

IFRS Today

Our series on the most topical issues in IFRS® Standards and financial reporting

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VIDEO TRANSCRIPT

Sustainability reporting | ISSB: Work in progress

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“Time is of the essence. A lot will happen over the next few months, and I would invite all of you to continue watching this space and to engage with the ISSB wherever you can.”

When the International Sustainability Standards Board (ISSB) was formed, it was clear that everyone said you need to take on climate as a first topic on your agenda. And so the first proposals deal with climate-related disclosures.

But it was not climate only; it was climate first.

And so the Board, in its first discussion, started to discuss – how are we actually going to decide what we are going to take on next on our agenda?

The expectation is that there will be an agenda consultation later this year. Summer, maybe September or October, the agenda consultation will be issued and we will all be able to give input.

So the Board discussed in the July meeting, first of all, what are the criteria that we need to take into account in order to decide on what we prioritise in the workplan? And they take a lot of inspiration from the agenda criteria that the sister board, the International Accounting Standards Board (IASB), uses.

So issues like, well, looking at where investor demand is highest. Looking at how many companies are actually affected by the issue that we will be taking on. But also, you know, how likely is it actually that we can come up with a practical solution?

And the staff also recommended that there would be an additional criterion to the one that the IASB uses and that is looking at what are actually the needs of major jurisdictions around the world in order to decide what we take on first.

So that was the first part of the discussion.

In terms of the potential agenda items that they may take on, there’s quite a long list of things that they could consider.

But the topics that were proposed by the staff, at least for discussion, included – Should we take on a project on human capital where SASB¹ already was doing work? A topic of human rights, where EFRAG² already has a standard in Europe?

1. SASB – Sustainability Accounting Standards Board.

2. EFRAG – European Financial Reporting Advisory Group.

Should we take on biodiversity, water or marine resources? Growing economic inequality, and how that actually affects businesses? Cybersecurity and data breaches?

So a whole raft of topics that are at the moment being considered, including a number of the projects that the SASB had on its agenda already. These will be included in the agenda consultation and we would all have an opportunity to give our views on what should be the priority.

Feedback on current proposals

The initial feedback really showed support for the direction of travel that the standards are taking at the moment. People do like the structure that has been adopted, the TCFD³ framework, that goes into strategy, risks and opportunities, and metrics and targets – the TCFD structure. They also emphasise that it is important that there is interconnectivity between financial reporting and sustainability reporting and an alignment of concepts to the largest extent possible.

Commentators also highlighted questions around the assurability of the information.

And finally, also, questions around how the IFRS Sustainability Disclosure Standards interact with regional initiatives such as the SEC's proposals on climate disclosures and EFRAG's initiatives.

All important questions.

Next steps

So we will be monitoring and analysing and reporting as the ISSB develops its agenda further and discusses the proposals it has out at the moment, then develops these into final standards.

I think, to conclude, we can say that there is huge momentum for the ISSB.

I think the Board is aware that there is urgency in the work that they do because they also interact with jurisdictional initiatives like the ones in the EU and the US and there is a strong belief that we should be working for a building block approach where the international standards form the basis on which jurisdictions can then build.

So time is of the essence.

A lot will happen over the next few months, and I would invite all of you to continue watching this space and to engage with the ISSB wherever you can.

Thank you for your attention and I hope to see you on a future occasion.

3. TCFD – Task Force on Climate-Related Financial Disclosures.

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