Update on ISSB’s activities

IAASB Board meeting
21 March 2023
# Overview

1. Introduction of ISSB

2. First two ISSB Standards

3. Maintenance of the SASB Standards

4. Agenda consultation

5. ISSB priorities for 2023
Why the ISSB?

- Sustainability factors becoming a mainstream part of investment decision-making
- End the alphabet soup of voluntary initiatives
- International policy support
Achieving global capital market standards

- **ISSB**: provide comprehensive global baseline through Standards
- **IOSCO**: assess Standards with a view to recommend adoption
- **IAASB**: enhance and develop assurance standards
- **Jurisdictions**: require by adopting the Standards
- **Companies**: voluntarily opt to apply the Standards
ISSB objectives

- Develop standards for a **global baseline of sustainability disclosures** meeting information needs of global investors
- **Enable companies** to provide comprehensive, decision-useful sustainability information to global capital markets
- Deliver a common language of sustainability disclosures, with the flexibility for regional ‘building blocks’ to be added by regulators when necessary to meet local and multi-stakeholder information needs
Working mechanisms similar to those of the IASB

International Sustainability Standards Board (ISSB)

• Normally comprise **14 members**
• A **minority** may be **part-time** members*
• Diversity in expertise and experience
• Broad **international** balance
• Initial term no greater than **five years**, with possibility of renewal up to a maximum of five years
• **Monthly meetings** open to the **public**
• Each ISSB member has **one vote**. In the event of a tied vote the Chair has an additional casting vote

International Accounting Standards Board (IASB)

• Normally comprise **14 members**
• **Up to 3** members may be **part-time** members*
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* The expression ‘part-time’ meaning that the members concerned commit most of their time to paid employment by the IFRS Foundation
Due process for the ISSB

• ISSB applies the due process specified in the IFRS Foundation Constitution plus the due process specified for the IASB in the Due Process Handbook as the ISSB’s processes mature

• Due Process Oversight Committee (DPOC) monitors the need for potential adaptations to the IASB’s due process for the ISSB in the interim (for example, for the maintenance of the SASB Standards – refer to slide 28)

• DPOC will update the Due Process Handbook once the ISSB’s processes reach a sufficient degree of maturity
ISSB members

Sue Lloyd  
Vice-Chair  
From: **New Zealand**  
Region: **At large**  
Former: Chair IASB

Emmanuel Faber  
Chair  
From: **France**  
Region: **At large**  
Former: Chair and CEO, **Danone**

Jingdong Hua  
Vice-Chair  
From: **China**  
Region: **At large**  
Former: Vice President and Treasurer, **World Bank**

Richard Barker  
From: **UK**  
Region: **Europe**  
Former: Deputy Dean and professor of accounting at Saïd Business School, **University of Oxford**

Jenny Bofinger-Schuster  
From: **Germany**  
Region: **Europe**  
Former: Senior Vice President for sustainability and operational excellence, **Siemens**

Verity Chegar  
From: **USA**  
Region: **Americas**  
Former: Chair, **SASB Standards Board**; Dr Hales also teaches at the **University of Texas**.

Jeffrey Hales  
From: **USA**  
Region: **At large**  
Former: Chair, **SASB Standards Board**; Dr Hales also teaches at the **University of Texas**.
ISSB members

Michael Jantzi
From: Canada
Region: Americas
Former: Founder, Sustainalytics; Managing Director of ESG Strategy, Morningstar

Hiroshi Komori
From: Japan
Region: Asia-Oceania
Former: Senior Director and Head of Stewardship, ESG Division, Government Pension Investment Fund (GPIF)

Bing Leng
From: China
Region: Asia-Oceania
Former: Sustainability reporting initiatives, Chinese Ministry of Finance; Member, IASB’s IFRS Taxonomy Consultative Group

Ndidi Nnoli-Edozien
From: Nigeria
Region: Africa
Former: Group Chief Sustainability and Governance Officer, Dangote Industries

Tae-Young Paik
From: South Korea
Region: Asia-Oceania
Former: Professor of accounting at Sungkyunkwan University (SKKU)

Veronika Pountcheva
From: Bulgaria
Region: Europe
Former: Senior Vice President of corporate responsibility, METRO

Elizabeth Seeger
From: USA
Region: Americas
Former: Managing Director, Sustainable Investing, KKR
Informed by experts

**Strategic Advisory Groups**
- IFRS Advisory Council
- Integrated Reporting and Connectivity Council

**ISSB Advisory Groups**
- Sustainability Standards Advisory Forum
- Jurisdictional Working Group
- Sustainability Consultative Committee
- Investor Advisory Group
- Technical Reference Group
ISSB builds on investor-focused standards and frameworks

Simplifying the sustainability disclosure landscape

Consolidated into the IFRS Foundation

ISSB Standards build off market-leading frameworks and standards
Towards a comprehensive global baseline for disclosure

- Provides a comprehensive foundation of disclosure
- Common language for comparable, cost effective, decision-useful disclosures
- Designed to meet investor needs across global capital markets

