

ISSB General Update

Executive Summary

Project Type	Monitoring
Project Scope	Various
Purpose of the paper	
<p>The objective of this paper is to update the UKEB about the progress and decisions of the ISSB and where those decisions may overlap or interact with IFRS Accounting Standards. The content is, therefore, not intended to be a complete summary of the ISSB's meeting papers, discussions, or decisions.</p>	
Summary of the Issue	
<p>The paper contains a summary of the ISSB meetings held in November 2022 and the agenda for the upcoming December 2022 meetings.</p> <p>The key themes, from the UKEB Comment Letter on [draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and [draft] IFRS S2 <i>Climate-related Disclosures</i>, together with the recent ISSB re-deliberations and decisions on those issues are also included.</p> <p>The paper also incorporates other recent announcements from the ISSB, and other jurisdictional bodies, in relation to international sustainability standards.</p>	
Decisions for the Board	
<p>No decisions are required.</p> <p>Does the Board have any comment on the updates in the paper?</p>	
Recommendation	
N/A	
Appendices	
N/A	

ISSB November Board meeting

1. The ISSB met on 15 and 16 November 2022 in Frankfurt, Germany, and discussed:
 - a) [draft] IFRS S1 *General Sustainability-related Disclosures* – Comparative information and updated estimates¹
 - b) Current and anticipated effects and connected information²
 - c) [draft] IFRS S1 *General Sustainability-related Disclosures* – Timing of Reporting³
 - d) Sustainability Disclosure Taxonomy: Summary of feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy⁴
 - e) [draft] IFRS S2 *Climate-related Disclosures* – Strategy and decision-making and climate-related targets⁵

ED IFRS S1 and S2: Summary of ISSB's tentative decisions

2. The tables below set out a summary of relevant tentative decisions made by the ISSB to date and notes their alignment to the proposals and recommendations in the UKEB Comment Letter on the two exposure drafts.
3. Other ISSB topics discussed at the November meeting are summarised for information following the table.

¹ General Sustainability-related Disclosures - [Comparative information and updated estimates](#)

² General Sustainability-related Disclosures and Climate-related Disclosures - [Current and anticipated financial effects and connected information](#)

³ General Sustainability-related Disclosures - [Timing of reporting](#)

⁴ IFRS Sustainability Disclosures Taxonomy - [Cover note](#)

⁵ Climate-related disclosures - [Strategy and decision-making and climate-related targets](#)

ED IFRS S1: Summary of ISSB’s tentative decisions to date

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁶
Timing of Reporting			
November 2022	An entity shall report its sustainability-related financial disclosures at the same time as its related financial statements and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements. (Paragraph 66)	<p>Noted that some elements e.g., reporting along the value chain may prove time consuming, resource-intensive and, potentially, cause delay in publishing the financial statements. As sustainability disclosure requirements grow, there may be a point where delivery of that information at the same time as the financial statements is not feasible for some companies.</p> <p>Users have indicated that while they value this information being presented together, they would not wish to see the financial reporting timetable delayed.</p>	<p>At the November 2022 meeting the ISSB tentatively agreed:</p> <ul style="list-style-type: none"> a) the requirement for an entity to report its sustainability-related financial disclosures at the same time as its related financial statements. b) to introduce short-term transitional relief that would permit an entity to report its sustainability-related financial disclosures after its financial statements. 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. <p>[UKEB Secretariat view: The tentative decision to grant transitional relief has partially addressed Stakeholder concerns. Further clarity is required regarding the</p>

⁶ Extracted from relevant ISSB Update.

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁶
		<p>Regulated companies advised that there may be a trade-off between the most relevant and reliable sustainability information and the production of timely information, particularly when there is a timing difference between the publication of the financial statements and regulatory filing dates. (Paragraph B39 - B41)</p>	<p>duration, practical application and timing between the transition relief and actual jurisdictional adoption.]</p>
Achieving a global baseline for sustainability disclosures			
<p>October 2022</p>	<p>IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general-purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value.</p>	<p>The proposals are extensive and require complete disclosure of all material sustainability-related risks and opportunities. This would appear to go beyond what is typically regarded as a “baseline”. (Paragraph 20 a, pages 4-5)</p> <p>[UK stakeholders strongly supported close alignment of the exposure drafts with the Task Force on Climate-related Financial Disclosures (TCFD)</p>	<p>At the October 2022 meeting the ISSB tentatively agreed the:</p> <ul style="list-style-type: none"> a) 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; and b) 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

