

## ISSB

### Meeting Summary

November 2023

This is a compilation of the summary available on IAS Plus at:

<https://www.iasplus.com/en/meeting-notes/issb/2023/november/november>

The meeting agenda and all of the staff papers are available on the ISSB website:

<https://www.ifrs.org/news-and-events/calendar/2023/november/international-sustainability-standards-board/>

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## Overview

The ISSB met on 15-16 November 2023 in Beijing. The following topics were discussed:

**ISSB Consultation on Agenda Priorities:** The ISSB received a summary of the feedback received in response to its Request for Information *Consultation on Agenda Priorities*. Respondents were mostly supportive of the ISSB’s planned activities, with IFRS S1 and IFRS S2 implementation support receiving the highest priority. Most respondents agreed with the ISSB’s proposed criteria used to evaluate potential new research or standard-setting projects for its work plan. There was no clear consensus on the number and mix of research projects to be included in the work plan and the staff will perform a detailed analysis of the feedback to create recommendations for the ISSB at a future meeting. Respondents suggested that the ISSB should approach any research project holistically, rather than prioritising subtopics. Feedback received on the proposed research project on integration with financial reporting will be evaluated in conjunction with the International Accounting Standards Board (IASB) at a future meeting. No decisions were made.

**IFRS Sustainability Disclosure Taxonomy:** The staff provided a summary of the feedback received in response to the proposed IFRS Sustainability Disclosure Taxonomy. Almost all respondents agreed the proposed Taxonomy appropriately reflects the requirements in IFRS S1 and IFRS S2 and will enable digital reporting of sustainability-related financial disclosures. The staff plans to recommend any changes to the Taxonomy in the December 2023 meeting and aims to publish the final taxonomy in the first half of 2024. No decisions were made.

## ISSB Consultation on Agenda Priorities

In this meeting, ISSB members reviewed the summary of feedback on the ISSB's Request for Information *Consultation on Agenda Priorities*.

### **Feedback summary—Cover paper and overview (Agenda Paper 2)**

The ISSB's Request for Information (RFI) *Consultation on Agenda Priorities* that was published to inform its work plan for the next two-year period, was issued in May 2023 with the comment period ending on 1 September 2023. The ISSB received 411 unique respondents which included a variety of stakeholders from all geographic regions, the majority coming from Europe (44%) and North America (29%). The staff created a high-level summary of the feedback received from respondents that ISSB members discussion during the meeting.

The agenda papers in this session were discussed together (see discussion summary under Agenda Paper 2D).

### **Feedback summary—Strategic direction and balance of the ISSB's activities (Agenda Paper 2A)**

Respondents were asked to prioritise the following activities within the scope of the ISSB's work:

- Beginning new research and standard-setting projects
- Supporting the implementation of IFRS S1 and IFRS S2
- Researching targeted enhancements to the ISSB Standards
- Enhancing the Sustainability Accounting Standards Board (SASB) Standards

Respondents were mostly supportive of the activities. The majority ranked implementation support of IFRS S1 and IFRS S2 as the highest priority as it is essential to the successful establishment of a global baseline.

Respondents suggested additional capacity building, new educational materials, and a continued emphasis on interoperability with other sustainability standards as types of work to be pursued within this activity. Views were mixed on the relative priority of other activities, although 'beginning new research and standard-setting projects' was considered the next highest priority overall.

Respondents were also asked to comment on the addition of other activities to the ISSB's scope of work. Responses were evenly split between including additional activities and continuing with the ISSB's current scope. Devoting resources to clearly articulate and define a longer-term strategic vision for the ISSB was one proposed scope addition.

### **Feedback summary—Criteria for assessing sustainability matters that could be added to the ISSB's work plan (Agenda Paper 2B)**

The RFI asked respondents to provide feedback on the ISSB's proposed criteria used to evaluate potential new research or standard-setting projects for its work plan. Almost all respondents agreed with the proposed criteria, with some suggesting amendments or additions. Suggested amendments included adding a formal criterion on interoperability with other standards and frameworks and adding a criterion that considers other stakeholder views in accordance with 'double' or 'impact' materiality.

### **Feedback summary—Priority of proposed projects (Agenda Paper 2C)**

Within the RFI, four research projects were proposed for inclusion in the ISSB's two-year work plan:

- Research projects on sustainability-related risks and opportunities associated with one of the following:
  - Biodiversity, ecosystems, and ecosystem services (BEES)
  - Human capital

- Human rights
- One research project to explore how to integrate financial and sustainability reporting, beyond the requirements within the ISSB's existing Standards

Given the ISSB's limited capacity, respondents were asked whether the ISSB should concentrate efforts on a single project or make incremental progress on more than one.

Responses lacked a clear consensus on the number and mix of research projects to be included in the work plan. Some respondents emphasised the need to quickly advance multiple projects to establish a global baseline for a range of sustainability topics, while others cited the need for the ISSB to work slowly given its limited capacity and to allow for sufficient implementation and maturity of IFRS S1 and IFRS S2. Therefore, the staff will perform a detailed analysis of this feedback and create recommendations to be presented to the ISSB members at a future meeting.

### **Feedback summary—Proposed projects on sustainability-related risks and opportunities (Agenda Paper 2D)**

The RFI requested feedback to inform the scope and structure of the proposed research projects (BEES, human capital and human rights). Note, feedback received on the fourth proposed research project (focusing on integration with financial reporting) will be evaluated in conjunction with the International Accounting Standards Board (IASB) at a future meeting.

Respondents suggested that the ISSB should approach each of the topics holistically, rather than prioritising subtopics. Further, they highlighted the importance of considering the implications of industry and geography on the risks and opportunities for each topic. Respondents encouraged the ISSB to build on materials and works from other organisations to advance the projects more quickly, including the Taskforce on Nature-related Financial Disclosures (TNFD), the Global Reporting Initiative (GRI), the European Sustainability Reporting Standard (ESRS) and SASB as possible sources.

