
ISSB meeting

Date	January 2023
Project	General Sustainability-related Disclosures
Topic	Cover note and summary of redeliberations
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Purpose of this meeting

1. At this meeting we will continue redeliberating the proposals in Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* ([draft] S1).
2. *This cover paper is for information purposes only and no discussion for this paper is planned for the board meeting.*
3. We will discuss the following papers:
 - a. Agenda Paper 3A: Metrics and targets clarification;
 - b. Agenda Paper 3B: Disclosure of judgements, assumptions and estimates;
 - c. Agenda Paper 3C and 4D: Reasonable and supportable information that is available at the reporting date without undue cost and effort;
 - d. Agenda Paper 3D: Commercially sensitive information about opportunities; and
 - e. Agenda Paper 3E and 4E: Current and anticipated financial effects and connected information.
4. In Agenda Paper 3A, the staff recommend clarifying the objective of disclosures on metrics and targets for both [draft] S1 and [draft] S2 to explain more clearly what the staff believe was the intent in both exposure drafts.
5. Agenda Paper 3B addresses disclosure requirements related to judgments, assumptions and estimates used in the preparation of sustainability-related financial disclosures. At this meeting, the staff are recommending additional disclosures of judgements, assumptions and estimates in order to provide greater transparency to users of general purpose financial reporting and other interested stakeholders, including assurance providers and regulators. These proposals are built on and aligned with concepts and practices in IFRS Accounting Standards, which stakeholders are familiar with.
6. Agenda Paper 3C and 4D proposes introducing the concept of 'reasonable and supportable information that is available at the reporting date without undue cost and effort' to both [draft] S1 and [draft] S2. This is to address the challenges noted by some preparers that may arise for some requirements in both [draft] S1 and Exposure Draft *IFRS S2 Climate-Related Disclosures* ([draft] S2) that involve a high level of outcome or measurement uncertainty, particularly where forward-looking information is required to be considered or disclosed when preparing sustainability-related financial information. Again, this is a concept used in similar circumstances in IFRS Accounting Standards.
7. The staff has also further considered concerns from some stakeholders related to the disclosure of commercially sensitive information. The staff is recommending a targeted exemption related to the

disclosure of commercially sensitive information about sustainability-related opportunities in specific circumstances (see Agenda Paper 3D).

8. Finally, following the discussions at the November 2022 ISSB meeting, the ISSB will continue its redeliberations on the requirements relating to current and anticipated effects of sustainability-related risks and opportunities on financial performance, financial position and cash flows and the connected information requirements (see Agenda Paper 3E and 4E).
9. The staff note that there are also some connections between papers discussed at this meeting that they would like to draw to the attention of ISSB members. In particular, in Agenda Paper 3E and 4E the criteria proposed to be used to determine when quantitative information is required to be provided about anticipated financial effects in considering 'scalability/proportionality', the concept of 'undue cost and effort' used in that paper is consistent with that used in Agenda Paper 4B of this month's meeting.

Next Steps

10. At this point the staff anticipates that the February ISSB meeting will be the last decision-making meeting on [draft] S1.

Summary of redeliberations

11. The Appendix summarises the redeliberations for this project, including the ISSB's tentative decisions.

Appendix – Tentative decisions by the ISSB

A1. Feedback on [draft] S1 was summarised for the September 2022 ISSB meeting in [Agenda Paper 3A General Sustainability-related Disclosures—Summary of comments](#). The ISSB tentatively agreed on the staff’s proposals on the [draft] S1 topics for redeliberation as outlined at the September 2022 ISSB meeting in [Agenda Paper 3B and 4B General Sustainability-related Disclosures and Climate-related Disclosures—Plan for redeliberations](#) and at October 2022 ISSB meeting in [Agenda Paper 3A General Sustainability-related Disclosures—Update to the plan for redeliberations](#).