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁶
		<p>recommendations, as they have been applied in practice and tested in the UK and applied globally.]</p>	<p>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.</p> <p>[UKEB Secretariat view: These tentative decisions have significantly addressed Stakeholder concerns. Alignment to TCFD, clarity on scope, definitions and to the Conceptual Framework were key stakeholder requirements.]</p>
Clarity on scope and key definitions			
<p>October 2022</p>	<p>This [draft] Standard uses terminology suitable for profit-oriented entities, including public-sector business entities. (Paragraph 10)</p>	<p>The proposed scope of ED S1, and associated terminology and definitions, were raised by almost all the UK stakeholders as a key area of concern. (Paragraph 20 d, page 5)</p>	<p>At the October 2022 meeting, the ISSB tentatively agreed:</p> <p>a) the purpose of draft S1 is to require entities to meet the information needs of the primary users of general purpose financial reporting;</p>

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁶
		<p>[The UKEB supported the confirmation regarding the focus on the needs of primary users and closer alignment with the IASB’s Conceptual Framework.</p> <p>The UKEB comment letter (paragraph 20(d)) also noted stakeholders were confused by interchangeable use of the term “material” and “significant” and that we saw no reason why “material” could not be used for all purposes. We therefore support the removal of the term from the exposure draft.</p> <p>However, we also noted, that the scope of the information required from an entity’s value chain may be costly or difficult for companies to obtain and verify and that further information should be gathered to understand the cost-benefit balance of this</p>	<ul style="list-style-type: none"> 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. d) 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; and e) 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.

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁶
		<p>requirement (Appendix B, paragraph B22).</p> <p>The UKEB Comment Letter (Appendix B, paragraph B13) noted that some users found the definition of enterprise useful while other stakeholders found it overly simplistic. We encourage the ISSB to consider this feedback as they redeliberate the definition of ‘enterprise value’.</p> <p>Several users had recommended that more guidance should be provided regarding the ‘short, medium and long term’ definitions for preparers (Appendix C, paragraph C17). We encourage the ISSB consider providing illustrative guidance over these topics.]</p>	<p>f) that ‘time horizons’ will not be defined for short, medium and long term but should be based on entity specific assessments; and</p> <p>g) disclosures will be required regarding the current effects of climate-related risk and opportunities on an entity’s financial position, financial performance and cash flows.</p> <p>[UKEB Secretariat view: These tentative decisions have partially addressed Stakeholder concerns. However, further clarity regarding the consideration of cost-benefit balance for the value chain disclosures, and the application of short, medium and long terms are still required.]</p>

The use of third-party documents

November 2022	<p>In addition to IFRS Sustainability Disclosure Standards, an entity shall consider:</p> <ul style="list-style-type: none">a) the disclosure topics in the industry based SASB Standards;b) the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures);c) the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general-purpose financial reporting; andd) the sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies. (Paragraph 51, page 32)	<p>We noted that ED S1 paragraph 51, appeared to be linking to an open-ended list of external documents, which were too broad to be mandatory in a framework standard. UK stakeholders have told us that in the framework standard ED S1 they would prefer these documents be referenced as guidance only. (Paragraph 20 e, page 5)</p> <p>[UK Stakeholders indicated that they would prefer closer alignment to the IAS 8 approach to prevent boiler plate disclosures, ensure connectivity with IFRS Accounting Standards and avoid potential confusion amongst stakeholders.]</p>	<p>At the early November ISSB meetings, the ISSB tentatively confirmed:</p> <ul style="list-style-type: none">a) preparers would be required to consider SASB standards when identifying sustainability matter to report on under [draft] IFRS S1. [The ISSB will consider including an explicit statement that clarifies that this phrase does not equate to 'shall apply' for the SASB Standards.]b) a change from 'shall' to 'may' consider for the Climate Disclosure Standards Board (CDSB) framework, other standard-setting bodies and entities that operate in the same industries or geographies. <p>[UKEB Secretariat view: These tentative decisions have partially addressed stakeholder concerns in terms of the volume of additional material to be considered. However, stakeholders were seeking closer alignment to the wording used in IAS 8.]</p>
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Alignment with IFRS Accounting Standards

November 2022

The Exposure Draft includes proposals for definitions and requirements that are consistent with the IASB's Conceptual Framework for Financial Reporting, IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. (Introduction, Page 6)

The UKEB comment letter noted certain inconsistencies between the ED proposals and the requirements of IFRS Accounting Standards. (Appendix B paragraphs B5, B7, B15 and B27.)

[The UKEB Comment Letter had noted that the requirement to restate comparatives to reflect updated estimates, and explain any difference from previously published numbers, exceeds the requirements in IFRS Accounting Standards, where such treatment is only required in the case of error or retrospective application of a change in accounting policy.

