



ISSB™ priorities

Understanding the future focus

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ISSB priorities – Understanding the future focus



What's the issue?

The [ISSB](#) needs to decide what to focus on next, after finalising its general requirements and climate standards in June 2023. It asked for feedback from stakeholders via a consultation.

The ISSB has agreed it needs to split its time between:

- embedding the first standards¹ on climate and general requirements; and
- focusing on new areas – e.g. choosing between biodiversity, human capital, human rights and integration in reporting.

The ISSB will determine which priorities to focus on over the next two years based on feedback from this consultation.

¹ IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*



What's the impact?

The ISSB wants to understand where guidance is most urgently needed to help companies to report on all sustainability-related risks and opportunities as required under IFRS S1, not just climate.

This may lead to future IFRS® Sustainability Disclosure Standards because there is not yet a widely accepted standard for investor-focused disclosure across topics including biodiversity, human capital and human rights.

To support connectivity in reporting, the ISSB could work jointly with the IASB to build on its management commentary proposals and the Integrated Reporting Framework. Alternatively, it could work in parallel with the IASB on a separate project on integration in reporting.



What's next?

Feedback will inform the ISSB's thinking and the direction of its future standard-setting activities.

Irrespective of the consultation outcome, the ISSB's immediate priorities are encouraging jurisdictions to adopt them and supporting companies to apply them.

Abbreviations and key terms



Understanding the ISSB's future focus areas

- 01** ISSB's parallel workstreams
- 02** Embedding IFRS S1 and IFRS S2
- 03** Biodiversity at a glance
- 04** Human capital at a glance
- 05** Human rights at a glance
- 06** Existing guidance that might inform the ISSB's thinking
- 07** Integration in reporting
-  Appendix
-  Abbreviations and key terms

