

New sustainability standards board

Global IFRS Institute

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"This watershed moment is as ambitious as the creation of the IFRS Standards 20 years ago. This time the Foundation has the advantage of being able to build on the insights of the CDSB, IIRC, IOSCO, SASB, TCFD and WEF. The creation of globally consistent and transparent sustainability disclosure standards focused on long-term value creation will strengthen our capital markets by helping investors make better decisions. The hope now is that jurisdictions globally get behind the new ISSB."

Reinhard Dotzlaw
Partner
Global IFRS leader

ISSB to address demand for global sustainability disclosure standards

Highlights

- Which organisations are contributing directly to the ISSB and IFRS® Sustainability Disclosure Standards?
- What will be the ISSB's first priorities and deliverables?
- When will companies first apply IFRS Sustainability Disclosure Standards?
- What can companies do now to prepare for the potentially rapid implementation?

The new International Sustainability Standards Board (ISSB) will aim to develop sustainability disclosure standards that are focused on enterprise value.

The IFRS Foundation is aiming to put sustainability reporting on the same footing as financial reporting by establishing a sister body to the International Accounting Standards Board (the IASB® Board). The goal is to drive globally consistent, comparable and reliable sustainability reporting using a building blocks approach. This approach will allow national and regional jurisdictions to build on that global baseline to set supplemental standards that serve their specific jurisdictional needs.

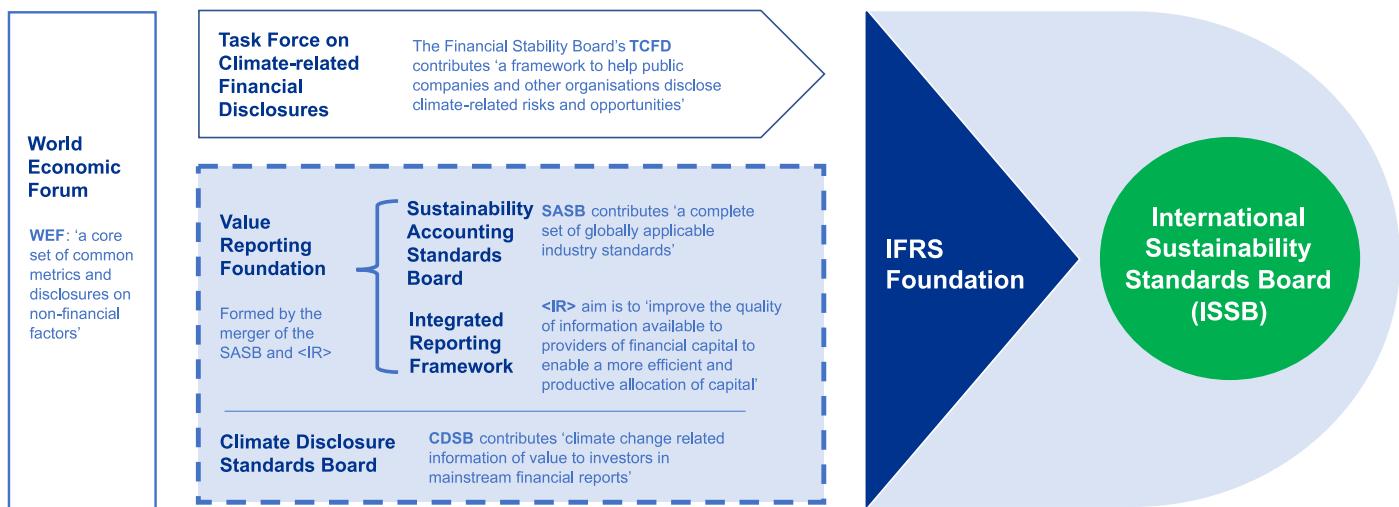
Companies need to monitor their jurisdictions' response to standards issued by the ISSB and prepare for their potentially rapid implementation, given the urgency with which the Foundation is being asked to act.

Which organisations are contributing directly to the ISSB and IFRS Sustainability Disclosure Standards?

The ISSB will benefit from the consolidation of global bodies (CDSB, IIRC and SASB) – as well as the support of IOSCO, TCFD and WEF¹. Together they share the aim of enterprise value-focused sustainability disclosures.

¹ Climate Disclosure Standards Board (CDSB), International Integrated Reporting Council (IIRC), International Organization of Securities Commissions (IOSCO), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), World Economic Forum (WEF).

Bringing different perspectives together – Shaping the ISSB and IFRS Sustainability Disclosure Standards



Under the governance of the Foundation, the ISSB will work closely with the IASB Board, reflecting the importance of connectivity with financial reporting.