The UKEB Comment Letter noted several inconsistencies in relation to financial effects with IFRS Accounting Standards (Appendix B, paragraph B15).]

At the November meeting, the ISSB tentatively agreed:

To amend the requirement to clarify that this would not apply to forward-looking estimates disclosed in the previous period, that comparative information is only required to be updated when the change is material and to provide illustrative guidance to help entities apply the requirement.

[UKEB Secretariat view: The clarifications are helpful and align more closely to the approach in IAS 8. Detailed illustrative examples will be helpful and field testing may also inform practical implementation challenges.]

ED IFRS S2: Summary of ISSB’s tentative decisions to date

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁷
Industry based standards and due process			
October / November 2022	<p>The Trustees recognised the opportunity to use and build upon existing sustainability standards and frameworks, including those developed in accordance with prior due process by the organisations that developed them and that enjoy broad user and preparer support. (Page 7)</p> <p>The Trustees noted the need for prompt action and the background to the content of the Exposure Draft. However, they also noted that this does not negate the need for formal due process and exposure by the ISSB.</p>	<p>While stakeholders supported the use of SASB standards to standardise industry-based metrics, they also valued the comprehensive due process of the IFRS Foundation.</p> <p>Some stakeholders considered that while the SASB standards were still being developed for global application they should be referred to as guidance only. Once the Foundation’s due process was complete their status could then be determined. (Paragraph 20 d, page 7)</p> <p>[The UKEB comment letter (Appendix C, paragraph C10) noted that while stakeholders supported standardised industry-based metrics, they also required</p>	<p>At the October ISSB meeting it was tentatively agreed to:</p> <ul style="list-style-type: none"> a) maintain the requirement that entities provide industry-specific disclosures; and b) classify the content in Appendix B as illustrative examples, while stating its intention to make Appendix B mandatory in the future, subject to further consultation. <p>[UKEB Secretariat view: These tentative decisions have partially addressed UK stakeholder concerns in terms of industry-based materials as illustrative guidance in Appendix B of [draft] IFRS S2. However, clarity regarding how the SASB Standards will undergo comprehensive due process has yet to be fully explained.]</p>

⁷ Extracted from relevant ISSB Update.

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁷
<p style="text-align: center;">more implementation guidance and placed high value on the Foundation’s comprehensive due process.]</p>			
<p>Achieving a global climate baseline</p>			
<p>September / October 2022</p>	<p>Global baseline IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general-purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. (Question 16—page 30)</p>	<p>Several users noted that some aspects of the exposure draft may be considered too aspirational i.e., that it may be seen as a hurdle as opposed to a target. Their concern was that some jurisdictions or smaller companies may feel the requirements are overwhelming and suggested the ISSB consider indicating a minimum level or phased approach of climate disclosures, recognising that climate measurement methodologies were still developing. They felt this approach may result in wider and earlier global adoption. (Paragraph 20 g, page 8)</p>	<p>Noted above in [draft] IFRS S1 tentative decisions related to the global baseline and approach to scalability. [UKEB Secretariat view: These tentative decisions have significantly addressed stakeholder concerns in terms enabling smaller entities and emerging economies to also adopt the standards.]</p>

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁷
		[The ISSB proportional approach and the use of transitional mechanisms should help to address UK stakeholders' concerns].	

Current and anticipated effects and connected information

4. The ISSB were not asked to make any decisions on these topics but instead to discuss several high-level illustrative examples. The examples included types of quantitative and where unable to provide, qualitative information required and requirements regarding connected information for sustainability risks and opportunities.
5. The ISSB discussed [draft] IFRS S1 paragraph 22 and the equivalent [draft] IFRS S2 paragraph 14 requiring an entity to disclose current and anticipated financial effects of sustainability-related risks and opportunities on financial performance, financial position and cash flows and the anticipated effects over the short, medium and long terms.
6. The ISSB also discussed the proposed requirements of IFRS S1, paragraphs 42-44 of [draft] which aims to enable users to assess the connections between sustainability risks and issues and how those relate information in the financial statements.
7. The ISSB discussed the requirement for additional illustrative examples to provide guidance for sustainability-related opportunities, where a financial effect could not be attributed and for longer term sustainability risks or opportunities. Based on the comments by board members, the ISSB Staff will develop recommendations to present at a future meeting on these areas.