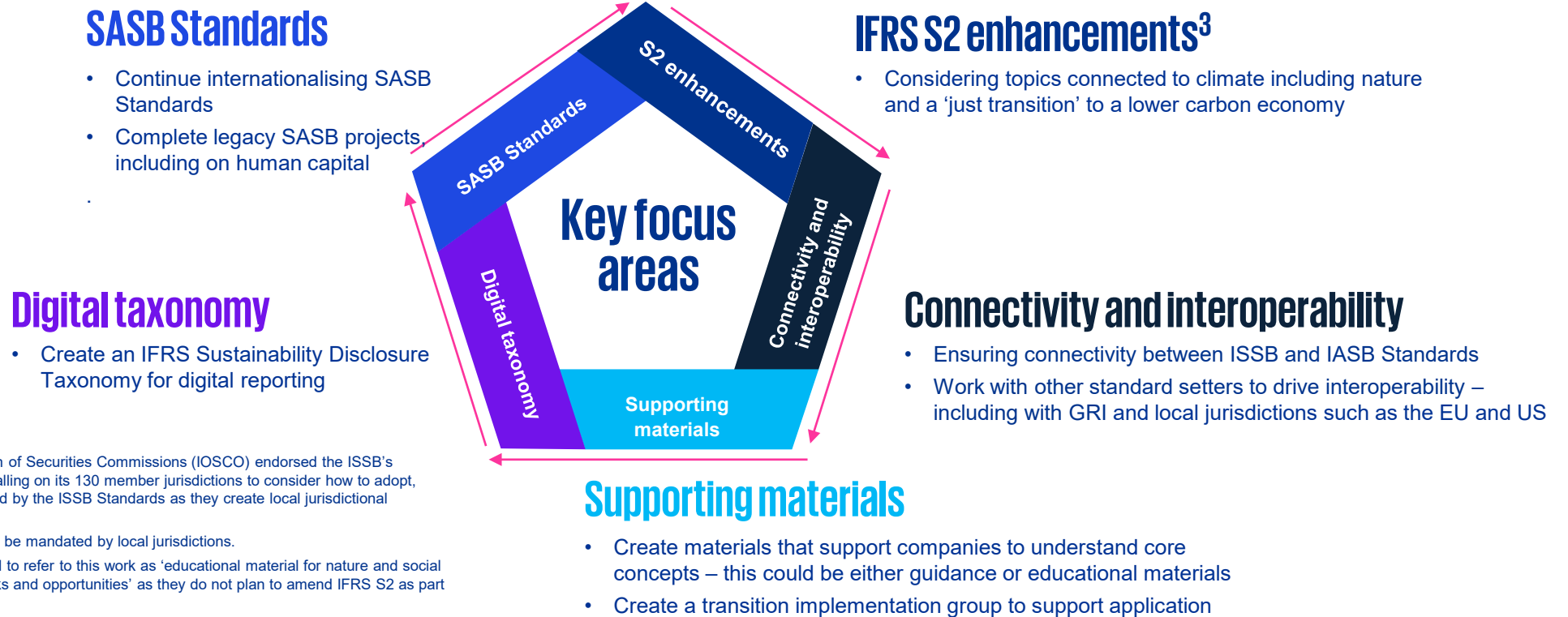
01 ISSB's parallel workstreams

- The ISSB's two-year workplan will consist of two parallel workstreams:
 - **embedding IFRS S1 and IFRS S2** – building capacity and supporting companies to apply the first standards (see page 5); and
 - **focusing on new areas** – e.g. biodiversity, human rights, human capital and integration in reporting (see pages 6–11)
- Feedback will help the ISSB determine the **balance between both workstreams and which of the new focus areas to choose**
- The ISSB expects to use significant resources to embed IFRS S1 and IFRS S2



02 Embedding IFRS S1 and IFRS S2

- The ISSB has committed to actively embedding its first standards and building capacity after finalising its first standards in June 2023
- IOSCO¹ endorsed the first standards in July 2023. The aim for the ISSB is to help jurisdictions feel confident to endorse them² and companies to apply – whether voluntarily or mandatorily
- The ISSB asked for feedback on the relative priority of these activities compared to new focus areas



¹ The International Organization of Securities Commissions (IOSCO) endorsed the ISSB's standards on 25 July 2023, calling on its 130 member jurisdictions to consider how to adopt, apply or otherwise be informed by the ISSB Standards as they create local jurisdictional requirements.

² Adopting the standards would be mandated by local jurisdictions.

³ In July 2023, the ISSB agreed to refer to this work as 'educational material for nature and social aspects of climate-related risks and opportunities' as they do not plan to amend IFRS S2 as part of this work.

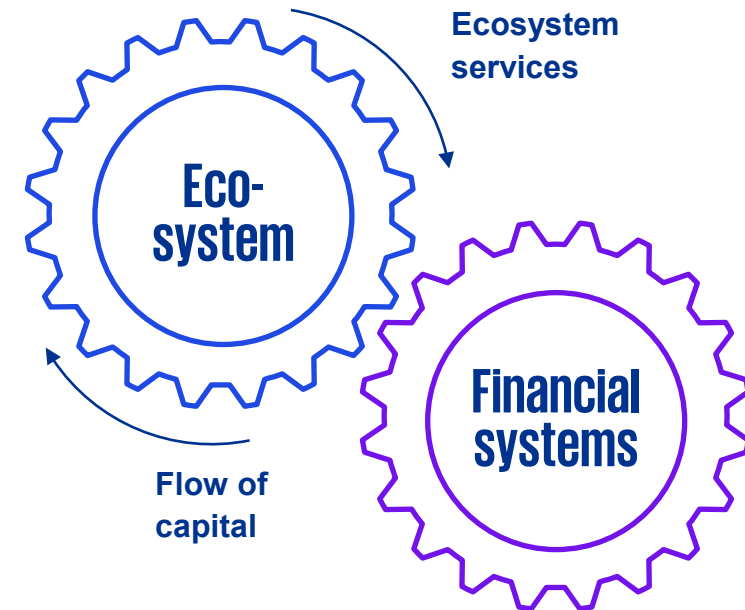
03 Biodiversity at a glance

What is biodiversity?

- The variety of life on earth, including animals, plants and other living organisms
- All these forms of life live together in a particular environment – i.e. an **ecosystem**
- Biodiversity is intrinsically connected to other topics, including climate. The ISSB's potential sub-topics are broad, including water, land use and land-use change, pollution, resource exploitation and invasive non-native species

How can biodiversity impact a company?