**ISSB Standards**

**BASELINE**

- May be added to meet jurisdiction-specific requirements (eg ESRS)
- May be adopted to meet broader multi-stakeholder needs (eg GRI Standards)
Efficiency through interoperability

- **Ongoing dialogue with jurisdictions**, eg the European Commission, working on jurisdiction-specific disclosure requirements
- Many redeliberation decisions – eg enterprise value, Scope 3 – **support interoperability**
- Adopted the **TCFD architecture** to drive alignment
- Working with **GRI** to deliver a comprehensive sustainability reporting regime
- CDP to align platform to IFRS S2, **reducing market fragmentation** for CDP users
Determining materiality: meeting investor needs

ISSB Standards use the same definition of material as IFRS Accounting Standards to ensure investors understand sustainability risks and opportunities relevant to their investment decisions:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence investor decisions.”
ISSB milestones

Board:
- COP26: ISSB created
- Inaugural meeting
- All 14 members appointed

Partners:
- GRI MoU
- Jurisdictional Working Group
- African ministers statements
- G20 statement
- Partnership Framework
- IOSCO commence endorsement assessment
- IFRS Sustainability Symposium

Organisation:
- CDSB consolidate
- Frankfurt MoU
- Montreal MoU
- VRF consolidate
- Beijing MoU

Technical:
- Prototypes
- Exposure drafts
- Digital taxonomy staff draft
- 1,400+ comment letters
- Re-deliberation

Timeline:
- Q4 2021
- Q1 2022
- Q2 2022
- Q3 2022
- Q4 2022
- Q1 2023
# Projects in the ISSB work plan

<table>
<thead>
<tr>
<th>Project</th>
<th>Next milestone</th>
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<tbody>
<tr>
<td>Consultation on Agenda Priorities</td>
<td>Publish Request for Information</td>
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<tr>
<td>General Sustainability-related Disclosures</td>
<td>Issue final standard (IFRS S1)</td>
</tr>
<tr>
<td>Climate-related Disclosures</td>
<td>Issue final standard (IFRS S2)</td>
</tr>
<tr>
<td>IFRS Sustainability Disclosure Taxonomy</td>
<td>Publish Proposed IFRS Sustainability Disclosure Taxonomy (exposure draft)</td>
</tr>
<tr>
<td>Maintenance of the SASB Standards</td>
<td>Publish Proposed methodology for improving the international applicability (exposure draft)</td>
</tr>
<tr>
<td>Inherited SASB Standards Projects</td>
<td>Publish exposure drafts for projects that were at advanced stage at the time of the VRF consolidation</td>
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First two ISSB Standards
General requirements Standard: IFRS S1

- Asks for disclosure of material information about sustainability-related risks and opportunities to meet investor information needs
- Sets out general reporting requirements; other ISSB Standards set out specific disclosures on particular matters (eg IFRS S2 Climate-related Disclosures)
- Refers to other standards and frameworks in absence of a specific ISSB Standard
- GAAP agnostic and therefore applicable across jurisdictions

Emphasises need for consistency and connections between financial statements and sustainability disclosures

Financial statements and sustainability disclosures published at the same time, but with transitional relief

Does not specify a location for disclosure within general purpose financial reporting and allows for additional information, to facilitate application in different jurisdictions
Climate-related Disclosures Standard: IFRS S2

- Used in accordance with IFRS S1
- Disclosure of material information about climate-related risks and opportunities
- Incorporates TCFD Recommendations and guidance
- Includes requirement to provide industry-specific disclosures
- Industry-specific metrics included as illustrative guidance, taken from SASB Standards
- Requires disclosure of material information about physical risks, transition risks and climate-related opportunities

Transition planning
Emissions targets and use of carbon offsets

Climate resilience
Resilience of business strategy in multiple scenarios

Scope 1-3 emissions
Requirement to disclose GHG emissions in accordance with the GHG Protocol Corporate Standard
Decisions addressing assurability considerations

In response to stakeholder feedback, the ISSB has made several decisions designed to mitigate assurability challenges, during redeliberations of the proposals in the Exposure Drafts of IFRS S1 and IFRS S2.

<table>
<thead>
<tr>
<th>Assurability challenge</th>
<th>ISSB decisions</th>
</tr>
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<tbody>
<tr>
<td>Outcome and/or measurement uncertainty</td>
<td>Requirement to use ‘reasonable and supportable information that is available at the reporting date without undue cost or effort’, in certain circumstances</td>
</tr>
<tr>
<td>Judgments, assumptions and estimates</td>
<td>Requirement to disclose judgments, assumptions and estimates that have the most significant effect on the information disclosed</td>
</tr>
<tr>
<td>‘Unable to do so’</td>
<td>Clarification regarding when companies may be unable to quantify current and anticipated financial effects (eg ‘separately identifiable’, ‘faithful representation’)</td>
</tr>
<tr>
<td>Application of ‘sources of guidance’</td>
<td>Clarification regarding ‘may’ and ‘shall’ requirement to disclose sources applied in preparing disclosures. Limited list of requirements that ‘shall’ consider to SASB Standards</td>
</tr>
<tr>
<td>General application</td>
<td>Creation of educational material, application guidance (such as Scope 3 framework), and other examples to support preparers and assurance providers</td>
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To identify **risks and opportunities** to report, a company uses ISSB Standards and shall consider:

