

ISSB General Update

Executive Summary

Project Type	Monitoring
Project Scope	Various
Purpose of the paper	
<p>This paper provides an update for the UKEB regarding the progress and decisions of the International Sustainability Standards Board (ISSB). The content is primarily tailored towards the UKEB's remit on connectivity between IASB Accounting and ISSB disclosure standards and is not intended to be a complete summary of all the ISSB's meeting papers, discussions, or decisions.</p>	
Summary of the Issue	
<p>The paper is focused on the decisions made at the ISSB meeting in January 2023 and notes the agenda for the upcoming February 2023 meeting.</p> <p>The paper also provides a comparison of those decisions and proposals against the key stakeholder themes, identified in the UKEB Comment Letter on [draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (S1) and [draft] IFRS S2 <i>Climate-related Disclosures</i> (S2).</p> <p>Finally, the paper incorporates other recent announcements from the ISSB, and other jurisdictional bodies, in relation to international sustainability standards. These are for noting only.</p>	
Decisions for the Board	
<p>No decisions are required.</p> <p>Do Board members have any questions or comments on the updates on ISSB's recent decisions provided in this paper?</p>	
Recommendation	
N/A	
Appendices	
Appendix A ISSB tentative decisions January 2023	

Appendix A:

ISSB January Board meeting

1. The ISSB met on 17–19 January 2023 in Frankfurt, and discussed the following items:

[draft] IFRS S1 *General Sustainability-related Disclosures*

- a) Metrics and Targets Objectives¹
- b) Disclosure of judgements, assumptions, and estimates²
- c) Reasonable and supportable information that is available at the reporting date without undue cost or effort³
- d) Commercially sensitive information about opportunities⁴
- e) Current and anticipated financial effects and connected information⁵

[draft] IFRS S2 *Climate-related Disclosures*

- f) Using scenario analysis to assess climate resilience⁶
- g) Greenhouse gas emissions—reporting period relief⁷
- h) Climate-related targets—Latest international agreement on climate change⁸

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 in its January 2023 meeting and notes their alignment to the proposals and recommendations in the UKEB Comment Letter on draft S1 and S2.
3. The ISSB Update with the tentative decisions made at the ISSB's January 2023 meeting can be found [here](#).

¹ [Metrics and Targets Objective](#)

² [Disclosure of judgements, assumptions and estimates](#)

³ [Reasonable and supportable information that is available at the reporting date without undue cost or effort](#) (draft IFRS S1 and draft IFRS S2)

⁴ [Commercially sensitive information about opportunities](#)

⁵ [Current and anticipated financial effects and connected information](#) (draft IFRS S1 and draft IFRS S2)

⁶ [Using scenario analysis to assess climate resilience](#)

⁷ [Greenhouse gas emissions—reporting period relief](#)

⁸ [Climate-related targets—Latest international agreement on climate change](#)

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

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁹
Timing of Reporting			
November and December 2022 January 2023	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>For regulated companies there may be a trade-off between the most relevant and reliable sustainability information and the production of</p>	<p>At the <u>November 2022</u> 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>At the <u>December 2022</u> meeting, the ISSB agreed to provide a temporary exemption for Scope 3 GHG emissions disclosures for a minimum of one year following the effective date of [draft] IFRS S2 to address the data availability and data quality challenges.</p>

⁹ Extracted from relevant ISSB Update.

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁹
		timely information, particularly when there is a timing difference between the publication of the financial statements and regulatory filing dates. (Paragraphs B39–B41)	<p>The ISSB also agreed the inclusion of information that may not be aligned with the entity's reporting period i.e., when GHG emissions data is sourced from other entities within its value chain with a different reporting cycle.</p> <p>[UKEB Secretariat view: The tentative decision to grant transitional relief has partially addressed Stakeholder concerns. Further clarity is required regarding the duration, practical application and timing between the transition relief and actual jurisdictional adoption.]</p>
Current and anticipated effects			
January 2023	<p>The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities and, if such information is provided quantitatively, it can be expressed as a single amount or as a range.</p> <p>The Exposure Draft proposes that an entity</p>	<p>The UKEB Comment Letter noted several inconsistencies in relation to financial effects with IFRS Accounting Standards (Appendix B, paragraph B15). The points raised in these areas are particularly problematic for current and anticipated effects in this exposure draft. We anticipate that due to the limited state of readiness, most preparers will be unable to provide either a single point or a range and will therefore initially adopt a qualitative approach.</p>	<p>At the <u>January 2023</u> meeting, the ISSB tentatively decided to draft a change to:</p> <p>a) Clarify that, when a sustainability-related risk or opportunity has or is expected to affect the information in the financial statements, the entity is required to explain the connection between those risks and opportunities and their current and anticipated financial effect. In doing this, entities should avoid unnecessary duplication by cross-referencing to the general-purpose financial statements, subject to specific conditions.</p>