- Companies rely on **ecosystem services**. These are benefits provided to all living forms – e.g. effective pollination and clean water. Investors need to understand the ecosystem services that affect a company's prospects
- To protect these services, companies can support the **flow of capital** towards preserving biodiversity – i.e. promote functional, productive and resilient ecosystems. This in turn supports the stability of **financial systems**



Existing or developing biodiversity standards and frameworks:

- Recommendations from the TNFD, expected to be finalised in September 2023
- GRI 304 *Biodiversity* – consultation on proposed updates closed February 2023 and the updated final standard is expected to be approved in Q4 2023
- ESRS E4 *Biodiversity and ecosystems* builds on GRI 304

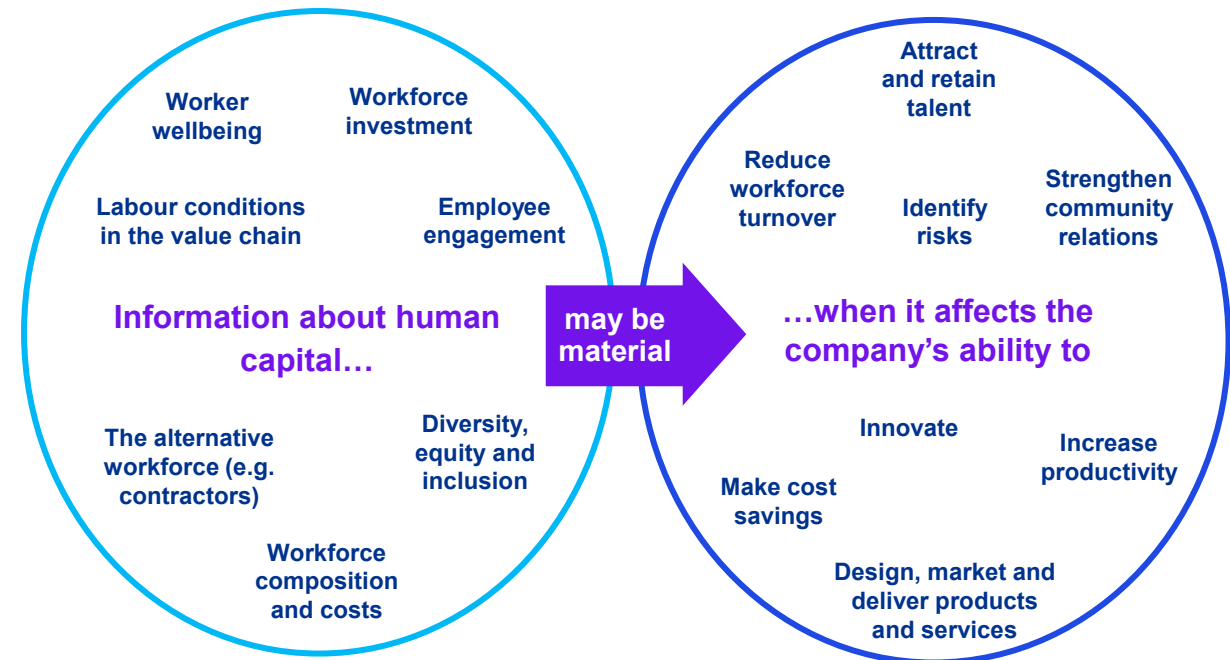
04 Human capital at a glance

What is human capital?

- The people who make up a company's workforce
- Their competencies, capabilities and experience and motivations to innovate

How can human capital impact a company?

- Safeguarding and protecting human capital promotes talent attraction and retention, while encouraging growth via creativity and innovation in design and delivery
- Increased productivity and cost savings are associated with employee health, safety and wellbeing
- Legal and regulatory risks and costs may exist when human capital is overlooked



What did the ISSB propose to focus its thinking on?

- Connecting human capital subtopics to sustainability-related risks and opportunities and material information to disclose
- Understanding existing practices, tools and metrics