Topic	Tentative decisions by the ISSB
Scalability / proportionality	<p>September 2022: AP3C and AP4C General Sustainability-related Disclosures and Climate-related Disclosures—Scalability</p> <p>The ISSB tentatively decided that mechanisms should be identified to enable disclosure requirements to be scalable, when relevant. In particular, the ISSB considered whether:</p> <ul style="list-style-type: none"> (a) to amend the proposed disclosure requirements so that an entity, based on specific criterion related to scalability, would not be required to provide a particular disclosure (or would be required to provide an alternative disclosure that is simpler to apply); (b) to amend the proposed disclosure requirements so that an entity that meets a criterion of being unable to provide a disclosure is required to explain how it meets the criterion; (c) to provide materials to assist preparers in the application of the standards, which include the ISSB providing guidance to support application; (d) to provide materials to assist preparers in the application of the standards, which include referring to other sustainability-related protocols, frameworks and guidance as resources for further guidance, measurement methodologies and inputs to calculations to support application; and (e) to amend the proposed disclosure requirements to differentiate the application by entities, by identifying requirements that are ‘basic’ and ‘advanced’ that could be utilised by a jurisdiction for a transition period. <p>The ISSB tentatively decided on factors to assess which scalability mechanisms are appropriate for responding to specific scalability challenges:</p> <ul style="list-style-type: none"> (a) whether the scalability challenges are temporary (in other words transitional) or more permanent (for example, due to data availability);

	<ul style="list-style-type: none"> (b) the extent to which the set of entities with a scalability challenge can be specifically identified; (c) the extent of available market guidance, methods, industry-practices and techniques; and (d) the maturity of the underlying methods and techniques that underpin the disclosure requirement.
<p>Current and anticipated effects of sustainability-related and climate-related risks and opportunities on an entity's financial performance, financial position and cash flows</p>	<p>The ISSB is yet to make any decisions on this topic.</p>
<p>Fundamental concepts, including enterprise value; breadth of reporting required; 'significant' sustainability-related risk or opportunity; identifying significant sustainability-related risks and opportunities and disclosures (including using the materials of other standard-setters); and application of materiality assessment</p>	<p>October 2022: AP3B General Sustainability-related Disclosures—Fundamental Concepts</p> <p>The ISSB tentatively agreed that:</p> <ul style="list-style-type: none"> (a) the purpose of draft S1 is to require entities to meet the information needs of the primary users of general purpose financial reporting; (b) 'material' in draft S1 shares the same definition as that used in IFRS Accounting Standards; and (c) the definitions of 'value chain' and 'reporting entity' as proposed in draft S1 should remain unchanged. <p>The ISSB also tentatively decided:</p> <ul style="list-style-type: none"> (a) to amend draft S1 by removing the definition of 'enterprise value' and the words 'to assess enterprise value' from the objective and description of materiality, while planning to continue to redeliberate the meaning of 'enterprise value' at a future meeting (in particular, how the term could be more clearly articulated and how it is related to material sustainability-related financial information); and (b) to remove the word 'significant' from the proposed requirements to describe which sustainability risks and opportunities an entity would be required to disclose, while continuing to redeliberate the application of materiality and the process used by preparers to identify an entity's sustainability-related risks and opportunities in order to provide useful information to primary users.

October 2022: [AP3C and AP4D General Sustainability-related Disclosures and Climate-related Disclosures—Interoperability](#)

The ISSB tentatively confirmed:

- (a) the use of the four pillars, described by the Financial Stability Board’s Task Force on Climate-related Financial Disclosures, to structure the core content of the disclosure requirements proposed in draft S1 and draft S2—that is, information will be required on governance; strategy; risk management; and metrics and targets; and
- (b) the meaning of the global baseline—in particular, that the proposed disclosures that IFRS Sustainability Disclosure Standards would require an entity to make are designed to meet the information needs of investors, creditors and other lenders; that the information to be provided in such disclosures is subject to an assessment of materiality; and that the information can be presented with information disclosed to meet other requirements, such as specific jurisdictional regulatory requirements, but cannot be obscured by that additional information.

The ISSB also tentatively decided:

- (a) confirm that the purpose of the proposed disclosure requirements would be to meet the information needs of the primary users of general purpose financial reporting (see Agenda Paper 3B);
- (b) to remove the definition of ‘enterprise value’ that was included in draft S1, and to remove the words ‘to assess enterprise value’ from the draft S1 objective and description of materiality (see Agenda Paper 3B);
- (c) to confirm that, consistent with draft S1 and draft S2, short-, medium- and long-term time horizons are not defined; and
- (d) to confirm the definition of ‘value chain’ that was proposed in draft S1 (see Agenda Paper 3B).