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁹
	be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14), unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.	(Paragraphs C16)	<p>b) Clarify that the requirement to provide quantitative and qualitative information about the current and anticipated effects on the entity's financial position, financial performance and cash flows, and, if unable to provide quantitative information, to provide qualitative information.</p> <p>c) Clarify that an entity will be required to disclose whether it is able to provide quantitative information about the financial effects of a particular sustainability-related risk or opportunity and noted specific areas to consider.</p> <p>[UKEB Secretariat view: It seems that by permitting an entity to provide qualitative information, that it is likely that preparers will use this approach.]</p>
Disclosure of judgements, assumptions and estimates			
January 2023	The Exposure Draft include a proposed requirement that financial data and	The UKEB supported paragraph 80 of ED S1 when it states this is only required "to the extent possible" and we suggested further guidance	In the <u>January 2023</u> meeting, the ISSB tentatively decided to clarify the words 'to the extent possible' to mean 'to the extent possible considering the

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	<p>assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible. (Paragraph 80)</p> <p>The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value. (Paragraph 2)</p>	<p>or examples illustrating such challenges would be useful.</p> <p>The comment letter does not specifically address the disclosure of judgements and the sources used.</p>	<p>requirements of IFRS Accounting Standards or other relevant generally accepted accounting principles'. [UKEB Secretariat view: We still support the use of the term 'to the extent possible'.]</p> <p>At the <u>January 2023</u> meeting, the ISSB tentatively decided to introduce requirements relating to the disclosure of judgements and sources used in the process of making sustainability-related disclosures. [UKEB Secretariat view: We consider the additional requirements will be helpful in clarifying what disclosures the entity is required to make.]</p>

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Alignment with IFRS Accounting Standards			
January 2023	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)	<p>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.)</p> <p>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.</p> <p>The UKEB Comment Letter noted several inconsistencies in relation to financial effects with IFRS</p>	<p>At the January 2023 meeting, the ISBS tentatively agreed.</p> <p>a) The use of the term 'reasonable and supportable' information that is available at the reporting date 'without undue cost or effort' into both IFRS S1 and IFRS S2. This will also be applicable to estimation uncertainty.</p> <p>b) To introduce an exemption in IFRS S1 that would permit an entity to exclude information from disclosure of its sustainability-related opportunities when that information is commercially sensitive.</p> <p>[UKEB Secretariat view: Terms and concepts aligned with Accounting Standards are helpful to stakeholders due to their familiarity. Stakeholders expressed a view that the relative levels of certainty regarding forward looking information should also be disclosed and may support the estimation approach. The exemption for commercially sensitive opportunities may require definitions or illustrative examples to support implementation. Stakeholders advised that they were</p>

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁹
		Accounting Standards (Appendix B, paragraph B15).	seeking this exemption for both commercially sensitive risks as well as opportunities.]

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

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ¹⁰
Timing of Reporting			
January 2023	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)	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.	At the January 2023 meeting , ISSB tentatively decided to provide relief that would allow an entity to measure its GHG emissions using information for reporting periods that are different from the entity's own reporting period when that information arises from entities in its value chain with reporting periods that are different from the entity's own within specific conditions. [UKEB Secretariat view: The tentative decision has partially addressed UK stakeholder concerns. The clear criteria regarding flexibility/timing of Scope 3 GHG emissions disclosures will help reduce the initial burden on preparers. However, this approach will need to be tested to determine whether the criteria are practical as

¹⁰ Extracted from relevant ISSB Update.