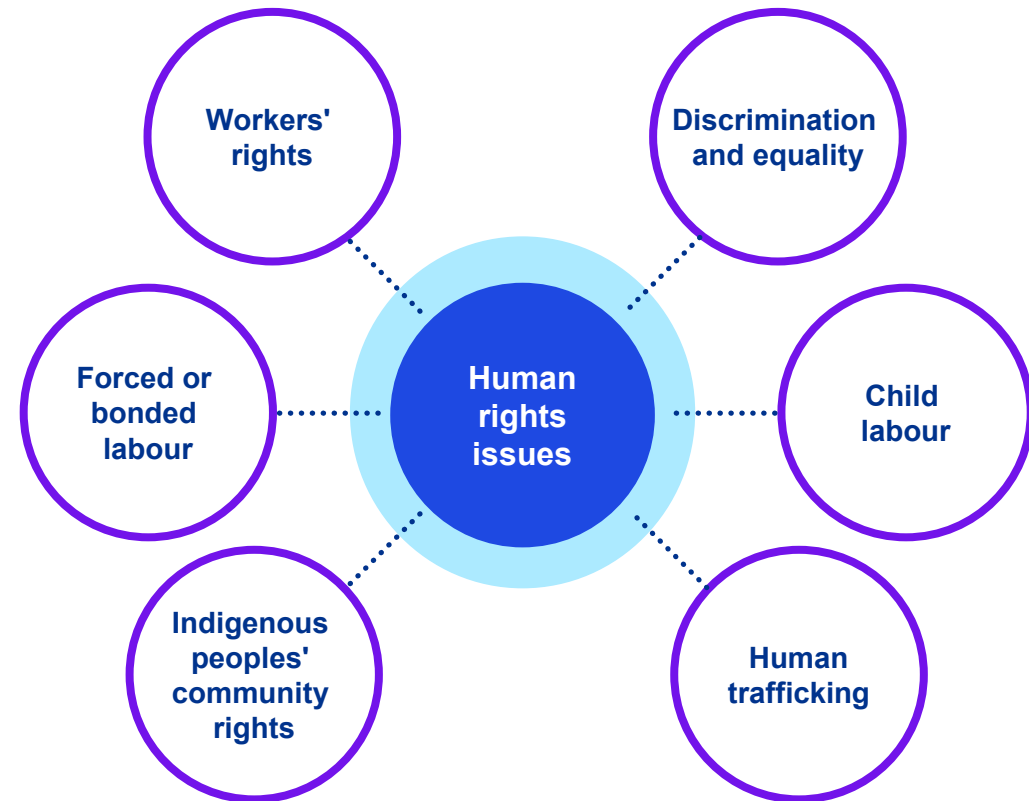
05 Human rights at a glance

What are human rights?

- The fundamental rights to exist as humans
- The topic covers a wide range of issues in a company's direct operations or value chain
- Some issues overlap with other topics, particularly human capital

How can human rights impact a company?

- Exposure to perceived human rights violations may result in substantial costs (e.g. from penalties or fines) and reputational risk
- Jurisdictions are challenging companies to perform appropriate due diligence to ensure that they respect human rights