1-3 November 2022: [AP3 General Sustainability-related Disclosures—Sources of guidance to identify sustainability-related risks and opportunities and disclosures](#)

The ISSB tentatively decided to confirm, with modifications, the general approach in paragraphs 50–54 of draft S1 that would permit an entity to use guidance from materials other than IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities and to prepare related disclosures. In particular, the ISSB tentatively decided:

- (a) to confirm the requirements proposed in paragraph 53 for identifying information to disclose in the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity.
- (b) to confirm the requirement to consider the SASB Standards as proposed in paragraphs 51(a) and 54.
- (c) to amend paragraphs 51(b) and 54 to state that preparers are permitted, but not required, to consider the CDSB Framework in identifying both sustainability-related risks and opportunities and in preparing disclosures about those risks and opportunities.

December 2022: [AP3A General Sustainability-related Disclosures – Fundamental concepts](#)

The ISSB tentatively decided to clarify the objective of draft S1 by describing:

- (a) how the value that an entity creates, preserves or erodes for itself and for its investors and creditors is inextricably linked to the value the entity creates for other stakeholders, society and the natural environment;
- (b) how an entity uses its resources and relationships in creating value for itself and for its investors and creditors;
- (c) how an entity's reliance on its resources and relationships and the entity's negative or positive effects on its resources and relationships can give rise to sustainability-related risks and opportunities for the entity; and
- (d) how sustainability-related risks and opportunities can affect an entity's performance, prospects, business model, strategy, and the value the entity creates for itself and for its investors and creditors over the short, medium and long term.

The ISSB also tentatively decided to expand and clarify aspects of the draft S1 Illustrative Guidance:

- (a) to clarify the distinction and connection between:
 - i. identifying sustainability-related risks and opportunities; and
 - ii. identifying material information about those risks and opportunities.

	<p>(b) to provide additional guidance to help an entity identify the sustainability-related risks and opportunities about which it is required to provide information. Such guidance might include:</p> <ul style="list-style-type: none"> i. a general description of sustainability-related risks and opportunities; ii. a description of factors the entity could consider in identifying sustainability-related risks and opportunities; and iii. a description of the process the entity might follow in identifying sustainability-related risks and opportunities. <p>(c) to provide additional guidance to help an entity identify material information in the context of sustainability-related financial disclosures. Such guidance might discuss:</p> <ul style="list-style-type: none"> i. primary users of an entity’s sustainability-related financial disclosures and the decisions they make; ii. how to make materiality judgements that take into account an entity’s specific circumstances; and iii. how to make materiality judgements in conditions of uncertainty. <p>(d) to illustrate how an entity with a complex business model, such as one that spans multiple industries, might approach identifying sustainability-related risks and opportunities and identifying material information about those risks and opportunities using the SASB Standards.</p>
Connected information	The ISSB is yet to make any decisions on this topic.
Frequency of reporting	<p>November 2022: AP3C General Sustainability-related Disclosures—Timing of reporting</p> <p>The ISSB tentatively decided:</p> <ul style="list-style-type: none"> (a) to confirm the proposed requirement for an entity to report its sustainability-related financial disclosures at the same time as its related financial statements. All 13 ISSB members agreed with this decision. (b) to introduce short-term transitional relief that would permit an entity to report its sustainability-related financial disclosures after its financial statements. Eleven of 13 ISSB members agreed with this decision.

	<p>(c) to permit an entity, as part of this transitional relief, to report its annual sustainability-related financial disclosures at the same time as its H1/Q2 earnings reporting. Twelve of 13 ISSB members agreed with this decision.</p>
<p>Updated estimates and comparative information</p>	<p>November 2022: AP3B General Sustainability-related Disclosures—Comparative and updated estimates</p> <p>The ISSB tentatively decided:</p> <ul style="list-style-type: none"> (a) to amend the proposed requirement set out in paragraph 64 of draft S1 to limit the requirement to revise comparative information to reflect updated estimates, so it would apply to estimates for the previous reporting period disclosed in that previous period, and would not apply to forward-looking estimates disclosed in that previous period; (b) to provide illustrative guidance to help an entity apply the requirement. Such guidance may include: <ul style="list-style-type: none"> (c) examples of situations in which an entity would be required and would not be required to revise comparative information to reflect updated estimates; (d) examples and explanations of ways to present revised comparative information to reflect updated estimates; and (e) explanations to distinguish three situations in which an entity would be required to revise comparative information: (1) to reflect updated estimates, (2) to reflect a redefined or replaced metric or target, or (3) to correct errors.