Respondents also provided more specific feedback, encouraging the ISSB to consider the intrinsic interrelation of human capital and human rights, and if these topics should be combined into a single project. They also suggested replacing BEES with the term 'Nature' to reduce confusion and better depict the broader scope of potential risks and opportunities.

### **ISSB discussion**

Agenda Papers 2-2D were discussed together. Multiple ISSB members emphasised the significance of understanding respondents' characteristics and reasoning to better incorporate feedback into the ISSB's work plan.

Related to the strategic direction and balance of the ISSB's activities (Agenda Paper 2A) ISSB members requested that the staff explore the interrelation between providing implementation guidance for IFRS S1 and IFRS S2 with other agenda priorities laid out within the RFI. Further, the Chair underscored the importance of considering industry-based standards and how they may be a cross-cutting solution to multiple respondent requests.

Several ISSB members highlighted the feedback to create a long-term strategic direction for the ISSB and its significance in determining a work plan. ISSB members agreed that strategic direction should be a topic analysed during future meetings.

On the topic of criteria for assessing sustainability matters that could be added to the ISSB's work plan (Agenda Paper 2B), ISSB members concurred that although the IASB's criteria were a strong starting point, the ISSB needs to evolve its criteria to consider the nuances between the two standard-setters.

ISSB members agreed that it was difficult to draw conclusions from the feedback related to the priority of proposed projects (Agenda Paper 2C) and proposed projects on sustainability-related risks and opportunities (Agenda Paper 2D). Again, ISSB members highlighted the importance of understanding the different views of stakeholders to draw better conclusions from responses.

ISSB members were not asked to make any decisions at this meeting. The staff will continue to evaluate the responses received in response to the RFI for discussion and analysis by ISSB members in future meetings.

## IFRS Sustainability Disclosure Taxonomy

The purpose of this session was to provide a summary of the feedback the ISSB received with regard to the proposed IFRS Sustainability Disclosure Taxonomy.

### **Summary of feedback on the Proposed IFRS Sustainability Disclosure Taxonomy (Agenda Paper 7A)**

The purpose of this paper was to provide a summary of the feedback the ISSB received with regard to the IFRS Sustainability Disclosure Taxonomy proposed in July. The comment period ended on 26 September 2023. The proposed Taxonomy should allow digital reporting of sustainability-related financial disclosures and therefore reflects the disclosure requirements in IFRS S1 and IFRS S2 in the form of taxonomy elements with properties including references to related sections of the ISSB Standards or documentation labels that describe the meaning of each element.

The proposed Taxonomy is designed to facilitate:

- Investors to consume sustainability-related financial information digitally
- Regulators to require the digital reporting of sustainability-related financial information
- Preparers to implement digital reporting of sustainability-related financial information, enabling tagging without undue cost

Almost all respondents agreed the proposed Taxonomy appropriately reflects the requirements in IFRS S1 and IFRS S2 and will appropriately support preparers, investors and regulators by enabling the digital reporting of sustainability-related financial disclosures. Furthermore, stakeholders generally supported the aim for a simple taxonomy, designed to tag all information whilst minimising the need for multiple tagging, because it will help support the global implementation and consistent application of the Taxonomy.

Some stakeholder provided suggestions to help with its successful global implementation and consistent application, as follows:

- Some stakeholders supported the ISSB's intention to monitor the market (implementation, usage and technology development) and refine and enhance the Taxonomy, if necessary, to reflect emerging practice
- Many said that interoperability with other sustainability-related taxonomies is important to minimise the reporting burden and to help investors compare digital information provided applying different sustainability-related frameworks
- Some suggested that the ISSB should make targeted improvements to the proposed Taxonomy. For example, by adding Taxonomy elements to tag values of metrics and targets more consistently
- Some suggested that the ISSB should provide implementation support with additional guidance to help with consistent application and improving the resulting quality information in a digital format

The ISSB was not asked to make any decisions during this session. However, ISSB members were asked to comment on any feedback that was unclear, that provided new information, or that needed further research.

#### **ISSB discussion**

ISSB members considered the paper the staff had prepared as very helpful as it summarises the feedback received very clearly. During the discussion, it was emphasised that the taxonomy will not make different reporting standards like the ISSB or ESRS interoperable, even though interoperability is an overall objective on which is currently worked on, but separately from this taxonomy project.

Another aspect the discussion focused on is the relationship between IFRS S1 and IFRS S2 and the associated level of granularity of tagging which is connected to the usage of multi-tagging. Several ISSB members expressed their support that multi-tagging, at least to some extent, is needed, but with the right balance. This also relates to the role of IFRS S1 in the architecture of the IFRS Sustainability Disclosure Standards, which supports the need of multi-tagging to avoid disconnecting IFRS S1 and IFRS S2.

Furthermore, some ISSB members expressed concerns how to tag entity- or sector-specific information. One potential solution would be to encourage users to use the SASB taxonomy, which will be updated in accordance with the due process, and extensions, consistent with the approach to identify sustainability-related risks and opportunities and the respective disclosures in IFRS S1.

ISSB members agreed with the recommended timeline to present the proposed changes to the Taxonomy considering the feedback received during the December 2023 ISSB meeting and to publish the final taxonomy in the first half of 2024. Even though there will be no formal approval by the ISSB in line with the due process, ISSB members will be involved in the balloting process of the final Taxonomy.

#### **Summary of content of Proposed IFRS Sustainability Disclosure Taxonomy (Agenda Paper 7B)**

This paper provided a summary of the content of the proposed IFRS Sustainability Disclosure Taxonomy and was not discussed.