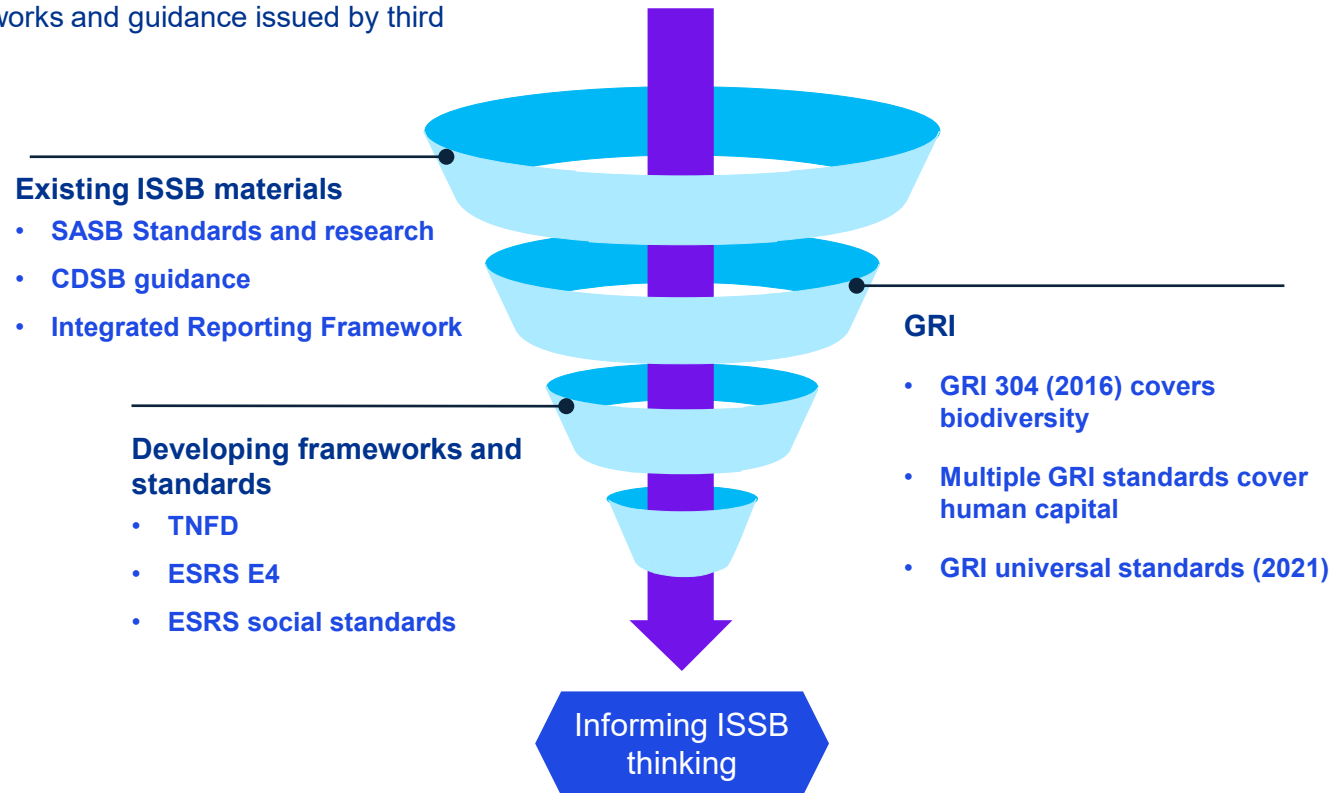


What did the ISSB propose to focus its thinking on?

- Connecting human rights issues to sustainability-related risks and opportunities across different jurisdictions and types of business model
- Understanding existing practices, tools and metrics

06 Existing guidance that might inform the ISSB's thinking


- The ISSB will **leverage existing IFRS Foundation materials**
- It may also consider frameworks and guidance issued by third parties



What else might it use?

For example, materials from:

- Capitals Coalition
- International Labour Organization
- PBAF
- Science Based Targets Network
- UN Guiding Principles
- WEF SCM



Appendix ▶

07 Integration in reporting

- The ISSB is considering a project on integration in reporting, which would **aim to connect financial and sustainability performance** – and communicate those connections explicitly and effectively
- The ISSB may work with the IASB, which has an ongoing project on management commentary to address investor concerns over the quality of this type of information
- The ISSB asked for feedback on:
 - whether this project should be a priority, and if so, how it should work with the IASB; and
 - which existing IFRS Foundation or other resources to use to inform its thinking

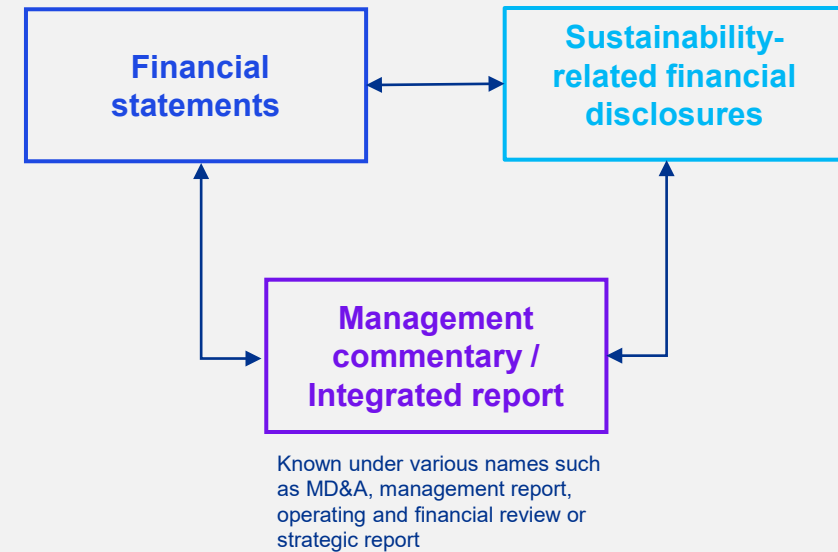
What are the existing IFRS Foundation resources?