Sustainability Disclosure Taxonomy: Summary of feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy

8. The ISSB discussed feedback on the staff draft of a proposed IFRS Sustainability Disclosure Taxonomy based on [draft] IFRS S1 and [draft] IFRS S2 but was not asked to make any decisions.
9. The taxonomy team advised that they were developing the taxonomy for digital reporting iteratively in the absence of finalised international sustainability disclosures standards.
10. The ISSB noted the importance of connectivity with the accounting taxonomy and that the provision of illustrative examples of tagging between the taxonomies would be useful for stakeholders.

[draft] IFRS S2 Climate-related Disclosures – Strategy and decision-making and climate-related targets

11. The ISSB considered feedback from respondents on the proposed requirements for an entity to disclose information about its strategy and decision-making, including its transition plans towards a lower-carbon economy and its climate-related targets.

12. The ISSB was not asked to make any decisions but did confirm and clarify the requirements regarding an entities overall strategy and decision making towards transition plans to a lower carbon economy, targets and information regarding Green House Gas emissions.

ISSB's December 2022 meeting

13. The ISSB is due to meet on 13 - 15 December 2022 in Montreal, Canada. The board will be discussing:
- a) General Sustainability-related Disclosures (S1) – Fundamental Concepts⁸
 - b) ISSB Consultation on Agenda Priorities – Projects to be included in request for information⁹
 - c) Climate-related Disclosures (S2) – Greenhouse gas emissions¹⁰
 - d) Climate-related Disclosures (S2) – Scope 3 greenhouse gas emissions¹¹
 - e) Climate-related Disclosures (S2) – Appendix B¹²
 - f) Climate-related Disclosures (S2) – Financed & facilitated emissions
14. In relation to the 'Consultation on Agenda Priorities' paper, the ISSB staff have recommended that each of the following projects should be included in the Request for Information:
1. Biodiversity, ecosystems and ecosystem services
 2. Human capital
 3. Human rights
 4. Connectivity in reporting – management commentary and integrated reporting
15. The 'Connectivity in reporting' proposal is to undertake a joint project with the IASB. The project is to develop disclosure requirements and guidance to enable entities to report connected discussion and analysis of their financial statements and sustainability-related financial disclosures.

⁸ General Sustainability-related Disclosures - [Fundamental Concepts](#)

⁹ [ISSB Consultation on Agenda Priorities](#)

¹⁰ Climate-related Disclosures - [Greenhouse gas emissions](#)

¹¹ Climate-related Disclosures - [Scope 3 greenhouse gas emissions](#)

¹² Climate-related Disclosures - [Appendix B](#)

16. In addition to analysing the feedback on the IASB's proposals on management commentary, the project would also assess alignment with the Integrated Reporting Framework and consider the relationship with [draft] IFRS S1.
17. The 'Climate-related Disclosures (S2) – Appendix B' proposal builds on the previous ISSB decisions, made in October 2022, to maintain industry-specific disclosures and to classify the content of the appendix as illustrative only but with the intention of making Appendix B required in the future. The paper seeks decisions from the ISSB in relation to the scope of the changes to Appendix B as part of the finalisation of [draft] IFRS S2 and the plan for future development of the content.

Question for the Board

1. Do Board members have any questions or comments on the ISSB related updates provided in this paper?

Other international updates

18. The ISSB made several announcements at **COP27** which included, support for scalability and collaboration on capacity building, preparedness of the global south in adopting standards, importance of Africa in establishing global baseline, and expectations over the next 12 months.
19. The **Financial Reporting Council of Nigeria** announced¹³ that they will move to adopt the International Sustainability Standards Board's (ISSB) IFRS Sustainability Disclosure Standards in Nigeria when they are issued in 2023.
20. The **Australian Government**¹⁴ has issued Exposure Draft Legislation which will amend parts of the Australian Securities and Investment Commission Act 2001 to enable the Australian Accounting Standards Board (AASB) to deliver sustainability standards. The consultation ends on 16 December 2022.
21. On 22 November 2022, EFRAG, in its role as technical adviser, submitted the first set of draft **European Sustainability Reporting Standards**¹⁵ (ESRS) to the EU Commission. The Commission will now consult EU bodies and member States on the draft standards, before adopting the final standards as delegated acts in June 2023, followed by a scrutiny period by the European Parliament and Council.

¹³ ISSB at COP27: Financial Reporting Council of Nigeria to [adopt](#) IFRS Sustainability Disclosure Standards

¹⁴ [Empowering the AASB to deliver sustainability standards](#)

¹⁵ [First set of ESRS](#) submitted to the EU Commission by EFRAG

22. The **SEC** is finalising its climate-related financial disclosure rule. The last step in the process is expected to take several months with the rule, which will require climate-related information to be disclosed in a stand-alone section of registration statements and annual reports, set to be adopted in 2023.