- Industry-specific **SASB Standards**

A company may also consider:

- CDSB Framework application guidance
- industry practice
- materials of investor-focused standard setters

In the absence of a specific ISSB Standard, to determine **what to disclose** a company shall consider:

- Industry-specific **SASB Standards**

A company may also consider, to the extent it meets investor information needs:

- CDSB Framework application guidance
- industry practice
- materials of investor-focused standard setters
- GRI Standards
- European ESRS

Which risks & opportunities?

Which metrics?
IFRS S2: Scope 3 GHG emissions

Requirements

✓ Scope 3 GHG emissions disclosure, across 15 categories*, when material

✓ Use of GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard

✓ Disclosure of how and why the company has used specific inputs, assumptions and estimation techniques to measure its GHG emissions, and information about changes

Companies with emissions associated with investments need to provide additional disclosures for financed emissions.

This relates to companies that are in, or have activities associated, with:

- Asset Management & Custody Activities
- Commercial Banks
- Insurance, for their investment activities

*Categories identified in the GHG Protocol
IFRS S2: Scope 3 GHG emissions
Reliefs and support

Relief:
Temporary exemption from this disclosure when first applying IFRS S2

Relief:
Permission to include information obtained from companies in the value chain with a different reporting cycle

Relief:
Use of reasonable and supportable information available without undue cost or effort

Guidance:
Framework for Scope 3 measurement that incorporates use of estimation

“We recognise that companies need help, as best practice develops, in measuring Scope 3 GHG emissions. These reliefs and guidance provide companies with time to get their processes in place, and the guidance to support this disclosure.”

Sue Lloyd
Vice-Chair, ISSB
### IFRS S2: Scope 3 measurement framework

**Guidance to support companies**

<table>
<thead>
<tr>
<th>Measurement:</th>
<th>A company shall prioritise the use of:</th>
<th>If prioritised information not available, consider:</th>
</tr>
</thead>
<tbody>
<tr>
<td>direct</td>
<td>Measurement</td>
<td>estimation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>activity data and emission factors</td>
</tr>
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<table>
<thead>
<tr>
<th>Data:</th>
<th>primary data</th>
<th>secondary data</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>eg company-specific metric</td>
<td>eg estimated metric tons of waste</td>
</tr>
<tr>
<td></td>
<td>tons of waste generated</td>
<td>generated based on industry-average data</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope:</th>
<th>more granular data</th>
<th>less granular data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>cradle-to-gate GHG emissions for the</td>
<td>GHG emissions and/or activity</td>
</tr>
<tr>
<td></td>
<td>product of interest</td>
<td>data for the entire corporation</td>
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| Verification:| verified                              | not verified                                    |
When to start to provide the disclosures in IFRS S1 and IFRS S2?

- **Effective** for annual reporting periods beginning on or after **1 January 2024**
- **Available for use before** that date to the extent a company applies both Standards at the same time
- If a company applies before 2024 it will **disclose that fact**
- **No** requirements to provide:
  - **interim** sustainability-related financial reporting
  - **comparative** information in the **first annual reporting period**

**Considerations in setting 2024 effective date**

- Responding to investor demand
- Built on well-established standards and frameworks
- Transition reliefs
- Use of information that is reasonable and supportable and is available without undue cost or effort
- Committed to capacity building and providing guidance
- 18,000+ companies will collect data as required by IFRS S2 to disclose on the CDP platform for the 2024 financial year
SASB Standards

**IFRS S1**
- General Requirements
  - Required to consider in absence of specific ISSB Standard

**IFRS S2**
- Climate Disclosures
  - Illustrative guidance: required to consider to provide industry-specific disclosure

**Content the ISSB will expose**
- for comment to facilitate international applicability

**Content the ISSB has exposed**
- for comments, including facilitating international applicability

**Industry-specific sustainability-related topics and metrics**

**Industry-based climate-related topics and metrics**
Process for maintaining SASB Standards

A group of 3-5 ISSB members will:

- develop recommendations for the ISSB to maintain, evolve and enhance the SASB Standards that do not form part of IFRS Sustainability Disclosure Standards
- develop drafts of exposure drafts of amendments to the SASB Standards and drafts of the final amendments

The ISSB will consider the recommendations of this group in ISSB meetings and ratify the exposure drafts and the final amendments.

Ratification will require the same level of support by ISSB members as is required for an amendment to an IFRS Sustainability Disclosure Standard.

Exposure drafts and final amendments to the SASB Standards will be issued by the ISSB.

The comment period for the exposure drafts will be the same as for those related to IFRS Sustainability Disclosure Standards.
Agenda consultation
Agenda consultation in Q2

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

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- connected reporting
ISSB priorities for 2023
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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