The resources¹ designed to support effective narrative reporting – e.g. in MD&A – are:

- the IASB's ongoing project on management commentary²; and
- the Integrated Reporting Framework.

Connected reporting



¹ Based on analysis presented at the IFRS Advisory Council and in the May 2023 IASB meeting, these resources share similar goals and should result in similar information being provided.

² IASB ED: Management Commentary. The IASB has temporarily paused this project to allow the ISSB to consider whether it wishes to participate on a joint basis.



Appendix

	Biodiversity	Human capital	Human rights
Existing ISSB materials	<ul style="list-style-type: none"> • SASB Standards: more than 400 metrics covering related biodiversity disclosure topics. Many are included in the industry-specific guidance in IFRS S2, as they are 'climate-related' • CDSB guidance: supports disclosure on biodiversity-related risks and opportunities, and how they impact strategy and financial performance 	<ul style="list-style-type: none"> • SASB Standards: include metrics on employee safety, diversity and labour practices. The ISSB has continued a previous SASB project to enhance metrics on DEI • CDSB Framework: updated in 2021 to include guidance on reporting social information 	<ul style="list-style-type: none"> • SASB Standards: include human rights related aspects such as community relations and indigenous rights • CDSB Framework: updated in 2021, it now includes a focus on human rights of key groups within the value chain
GRI standards	<ul style="list-style-type: none"> • GRI 304: the most common existing standard for biodiversity reporting • The GRI held a consultation to update the standard, which closed in February 2023. The updated final standard is expected to be approved in Q4 2023 	<ul style="list-style-type: none"> • Multiple GRI standards: cover human capital related aspects 	<ul style="list-style-type: none"> • GRI universal standards (2021): include emphasis on human rights disclosures • Further GRI updates are expected to reflect the importance of human rights reporting
Other frameworks and standards	<ul style="list-style-type: none"> • TNFD draft recommendations: modelled on the TCFD framework, which is expected to be finalised in September 2023 • ESRS E4: builds on GRI 304 but requires additional reporting, including assessing resilience and anticipated financial effects • Other ESRSs cover environmental topics including water and marine resources, pollution, and resource use and circular economy, which may be connected to the ISSB's suggested sub-topics 	<ul style="list-style-type: none"> • ESRS S1: includes metrics relating to the company's own workforce 	<ul style="list-style-type: none"> • UN Guiding Principles on Business and Human Rights and the associated reporting framework is commonly used • ESRS S2–4: split social topics into affected groups, including workers in the value chain (S2), affected communities (S3) and consumers and end users (S4) • EU CSDDD: includes rules for companies to respect human rights and the environment in their global value chains



Abbreviations and key terms

CDSB

Climate Disclosure Standards Board – an initiative of CDP

CSDDD

Corporate Sustainability Due Diligence Directive

DEI

Diversity, Equity and Inclusion

ED

Exposure draft

ESRS

European Sustainability Reporting Standards

EU

European Union

GRI

Global Reporting Initiative

IASB

International Accounting Standards Board

IFRS Foundation

International Financial Reporting Standards Foundation

ISSB

International Sustainability Standards Board

PBAF

Partnership for Biodiversity Accounting Financials

SASB Standards

Sustainability Accounting Standards Board Standards

TCFD

Task Force on Climate-related Financial Disclosures

TNFD

Task Force on Nature-related Financial Disclosures

UN

United Nations

WEF SCM

World Economic Forum's stakeholder capitalism metrics

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Tracking the development of IFRS Sustainability Disclosure Standards



[ESRSs | Sustainability reporting resource centre](#)

Practical guidance on the ESRSs



[First Impressions – IFRS S1 and IFRS S2](#)

Insights and illustrative examples



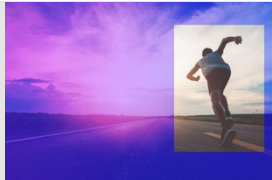
[ESG Reporting](#)

US resources for financial reporting professionals



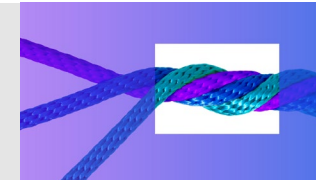
[Get ready for IFRS Sustainability Disclosure Standards](#)

A high-level summary



[Comparing sustainability reporting requirements](#)

Comparing requirements from the ISSB, EU and US





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