

ISSB General Update

Executive Summary

Project Type	Monitoring
Project Scope	Various
Purpose of the paper	
<p>This paper provides the UKEB with an update on the International Sustainability Standards Board (ISSB) projects which the UKEB Secretariat are currently monitoring. In line with the agreement of the UKEB, the Secretariat proactively monitors certain aspects of the ISSB's work. The aim is to ensure the UKEB is informed about the progress and decisions being made by the ISSB.</p>	
Summary of the Issue	
<p>The paper contains a summary of the ISSB meetings held in October and early November, and the agenda for the upcoming ISSB November meetings.</p> <p>The scope of the paper is limited to topics relevant to the UKEB remit regarding the overlap between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. The content is therefore not intended to be a complete summary of the ISSB's meeting papers, discussions, or decisions.</p> <p>The paper also includes the ISSB update to the International Accounting Standards Board (IASB) October meeting and relevant points from the ISSB Sustainability Consultative Committee meeting (SCC).</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 October Board meeting

1. The ISSB met between 18–21 October 2022, in Montreal, Canada. The ISSB discussed:
 - a) Agenda priorities
 - b) [draft] IFRS S1 *General Sustainability-related Disclosures*
 - c) [draft] IFRS S2 *Climate-related Disclosures* – greenhouse gas emissions
 - d) Industry-based materials
2. Aspects of the ISSB discussions relevant to the UKEB remit of overlap and potential implications for IFRS Accounting Standards are summarised below.

ISSB Agenda Consultation – Priorities

Update on planned approach

3. An update was provided to the ISSB on the proposed approach and timing of the ISSB agenda consultation. No decisions were required from the Board. The Staff proposed:
 - a) to build on the foundation established by IFRS S1 and IFRS S2, once finalised; and
 - b) propose new research and standard setting for stakeholder input to inform the future work plan.
4. The ISSB supported the recommendation of an initial and immediate phase of ‘foundational work’ which will include collaboration with the IASB to complete the exposure drafts and the ‘internationalisation’ and the SASB Standards. It was noted that the approach would limit the ISSB’s capacity to add a significant number of new research and standard-setting projects in its initial two-year work plan¹.
5. To provide capacity for the ISSB to complete this phase, the ISSB supported the deferral of the agenda consultation to the first half of 2023. The Chair noted ISSB staff capacity challenges and suggested that these could be addressed by establishing new technical working groups.
6. An ISSB board member requested clarity regarding the approach with IASB joint projects, requesting that the bridge between sustainability, financial disclosures and the Integrated Reporting framework should be prioritised. Another board

¹ The ISSB approach to develop a two-year work plan contrasts with that of the IASB, which consults on a five-year work plan.

member recommended that the ISSB staff consider presenting the ISSB projects to the IASB to ensure alignment and noted that there was limited time remaining before the ISSB board concluded on the substantive issues.

7. The UKEB Comment Letter² (paragraphs 11-14) noted that stakeholders indicated strong support for connectivity between the ISSB and IASB and supported the idea of a joined-up approach.

ISSB November Board meetings

1 and 3 November

8. On 31 October 2022, the ISSB announced a supplementary meeting, to be held on the following day, 1 November. A second supplementary meeting was then announced on 1 November and held on 3 November.
9. The ISSB Chair explained that, as the European Financial Reporting Advisory Group (EFRAG) Sustainability Reporting Board was meeting weekly, the ISSB had a limited time remaining to maximise interoperability with ESRS Standards and therefore needed to accelerate some considerations.
10. The ISSB acted within the IFRS Foundation's due process³ which allows (paragraph 3.5) the Board to hold meetings at short notice and that the Chair can convene such meetings at any time. Paragraph 3.10 of the IFRS Foundation's Due Process Handbook further sets out that the Board members are responsible for assessing whether they have sufficient information and time to be able to make the required decisions.
11. While interoperability with jurisdictional sustainability standards is to be encouraged, short notice meetings may not all stakeholders to follow the discussions and consider the consequences of the recommendations – intended or unintended.

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

12. The tables below set out a summary of decisions by the ISSB at its recent meetings. For context we have also included the ED proposals and recommendations in the UKEB comment letter.

² UKEB [Comment Letter](#) [draft] IFRS S1 and S2

³ The ISSB is using the IASB [Due Process Handbook](#): Refer Transparency section - Public meetings

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

Meeting date	ED IFRS S1 Proposal	UKEB comment letter	ISSB tentative decisions ⁴
Achieving a global baseline for sustainability disclosures			
October 2022	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>(Paragraph 20 a, page 4-5)</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”.</p> <p>[UK stakeholders strongly supported close alignment of the exposure drafts with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, as they have been applied in practice and tested in the UK and applied globally.]</p>	<p>At the October 2022 meeting the ISSB tentatively agreed the:</p> <p>(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</p> <p>(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 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</p>

⁴ Extracted from relevant ISSB Update.

