

ISSB General Update

Executive Summary

Project Type	Monitoring
Project Scope	Various
Purpose of the paper	
<p>This paper provides an update for the UKEB on progress and decisions of the International Sustainability Standards Board (ISSB). The content is tailored for the UKEB’s remit on connectivity between IASB Accounting and ISSB disclosure standards and is not a complete summary of all 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 February 2023 and notes the agenda for the upcoming March 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 developments on international sustainability standards. These are for noting only.</p>	
Decisions for the Board	
<p>No decisions are required.</p> <ol style="list-style-type: none"> 1. Do Board members have any questions or comments on the ISSB related updates provided in this paper? 2. Do Board members have any questions or comments on the UK or International updates provided in this paper? 	
Recommendation	
N/A	
Appendices	
Appendix A ISSB activities and other jurisdictions activities relating to sustainability standards	

Appendix A: ISSB activities and other jurisdictions activities relating to sustainability standards

ISSB February Board meeting

1. The ISSB met on 16 February 2023 Montreal, Canada and discussed the following items:

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

- a) Sources of guidance to identify sustainability-related risks and opportunities and disclosures¹
- b) Effective Date²
- c) Due process and permission to ballot³
- d) Proportionality and support for those applying draft IFRS S1 and IFRS S2⁴

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

2. The tables below sets out a summary of relevant tentative decisions made by the ISSB in its February 2023 meeting and notes the 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 February 2023 meeting can be found [here](#).

¹ [Sources of guidance to identify sustainability-related risks and opportunities and disclosures](#)

² [Effective Date](#) (draft IFRS S1 and S2)

³ [Due process and permission to ballot](#) (draft IFRS S1 and S2)

⁴ [Proportionality and support for those applying IFRS S1 and IFRS S2](#)

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

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁵
The use of third-party documents			
November 2022 February 2023	<p>In addition to IFRS Sustainability Disclosure Standards, an entity shall consider (Para 51, page 32):</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 	<p>The UKEB Comment Letter 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 February ISSB meeting, the ISSB tentatively confirmed:</p> <ul style="list-style-type: none"> a) In relation to sources of guidance the ISSB considered the open-ended sources of guidance in [draft] S1 [para 51 (c) and (d)] and tentatively agreed to amend the phrase ‘<i>shall</i> consider’ as proposed in [draft] S1 to ‘<i>may</i> consider’ in relation to other standard-setting bodies. b) The ISSB also agreed to amend the sources of guidance so that preparers <i>may</i> consider Global Reporting Initiative (GRI) Standards and European Sustainability Reporting Standards (ESRS) when identifying and disclosing sustainability-related risks and opportunities. <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

⁵ Extracted from relevant ISSB Update.

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁵
	requirements are designed to meet the needs of users of general-purpose financial reporting; and d) the sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.		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. [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 terminology used in IAS 8.]
Effective Date and transitional arrangements			
February 2023	TBC	Noted the absence of an endorsement mechanism, a low level of user and preparer readiness and suggested consideration of phased effective dates and use of safe harbour provisions. Suggested effective dates could be considered with insight gained from	At the February ISSB meeting it was tentatively agreed that: a) That both draft S1 and draft S2 would be effective for annual reporting periods beginning on or after 1 January 2024. b) Early adoption is permitted, but only if an entity applies both IFRS S1 and IFRS S2 at the same time.

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁵
		field testing with a range of preparers and jurisdictions to determine if phasing some of the more challenging disclosure requirements may be required.	<p>c) Transitional reliefs and tentatively agreed that entities will be temporarily permitted to:</p> <ul style="list-style-type: none"> i. separately report their sustainability-related financial disclosures later than the publication of their financial statements; ii. not be required to use the GHG Protocol Corporate Standard when initially applying IFRS S2; and iii. not be required to disclose Scope 3 GHG emissions. <p>[UKEB Secretariat view: Due to the low level of stakeholders' readiness they may find the early effective date challenging. As the UK government is developing an endorsement mechanism for ISSB Standards it is currently unclear when the standards may be adopted. While the initial transitional reliefs are likely to be welcomed, medium and small entities may find the comprehensive level of compliance challenging.]</p>

Due process and permission to ballot

4. The ISSB considered the due process conducted and permission to ballot requirements and concluded that the mandatory due process steps had been met for finalising the redeliberations of the [draft] S1 and [draft] S2. The ISSB provided permission for the staff to begin the balloting process.
5. No ISSB member intends to dissent from the publication of IFRS S1 or IFRS S2.
6. The ISSB expects to publish the standards in Q2 2023.

ISSB's March 2023 meeting

7. The ISSB is due to meet virtually on 16 March 2023. The board will be discussing:
 - a) The international applicability of the SASB Standards – an Education session and Project Update⁶.
 - b) ISSB Consultation on Agenda Priorities - Update on consultation on agenda priorities⁷.
8. As the ISSB March meeting is on the same day the UKEB papers are published, a verbal update of the relevant points will be provided at the UKEB March meeting.

International applicability of SASB Standards

9. The ISSB were granted approval from the IFRS Foundation Due Process Oversight Committee (DPOC) in October 2022 for their approach to maintain the SASB⁸ Standards. The approach will include identifying and addressing any potential regional biases, or jurisdictionally specific references and to ensure that the standards are GAAP-agnostic.
10. The ISSB intends to consult on the process and methodology for improving the international applicability of the SASB Standards initially, rather than exposing individual amendments to the standards for comment. However, it is expected that an advanced draft of proposed amendments will be made available.
11. The ISSB has created a SASB Standards Board Advisor Group (SSBAG) as a subgroup of the ISSB which is now working to maintain, evolve and enhance the SASB Standards.
12. At the ISSB's March 2023 meeting, the ISSB will have an update session on this topic. The ISSB is not asked to make any decisions. The draft plan anticipates the

⁶ [International Applicability of the SASB Standards](#)

⁷ [Update on Consultation on Agenda Priorities](#)

⁸ Sustainability Accounting Standards Board

publication of updated SASB Standards to address international applicability by the end of 2023.