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		<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>For regulated companies 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>well as identifying the associated benefits of the information to investors.]</p>

ISSB's February 2023 meeting

4. The ISSB is due to meet on 16 February 2023 in Montreal, Canada. The board will be discussing:
- [draft] IFRS S1 *General Sustainability-related Disclosures* and [draft] IFRS S2 *Climate-related Disclosures*
- a) Sources of guidance to identify sustainability-related risks and opportunities and disclosures¹¹
 - b) Effective date¹²
 - c) Due process and permission to ballot¹³
 - d) Proportionality and support for those applying IFRS S1 and IFRS S2¹⁴
5. As the ISSB February meeting is being held at the same time as the UKEB meeting, a verbal update will be provided at the UKEB February meeting.

Question for the Board

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

¹¹ [Sources of guidance to identify sustainability-related risks and opportunities and disclosures](#)

¹² [Effective date](#)

¹³ [Due process and permission to ballot](#)

¹⁴ [Proportionality and support for those applying IFRS S1 and IFRS S2](#)

ISSB general updates

6. The **ISSB** held a 3-part Corporate Reporting Webinar Series on 24 January, 31 January and 7 March 2023. Recordings of all three episodes are available on the IFRS website¹⁵.
7. The series provided a deep dive into how companies can prepare for reporting under the proposed standards IFRS S1 and IFRS S2, with a strong focus on education and practical application. It was divided into 3-parts:
 - a) Better information for better decisions: Introduction to investor-focussed sustainability disclosure.
 - b) Any size or stage: Getting started on climate disclosure.
 - c) Connectivity and controls: The path to investor-grade disclosure.

UK & Other international updates

UK developments

8. The **Financial Conduct Authority's** (FCA) consultation¹⁶ on 'Sustainability Disclosure Requirements (SDR) and Investment Labels', which was published on 25 October 2022, closed on 25 January 2023. The consultation's proposals aim to build transparency and trust by introducing labels to help consumers navigate the market for sustainable investment products and ensure that sustainability-related terms in the naming and marketing of products are proportionate to the sustainability profile of the product. The consultation received a large number of detailed responses. A policy statement on the outcome is expected to be published in mid-2023.
9. The **Financial Reporting Council** (FRC) recently published an update to their 2021 Statement of Intent on Environmental, Social and Governance (ESG) Challenges¹⁷. The 2023 ESG Update¹⁸ sets out the areas where ongoing challenges in ESG reporting remain, actions aimed at addressing them, and the FRC's planned activities in this area. One area of focus for the regulator will be 'in-flight reviews' of auditors' work around climate-related risks and their relevance to an entity's financial statements.

Other International developments

10. In the **European Union**, EFRAG held its first joint meeting for the EFRAG Financial Reporting TEG and the EFRAG Sustainability Reporting TEG on 17 January 2023.

¹⁵ [ISSB Corporate Reporting Webinar Series](#)

¹⁶ [FCA Sustainability Disclosure Requirements \(SDR\) and investment labels](#)

¹⁷ [FRC Statement of Intent on Environmental, Social and Governance challenges](#)

¹⁸ [FRC ESG Statement of Intent: What's Next?](#)

Members discussed the proposed scope for a connectivity project. The UKEB's IFASS paper was outlined in EFRAG's introduction to the group on this topic and was further mentioned several times during the meeting. A joint working group, including valuers and credit analysts, will be created to advise the TEGs.

11. EFRAG's Sustainability Reporting Board meeting will be held on 13 February 2023 and a webcast meeting of their Sustainability Reporting TEG will be held on 15 February 2023. Both meetings will discuss issues relating to mining, quarrying and coal.
12. In the **United States**, the Securities Exchange Commission (SEC) has indicated it plans to release a final climate-related disclosure rule and a draft human capital management disclosure rule in April 2023. Recent media reporting suggests the SEC may amend or remove the 'bright-line test' in the climate-related disclosure proposal (i.e. the mandatory disclosure in the notes to the financial statements of any climate impact exceeding 1% of each financial statement line item) to ease the reporting burden on companies.