Meeting date	ED IFRS S1 Proposal	UKEB comment letter	ISSB tentative decisions ⁴
			<p>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			
October 2022	<p>(Paragraph 10)</p> <p>This [draft] Standard uses terminology suitable for profit-oriented entities, including public-sector business entities.</p>	<p>(Paragraph 20 d, page 5) 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.</p> <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</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> <p>(b) ‘material’ in draft S1 shares the same definition as that used in IFRS Accounting Standards; and</p> <p>(c) the definitions of ‘value chain’ and ‘reporting entity’ as proposed in draft S1 should remain unchanged.</p> <p>(d) to amend draft S1 by removing the definition of ‘enterprise value’ and the words ‘to assess enterprise value’ from the objective</p>

Meeting date	ED IFRS S1 Proposal	UKEB comment letter	ISSB tentative decisions ⁴
		<p>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 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>and description of materiality, while planning to continue to redeliberate the meaning of 'enterprise value' at a future meeting; and</p> <p>(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.</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</p>

Meeting date	ED IFRS S1 Proposal	UKEB comment letter	ISSB tentative decisions ⁴
			the application of short, medium and long terms are still required.]

The use of third-party documents

<p>November 2022</p>	<p>(Paragraph 51, page 32)</p> <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; and d) the sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies. 	<p>(Paragraph 20 e, page 5)</p> <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.</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

October 2022 *(Introduction, Page 6)*

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.

(Paragraph 20 j, page 7)

The UKEB comment letter noted certain inconsistencies between the ED proposals and the requirements of IFRS Accounting Standards.

[The UKEB 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 October ISSB meeting it was agreed to add the redeliberation of the requirements for comparative information to the November meeting agenda.

Current and anticipated effects of sustainability-related and climate-related risks and opportunities on an entity's financial performance, financial position and cash flows are due for discussion at the mid November 2022 ISSB meeting.

[UKEB Secretariat view: inconclusive, pending discussion at the ISSB mid-November meetings.]

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

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁵
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>(Paragraph 20 d, page 7)</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.</p> <p>[The UKEB comment letter (Appendix C, paragraph C10) noted that while stakeholders supported standardised industry-</p>	<p>At the October ISSB meeting, in relation to the industry-based requirements set out in Appendix B to draft S2, the ISSB tentatively agreed to:</p> <p>(a) maintain the requirement that entities provide industry-specific disclosures; and</p> <p>(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> <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, the requirement for SASB Standards to followed comprehensive ISSB due process has yet to be addressed.]</p>

⁵ Extracted from relevant ISSB Update.

Meeting date	ED Proposal	UKEB comment letter	ISSB tentative decision ⁵
		<p>based metrics, they also required more implementation guidance and placed high value on the Foundation’s comprehensive due process.]</p>	
Achieving a global climate baseline			
<p>September / October 2022</p>	<p>(Question 16– page 30) 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.</p>	<p>(Paragraph 20 g, page 8) 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.</p>	<p>At the October 2022 meeting, the ISSB tentatively agreed that: 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 ⁵
		[The ISSB proportional approach and the use of transitional mechanisms should help to address UK stakeholders' concerns].	

ISSB's Next Steps

13. The ISSB is due to meet 15 - 16 November in Frankfurt, Germany. The ISSB will be discussing:
- a) [draft] IFRS S1 *General Sustainability-related Disclosures* – Comparative information and updated estimates⁶
 - b) Cross-Cutting – Current and anticipated effects and connected information⁷
 - c) [draft] IFRS S1 *General Sustainability-related Disclosures* – Timing of Reporting⁸
 - d) Sustainability Disclosure Taxonomy: Summary of feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy⁹
 - e) [draft] IFRS S2 Climate-related Disclosures – Strategy and decision-making and climate-related targets¹⁰

Question for the Board

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

Other updates

14. The ISSB Chair, Emmanuel Faber, provided an update to the IASB on 20 October. The ISSB Chair provided an overview of the ISSB October meetings, interoperability progress with EFRAG and the mobilisation of the ISSB Advisory bodies.
15. At the meeting an IASB member enquired about the priority of the management commentary, intangible assets, climate-related risks in financial statements projects on the ISSB work plan. The ISSB Chair advised that these would be prioritised regardless of the outcome of the upcoming Agenda Consultation. The Chair also confirmed that the ISSB is considering issuing a Practice Statement on materiality.

⁶ General Sustainability-related Disclosures - [Comparative information and updated estimates](#)

⁷ General Sustainability-related Disclosures and Climate-related Disclosures - [Current and anticipated financial effects and connected information](#)

⁸ General Sustainability-related Disclosures - [Timing of reporting](#)

⁹ IFRS Sustainability Disclosures Taxonomy - [Cover note](#)

¹⁰ Climate-related disclosures - [Strategy and decision-making and climate-related targets](#)

16. The ISSB Sustainability Consultative Committee (SCC)¹¹ met on 13 October. There is no UK representative on this committee. The ISSB Chair noted that the role of the committee is to advise the ISSB on the critical sustainability priorities to inform the next agenda topics.
17. The ISSB Chair noted that one of the short-term objectives of the ISSB was to achieve full connectivity with the IASB in terms of disclosure of financial effects of climate.
18. The ISSB Chair also advised that his working assumption was that there would initially be voluntary adoption of ISSB Standards, followed by endorsement by IOSCO and finally jurisdictional adoption.

¹¹ Sustainability Consultative Committee (SCC) [meeting](#) 13 October 2022