ISSB consultation on Agenda Priorities

Background

13. As previously discussed, it is expected that the ISSB's consultation on Agenda Priorities will include research projects on:
 - a) biodiversity, ecosystems and ecosystem services;
 - b) human capital, with an initial focus on diversity, equity and inclusion; and
 - c) human rights, with an initial focus on labour rights and communities' rights in the value chain; and
 - d) A joint project with the IASB on connectivity in reporting, building on the IASB's Management Commentary project and the Integrated Reporting Framework.
14. The current expected publication date for the Agenda Consultation per the IFRS Foundation website is May 2023.

ISSB staff request for an exception to due process

15. At the March 2023 meeting of the DPOC, the ISSB Staff were granted the option to reduce the RFI consultation period from the minimum 120 days to 90 days. The DPOC requested that the ISSB consider the range of concerns raised by DPOC members before it took a decision to reduce the minimum period. The staff advised the DPOC that the ISSB would discuss the consultation period at the April 2023 meeting.

Question for the Board

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

ISSB general updates

16. On 17 February 2023, the IFRS Foundation held its first **Sustainability Symposium**, in Montreal. The event was attended by over 1,000 policymakers, regulators, preparers and investors from 45 jurisdictions. Discussion topics included:
- a) themes of feedback received on the exposure draft standards and progress towards publishing the final standards;
 - b) the prospect for regulatory adoption of the IFRS Sustainability Disclosure Standards;
 - c) the need for capacity building for both emerging economies and small and medium-sized companies;
 - d) preparedness of investors and corporates to use and disclose with the standards; and
 - e) integrated reporting best practices and use cases.
17. **Janine Guillot**, Special Advisor to the ISSB, will be stepping down at the end of March 2023. She began her appointment in February 2022 to support the transition of the Value Reporting Foundation (VRF) into the ISSB. Janine will join the Transitional Advisory Group, which advises the IFRS Trustees on the IFRS-VRF consolidation and will remain a member of the IFRS Foundation's Integrated Reporting and Connectivity Council.
18. On 1 March 2023, a bi-lateral meeting was held between the ISSB and the **Sustainability Standards Board of Japan (SSBJ)**, in Tokyo. At the meeting, representatives discussed IFRS sustainability disclosure standards implementation issues. The SSBJ also outlined their plans for the development of Japanese sustainability disclosure standards.

Other International updates

19. In the **European Union**, EFRAG is establishing a new Advisory Panel on Connectivity between Financial and Sustainability Reporting Information (EFRAG CAP)⁹. The group will advise the Financial Reporting Technical Expert Group (EFRAG FR TEG) and share their perspectives and practical experience to help EFRAG develop possible approaches to enhance connectivity. It will include representatives from preparer, investor, audit firm, academic and NGOs and is expected to have 20-25 members.

⁹ [EFRAG CAP](#)

20. EFRAG has also published a series of 20 educational videos¹⁰ giving an overview of the first set of draft European Sustainability Reporting Standards (ESRS).
21. In **Australia**, the Australian Accounting Standards Board March 2023 meeting discussed a proposed approach to the US Sustainability Accounting Standards Board (SASB) Standards and the industry-based proposals in Appendix B to draft IFRS S2. The AASB staff paper¹¹ recommended that, for Australian purposes,
 - a) reference to the SASB Standards be removed from the baseline of IFRS Sustainability Disclosure Standards; and
 - b) the content of Appendix B to draft IFRS S2 not be referred to in any equivalent climate-related disclosure requirements in Australia (as illustrative examples or guidance to accompany Australian climate-related disclosure requirements).
22. The proposals stemmed from stakeholder responses to the AASB's April 2022 consultation on the ISSB's exposure drafts of IFRS S1 and S2. Respondents to that consultation were supportive of industry-based requirements for sustainability reporting. However, they did not think that the proposals in Appendix B were international in nature or appropriate for use in Australia.
23. The Board acknowledged stakeholder support for industry-based requirements but decided to remove SASB standards references from its baseline of IFRS Sustainability Disclosure Standards until the ISSB has comprehensively internationalised them, and they have gone through the AASB's due process in Australia.

UK updates

24. The Chair of the **Commons Treasury Select Committee** has written to the **FCA**¹² regarding its new rules, which clamp down on the marketing of green investment funds. The letter asks the FCA to quantify the costs of the new rules to investors; to clarify how companies labelling funds as green, when they are not, will be identified; and, how the rules will be enforced.
25. The rules aim to prevent investment companies from "greenwashing" funds but the TSC Chair, Harriet Baldwin, raised concerns regarding the regulator's exclusion of transfer costs in its proposals. The Chair's letter also queried whether investors who had been mis-sold 'green' products would be able to seek redress through the FCA.

¹⁰ [EFRAG ESRS educational videos](#)

¹¹ [AASB Staff Paper: Approach to SASB standards and the industry-based proposals in Appendix B to \[Draft\] IFRS S2](#)

¹² [Sub-Committee on Financial Services Regulations letter to FCA](#) dated 9 March 2023

Question for the Board

3. Do Board members have any questions or comments on the International or UK updates provided in this paper?