issue towards the end of Q2 2023: General Sustainability-related Disclosures (S1) and Climate-related Disclosures (S2).
5. The ensuing discussion among Council members focused on several topics, including:

- **Adoption of IFRS Sustainability Disclosure Standards:** The steps that jurisdictions are taking to adopt IFRS Sustainability Disclosure Standards, including the establishment of standard-setting boards and workplans for the application of S1 and S2 and the support that the ISSB can provide. Discussions are taking place with companies that have indicated interest in early adoption, particularly those that are already providing disclosures of sustainability-related information applying the SASB Standards and the TCFD Recommendations, on which S1 and S2 are built.

The recent [press release](#) by IOSCO was welcomed. It was emphasised that the IFRS Foundation works closely with IOSCO to ensure timely progress towards assessment of S1 and S2, noting that IOSCO can only develop its view to recommend adoption once it had the opportunity to review the Standards when issued.

An update on the [review of the G20/OECD Principles of Corporate Governance](#) was appreciated, notably on the creation of a new chapter on sustainability and resilience.

- **Implementation of S1 and S2:** The considerations that jurisdictions must give regarding which companies are in a position to start applying S1 and S2 from the ISSB's effective date, particularly in emerging economies. The Council also discussed the judgement required to

assess a company's relative capacity to apply the Standards based on its resources, skills and capabilities. It was noted that a relief is available in the first year a company applies S1 that permits the company to report its sustainability-related financial disclosures after the publication of its financial statements, that there are no requirements to provide interim sustainability-related financial reporting and that it is more important that jurisdictions and companies are on the path to adoption and implementation, than they are ready at the ISSB's effective date.

- **Education and stakeholder engagement:** The Council discussed the importance of appropriate activities to support application of the Standards, including:
 - education activities, even in partnerships with others, to help investors understand how to use the information provided by companies, particularly where there is measurement uncertainty; and
 - appropriate engagement with non-traditional stakeholders of the IFRS Foundation, including civil society, climate NGOs and other NGOs, as well as with Global South jurisdictions.
- **SASB Standards:** How the ISSB has embed the industry-based approach used by the SASB Standards in developing S1 and S2. This includes the distinction between a number of sources referenced in the Standards that companies *can* consider for disclosure purposes, as opposed to the SASB Standards that companies *shall* refer to and consider. The Council discussed the rationale and implication of this distinction. It was noted, during the discussion, that whilst companies *shall* refer to the SASB Standards, the SASB Standards are not mandatory. Although the SASB Standards have been subject to rigorous due process, they have not been through the IFRS Foundation due process and more time is need to bring SASB Standards in the ISSB's literature. The Council also noted the process underway to ensure SASB Standards are internationally applicable, by removing US-specific references to legislation. The Council was also informed that following the consolidation with the Value Reporting Foundation, the IFRS Foundation is committed to maintaining and enhancing the SASB Standards. Therefore, the ISSB has taken ownership of some projects to make targeted improvements to the SASB Standards that were well advanced at the time of the consolidation in 2022.
- **Interoperability:** How the IFRS Foundation and the Global Reporting Initiative (GRI) are working to support interoperability between ISSB Standards and GRI Standards, in the light of the Memorandum of Understanding signed in 2022. The Council received an update on the extent to which GRI Standards are referred to in S1 and the next steps to ensure closer alignment going forward.

The Council also noted the ongoing work with the EU to identify where there are disclosures on common areas and how the wording of these disclosures can be aligned. It was reported that both parties are hoping to give more clarity on where common disclosures exist in June 2023, ahead of publication of S1 and S2. It was further noted that there is an intention to ensure interoperability with the EU on digital taxonomy, once the common disclosures have been identified.

- **Materiality:** The use of the same definition of material as IFRS Accounting Standards and how a company can apply S1 and S2 to communicate information to investors that is useful for their decision-making. This included discussion on the interoperability between the ISSB's objective to provide decision-useful information for investors and the EU's objective to meet the regulatory requirements of the EU Corporate Sustainability Reporting Directive (CSRD).
- **Assurance:** It was emphasised that determining the level of assurance required by companies applying S1 and S2 is ultimately a decision taken by jurisdictions. However, the ISSB appreciates the importance of assurance, is working to develop Standards that can be assured and is liaising with the International Auditing and Assurance Standards Board (IAASB) to support its work to develop standards for assurance on sustainability reporting.
- **Terminology:** It was advised that the IFRS Foundation should consider how it publicly defines terms like proportionality, interoperability, capacity building and scalability, to ensure they are used in a consistent way that is understood by the public.

- **Reference to external materials:** It was noted that S1 and S2 refer to external sources of guidance to consider when making disclosures. The long-term intention is to build on the literature in the market to develop more specific ISSB Standards, as opposed to referring to external materials.

Meeting close

13. Mr. Coen thanked the Council members for their participation in the meeting, noting the broad range of topics that were discussed. He advised the members that he would be meeting with the IFRS Foundation Trustees in the following week to further facilitate the connection between the two bodies, emphasising the importance of the Council with respect to the advice it provides to the Trustees.
14. In concluding the meeting, Mr. Coen said that he looked forward to seeing the Council members at the in-person meeting on 4 and 5 April 2023 in London.