Many companies (and jurisdictions) are already using the work of these bodies. For example, companies that have already adopted the TCFD recommendations on climate-related financial disclosures will be well positioned to use its disclosures as a bridge to the adoption of the new standards.

What will be the ISSB's first priorities and deliverables?

In preparation for the new board, the Foundation formed a Technical Readiness Working Group (TRWG) to create prototypes to give the new board a running start in developing its first two exposure drafts. These prototypes have been released and cover:

- climate-related disclosures, building on the TCFD recommendations and SASB industry-based standards; and
- general sustainability disclosure requirements.

The ISSB will consider these prototypes in its work programme. The climate-related disclosure standard is expected to be the first of a proposed suite of sustainability disclosure standards issued by the ISSB, including standards on broader sustainability topics.

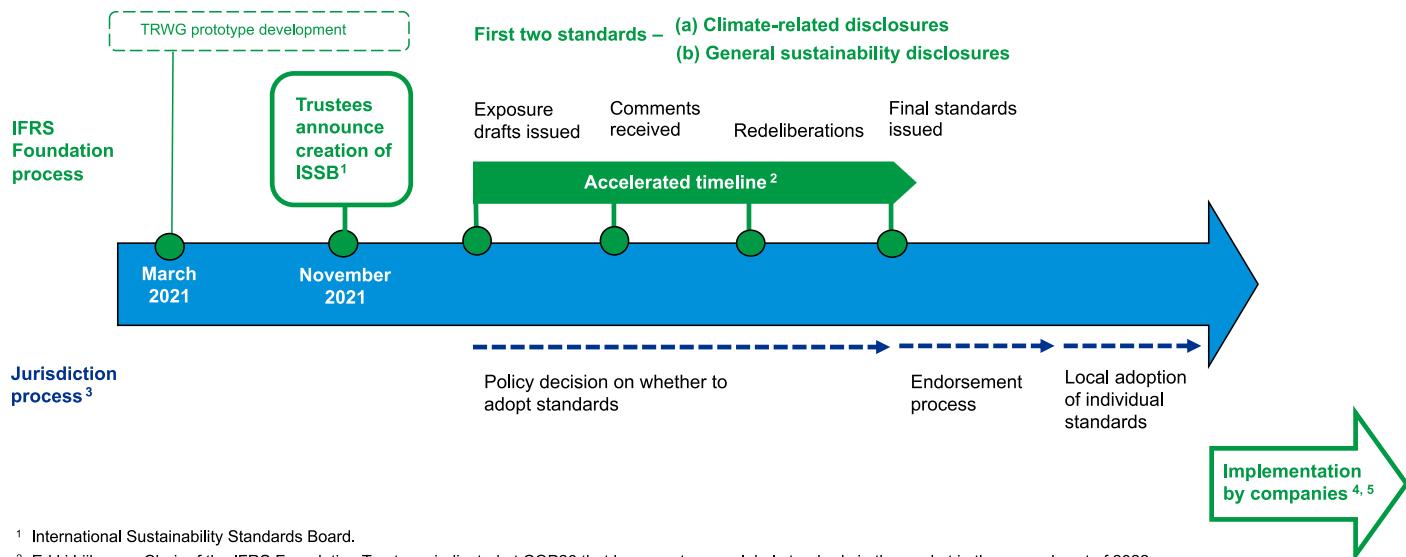
When will companies first apply IFRS Sustainability Disclosure Standards?

It will be for individual jurisdictions to decide whether they adopt these new standards.

We can expect a rapid route to adoption in some jurisdictions – e.g. the UK has already said that it expects the ISSB to be a core part of its sustainability reporting requirements.

However, a path to adoption is less clear in other jurisdictions – e.g. in the EU and the US. The Foundation's aim here is to provide the global baseline of investor-focused sustainability disclosure standards on which jurisdictions can build.

IFRS Sustainability Disclosure Standards: Steps to adoption and application



¹ International Sustainability Standards Board.

² Erkki Liikanen, Chair of the IFRS Foundation Trustees, indicated at COP26 that he expects new global standards in the market in the second part of 2022.

³ Timing depends on due process in individual jurisdictions.

⁴ Provided specific IFRS Sustainability Disclosure Standard has been adopted by the jurisdiction.

⁵ In practice, some companies may choose to adopt the standards earlier than required.

What can companies do now?

Although the new board will follow similar governance and due process to the existing IASB Board, the running start provided by the TRWG means that the development of these standards is likely to be accelerated, with shorter comment periods and redeliberation stages.

It will therefore be important for companies to plan now for the potentially rapid implementation of proposed sustainability disclosure standards. The **prototypes** provide an early indication of the information that companies may need to disclose.

Be ready to have your say on the forthcoming proposals. Bookmark our **Sustainability reporting** page to track developments and to read articles on the proposals as they appear.

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