Sustainability Standards Advisory Forum meeting

Date: October 2023
Project: Update on ISSB activities
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To provide an update on the ISSB’s work since the last SSAF meeting in July 2023
• Focus on Agenda Consultation and Internationalisation of the SASB Standards
Key milestones in delivering truly global baseline
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26 June
- ISSB issues IFRS S1 and IFRS S2

6 July
- Financial Stability Board announces work of the TCFD now completed due to ISSB Standards and transfers responsibilities for monitoring progress on climate-related disclosures

25 July
- IOSCO endorses ISSB Standards and calls jurisdictions to action to consider adoption
- IFRS Foundation publishes roadmap on strategy to support jurisdictional adoption

31 July
- European Commission, EFRAG and ISSB confirm ‘high degree of alignment’ in climate-related disclosure requirements
‘Culmination’ of TCFD work

- ISSB Standards mark “the culmination of the work of the Task Force on Climate-related Financial Disclosures”
- IFRS S1 and IFRS S2 incorporate the recommendations of the TCFD
  - Mapping of TCFD to IFRS S2 published by ISSB
- Financial Stability Board to transfer TCFD monitoring responsibilities to ISSB from 2024
- Announcement provides yet further clarification of ‘alphabet soup’
- Companies and jurisdictions still able to use TCFD Recommendations
ISSB Standards endorsed by international securities regulators

- IOSCO endorsement sends strong signal that ISSB Standards are **fit for purpose** for capital market use
- Creates **trust** in ISSB Standards for jurisdictions
- IOSCO calling on **130 member jurisdictions** to consider how they can incorporate ISSB Standards into respective regulatory frameworks
- Historic **milestone** echoing IOSCO’s sole previous endorsement, which was of IFRS Accounting Standards 20+ years ago
Consultation on agenda priorities
Timeline

- **Publish Request for Information**: May 2023
- **End of comment period**: September 2023
- **Deliberate and publish Feedback Statement**: Q4 2023 – Q1 2024
- **Execute activities and work plan**: Two years following consultation
Feedback on

1. Strategic direction and balance of the ISSB’s activities

2. Criteria for assessing the priority of new projects

3. Priority, scope and structure of potential new research and standard-setting projects
   - research projects on the sustainability-related risks and opportunities associated with:
     - biodiversity, ecosystems and ecosystem services
     - human capital
     - human rights
   - a research project on integration in reporting
Technical staff are analysing responses

- 411 responses received by 1 September (251 surveys and 160 comment letters)
Preliminary common themes

- Desire for a **roadmap** showing ISSB overall strategic direction
- Demand for the ISSB to pursue **interoperability** to reduce duplication for preparers and secure consistency and comparability for investors
- Need to balance different views on **timelines**:
  - many noted it is important to take time to support implementation of IFRS S1 and IFRS S2 – focus on capacity building initiatives
  - those already well advanced with disclosures are more keen for the ISSB to move more quickly to develop new ISSB Standards
- General support for **research** in areas related to the four potential research projects discussed in the Request for Information – to balance with different views on timelines
Internationalisation of the SASB Standards
Methodology Exposure Draft respondents

Summary statistics

• 148 responses from 138 unique respondents

Some respondents submitted a survey and comment letter.

Jurisdictional spread

Europe: 47 (34%)

North America: 25 (18%)

Latin America & Caribbean: 11 (8%)

Asia & Oceania: 44 (32%)

Africa: 11 (8%)
Feedback broadly supported the ISSB’s direction of travel

Almost all respondents agreed:

- Methodology enhances international applicability
- Scope and objectives of the methodology are clear
- Current constraints of the objective are appropriate
- Revision approaches are sequenced appropriately
Some respondents also provided feedback on the following considerations outside the scope of the ED:

- **External references** to third-party frameworks or standards outside of the ISSB’s control.
- **Public notice period** the nature and length of time that the updated Standards are made public prior to finalisation.
Stakeholders supported the proposed hierarchy of revision approaches

- Overall, respondents were supportive of the Revision Approaches while noting potential trade-offs between them.
- Most respondents agreed Approaches 2 and 3 should follow Approach 1.
- Some respondents thought using international frameworks in Approach 1 might increase reporting burden for preparers with existing jurisdictional reporting requirements.
- Some respondents noted Approach 3 may not result in cross-jurisdictional comparability.
- Some current SASB reporters were concerned Approach 4 may hinder comparability with previous SASB reporting and Approach 5 may increase their reporting burden.

Stakeholder feedback has informed the application of the methodology.
Comments regarding the use of external references

Many respondents noted that references to third-party frameworks outside the control of the ISSB could pose challenges for *jurisdictional adoption*.

Some respondents suggested that a *process* be established to routinely review and update these references.

A few respondents noted that some third-party references are behind a *paywall* (ex: IEA Dataset) which could be costly or burdensome.
Respondents requested clarity re: ISSB’s strategy

Clarify direction
short, medium, and long-term strategy for SASB Standards

Structure
of future ISSB Standards
(approach to thematic and industry-based requirements)

Interoperability
with anticipated GRI and ESRS sector-specific standards

Staff notes that next steps for SASB Standards will also be informed by the results of the ISSB’s consultation on agenda priorities
December 2022
ISSB decided to use SASB Standards as Illustrative Guidance

May 2023
SASB Methodology ED published

September 2023
ISSB educational session on ED feedback

November 2023
Board Advisors and staff finalise SASB Standards

April 2023
ISSB ratifies SASB Methodology ED

August 2023
Comment period closes; Board Advisors review feedback

October 2023
Board Advisors to publish blacklines for editorial review; ISSB meets to review Board Advisor discussions

December 2023
ISSB ratifies finalised SASB Standards
Next steps
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

Support implementation by companies

- Transition Implementation Group - a public forum for stakeholders to follow the discussion of questions raised on implementation by those applying the Standards
Looking ahead

**Commitment to:**
- connections with financial statements
- interoperability with jurisdictional and voluntary initiatives

**Supporting implementation of IFRS S1 and IFRS S2**
- digital taxonomy
- awareness raising and capacity building
- regulatory adoption and voluntary application

**Work to:**
- enhance and maintain the SASB Standards
- research disclosures that highlight nature and social aspects of climate-related risks and opportunities in IFRS S2

**Future priorities:**
- analysing feedback to ISSB agenda consultation
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