

Ongoing monitoring of ISSB Projects — Update on ISSB Inaugural meeting

Executive Summary

Project Type	Monitoring
Project scope	Various
Purpose of the paper	
<p>This paper provides the Board with an update on ISSB projects currently being monitored by the UKEB Secretariat. This work is undertaken to inform the Board about the progress and decisions being made by the ISSB on their active projects.</p> <p>The UKEB Chair and Technical Director also participate in various international standard setting meetings, including ASAF, CFSS and WSS, that contribute to the ongoing work of the IFRS Foundation. These discussions with the Board help to inform those interactions, and may identify specific concerns, or areas of focus for future work.</p>	
Summary of the Issue	
<p>The inaugural ISSB meeting discussed the following items:</p> <ol style="list-style-type: none"> 1. ISSB agenda consultation 2. Preliminary stakeholder feedback on [draft] IFRS S1 <i>General Sustainability-related Disclosure Requirements</i> and [draft] IFRS S2 <i>Climate-related Disclosures</i>. 3. Potential projects to be undertaken jointly with the IASB 4. Agenda items for the September 2022 ISSB meeting 	
Questions for the Board	
<p>Do Board members have any questions or comments on the updates provided in this paper?</p>	
Next steps	
<p>Feedback from the Board will help inform future UKEB discussions and, where appropriate, project work.</p>	

Inaugural ISSB Board meeting

1. The ISSB met on 20 and 21 July 2022 to discuss its approach to determining agenda priorities and to review a summary of initial comments from stakeholders' regarding, [draft] IFRS S1 *General Sustainability-related Disclosure Requirements* and [draft] IFRS S2 *Climate-related Disclosures*.
2. The Chair, Emmanuel Faber, highlighted the expectation that the board would review summaries of feedback on the exposure drafts at the September 2022 meeting and that the ISSB would finalise the standards by the end of the year. He also noted that the ISSB was committed to launching an agenda consultation in the second half of 2022.
3. The ISSB Technical Director, Ravi Abeywardana, attended as the point of connection between the IASB and ISSB boards. The IASB Technical Director, Nili Shah, also attended to provide her experience of IASB agenda consultations.

Approach to determining the ISSB agenda priorities

4. The ISSB discussed the broadly defined topics that may feature as agenda priorities and inform a future work plan. The preliminary list for consideration included: biodiversity, ecosystems and nature loss; circular economy, materials sourcing and value chains; climate change; cybersecurity, data security and customer privacy; economic inequality; human capital; human rights; and water and marine resources.
5. In addition, current standards from the Sustainability Accounting Standards Board (SASB) and potential joint projects with the International Accounting Standards Board (IASB) were also discussed.
6. The ISSB staff will refresh the proposed list of agenda consultation topics following the board's comments.

Potential projects to be undertaken in coordination with the IASB

7. It was also noted in the July meeting that the IASB has set aside capacity to work jointly with the ISSB in areas such as Management Commentary and digital reporting. The joint projects currently under consideration are:
 - a) **Conceptual framework** – a project to enable the ISSB to benefit from incorporating the relevant concepts from the IASB and the SASB Conceptual Frameworks to identify areas of differentiation, determine alignment and consider the concepts of the Integrated Reporting Framework.
 - b) **Management Commentary** – IASB's stakeholders have encouraged the IASB to work jointly with the ISSB to advance this project. The Chairs of both boards have committed to consider opportunities to address differences between the Integrated Reporting Framework and Management Commentary.

- c) **Other possible projects** – coordination on:
- i. *Climate-related Risks* would avoid conflicts and meet the needs of users of general-purpose financial reporting wholistically.
 - ii. *Intangible Assets IAS 38* – some disclosures relevant to intangibles may be addressed by the ISSB, for example human capital.
 - iii. *Pollutant pricing mechanisms* – the IASB may commence this project before its next agenda consultation (for 2027-2031) if additional capacity was unexpectedly made available.
8. Given the UKEB has been asked by the Secretary of State to consider the overlap between IASB and ISSB standards, the potential joint projects will be incorporated into the UKEB workplan.

Summary of stakeholders' preliminary feedback on the Exposure Drafts

9. The ISSB also discussed a summary of preliminary stakeholder feedback on [draft] IFRS S1 *General Sustainability-related Disclosure Requirements* and [draft] IFRS S2 *Climate-related Disclosures (as at 5 July 2022)*.
10. Stakeholder feedback indicated that the potential areas for challenge:
- a) in [draft] IFRS S1 related to enterprise value, breadth of reporting, materiality, current and anticipated financial effects and the timing of reporting.
 - b) in [draft] IFRS S2 were noted as transition planning, current and anticipated effects, climate resilience, greenhouse gas emissions metrics, industry-based requirements, and proportionality.
11. ISSB staff will consider and respond to the board's comments in the final feedback papers to be presented at future meetings.

ISSB September 2022 meeting

12. The ISSB will meet next in September, in Frankfurt from 20 to 23 September. The [agenda](#) and papers¹ for that meeting are now available from the IFRS Foundation's website.

Summary of comments, redeliberation plan, and scalability approach

13. The ISSB agenda includes a summary of comments received, key themes identified and a proposed approach for redeliberation of both exposure drafts including options to address scalability. One of the key themes noted by stakeholders with [draft] IFRS S1 was

¹ ISSB September 2022 Board [papers](#)

the importance of connectivity and collaboration with the IASB. The papers also note the intention to publish IFRS S1 and IFRS S2 ‘as early as possible in 2023’.

14. A range of topics are identified for redeliberation for each Exposure Draft, including two common areas: (i) scalability; and (ii) the effects of sustainability and climate-related risks and opportunities on an entity’s financial performance, financial position, and cash flows. The ISSB will be asked to confirm the proposed plan and topics for redeliberation as well as feedback on the proposed proportionate approach.
15. Several of the key points made in the UKEB Comment Letter are included in the staff papers, particularly in relation to connected information². However, within the ‘Factors to consider’ section³ there is no explicit reference to the requirement for consideration or alignment with the work of the IASB. We also note that the paper does not identify how alignment with the IFRS Foundation’s due process will be achieved.

IASB work plan

16. The ISSB will also receive an update from the IASB on its future work plan. The IASB’s stakeholders have specifically requested that the two boards work collaboratively, where appropriate.
17. The IASB has added intangible assets and statement of cash flows and related matters to its pipeline of research projects, and climate-related risks to the maintenance and consistent application projects. The IASB has been clear that it needs to consider interactions between these projects and the work of the ISSB.
18. The IASB also note the Management Commentary project as another possible candidate for working with the ISSB, particularly the benefits of bringing ‘financial, sustainability and other information about matters fundamental to an entity’s long-term prospects’ together in one report.
19. We are encouraged that the two boards are engaging publicly. We consider that transparency on such matters is of particular importance to stakeholders and can be achieved by the two boards finalising and communicating their approach to joint projects ahead of the ISSB issuing its agenda consultation.
20. The UKEB staff will observe the ISSB September meeting with the intention of providing a verbal update at the UKEB Board meeting and a full report at the October 2022 meeting.

Questions for the Board
21. Do Board members have any questions or comments on the updates provided in this paper?

² [AP3B and AP4B: Plan for redeliberations](#) - page 10, para 59 Connected information

³ [AP3B and AP4B: Plan for redeliberations](#) - page 3, para 19 Factors to consider