

## ISSB

### Meeting Summary

December 2023

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

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

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

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## Overview

The ISSB met on 13-14 December 2023 in Frankfurt. The following topics were discussed:

**ISSB consultation on agenda priorities:** ISSB members discussed the feedback on the ISSB’s request for information (RFI) from users of general-purpose financial reporting who self-identified as an ‘investor’ when submitting their response to the RFI.

**IFRS sustainability disclosure taxonomy:** The ISSB discussed proposed changes to the taxonomy resulting from stakeholder feedback on the approach to tagging narrative information, including the granularity and data type of particular narrative disclosures; the approach to modelling the relationship between the requirements in IFRS S1 and IFRS S2; the approach to tagging metrics and targets that are not specified by IFRS Sustainability Disclosure Standards; and improvements to the taxonomy, including the categorical elements and the element labels.

**International applicability of the SASB Standards:** The IASB ratified the amendments to the SASB Standards and the related updates to the digital SASB Standards Taxonomy. The ISSB also confirmed that it is satisfied

that it has complied with the applicable due process requirements to publish the updated SASB Standards. The ISSB expects to publish the amended SASB Standards before the end of 2023.

## ISSB consultation on agenda priorities

In this meeting, ISSB members reviewed the summary of feedback on the ISSB's request for information (RFI) from users of general-purpose financial reporting who self-identified as an 'investor' when submitting their response to the RFI.

### Feedback summary—Users of general purpose financial reporting (Agenda Paper 2)

#### Background

The ISSB's request for information (RFI) *Consultation on Agenda Priorities*, to inform its work plan for the next two-year period, was published in May 2023 with the comment period ending on 1 September 2023. The ISSB received 70 responses from users which included 13 from representative groups and 57 from individual organisations. These users were from all geographic regions, the majority coming from North America (40%) and Europe (40%).

#### Summary

Respondents were asked to answer the following questions within the scope of the ISSB's work:

- Question 1—Strategic direction and balance of ISSB activities:
  - Most users ranked supporting the implementation of IFRS S1 and IFRS S2 as the highest priority. They expressed the need for the ISSB to work with policymakers and regulators, companies, and investors across jurisdictions worldwide to help facilitate global implementation of the standards, with a few noting the need to prioritise the global south, emerging economies and smaller and medium-sized entities in the ISSB's implementation efforts
  - Users emphasised that the ISSB should support on interoperability, connectivity and stakeholder engagement
- Question 2—Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan:
  - Almost all respondents agreed with the appropriateness of the criteria that the ISSB has identified. Some users suggested amendments or additions to the proposed criteria, and those suggestions were overall similar to those made by all other respondents. Of those users some suggested adding a criterion focused on interoperability with other sustainability-related standards and frameworks. They also suggested to add a new criterion around the market's readiness and capacity to prepare disclosures on a specific sustainability-related reporting matter
- Question 3—New research and standard-setting projects that could be added to the ISSB's work plan:
  - A small majority recommended that the ISSB work on more than one project. The rest recommended that the ISSB work on a single project that covers human capital and integration in reporting
- Question 4—New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services (BEES):
  - Many commented that they would prefer the ISSB take a holistic approach when undertaking a research project on risks and opportunities related to BEES without prioritising a single subtopic or a subset of the subtopics proposed in the RFI
  - Most mentioned 'land-use and land-use change', while many mentioned 'freshwater, marine resources and ecosystems use', 'pollution' and 'resource exploitation' as priority subtopics

- Question 5—New research and standard-setting projects that could be added to the ISSB’s work plan:  
Human capital:
  - Almost all said disclosures relating to risks and opportunities associated with diversity, equity and inclusion are important, because of the subtopic’s strong link to entities’ ability to attract, retain and motivate a high-quality and talented workforce
  - Most identified labour conditions in the value chain (including child labour), worker wellbeing (including mental health and benefits), workforce composition and costs, and employee engagement as important subtopics for the ISSB to consider
- Question 6—New research and standard-setting projects that could be added to the ISSB’s work plan:  
Human rights:
  - Many suggested that the ISSB prioritise in its research project a consideration of human rights due diligence because it is important for investors to access information on due diligence processes, including supply chain considerations. Many underlined the importance of covering value chain and supply chain management in a human rights-related research project
- Question 8—Other comments
  - Comments made on this question were added to other questions above

Users’ feedback on Question 7, which sought feedback on the proposed research project on integration in reporting, is not included in this paper. As the feedback on the proposed research project on integration in reporting is of interest to both the ISSB and IASB, detailed feedback on this project, including the perspective of users, will be presented to the ISSB and IASB for joint discussion by the boards in January 2024.

### **ISSB discussion**

Multiple ISSB members emphasised the significance of understanding respondents’ characteristics and reasoning to better incorporate feedback into the ISSB’s work plan.

Several ISSB members noted users were not interested in additional standards but focused on improving existing standards by incorporating feedback into the ISSB’s work plan.

ISSB members agreed that the highest priority for both users and the ISSB is the implementation of IFRS S1 and IFRS S2 across markets. This will help set a consistent global baseline of implementation, adoption and enforcement of those standards across industries for users. ISSB members agreed to work with regulators to ensure consistency across markets and to support the adoption and application of IFRS S1 and IFRS S2 until there is a common point of understanding to prevent confusion for users and investors. ISSB members pointed to the importance of the adoption policy being developed for each market and its importance for different users.

Several ISSB members also highlighted the importance of understanding the different types of users and their perspectives in granular detail to truly understand feedback provided. The ISSB plans to do more to identify “users”—asset owner vs. asset manager, to better understand what is driving investor’s decisions across different user perspectives.

For future proposed projects related to sustainability risks for BEES, and human capital and rights, ISSB members will focus on one project using a more wholistic social approach and leverage existing materials, like SASB Standards, for support.

Overall, ISSB members noted that the majority of the feedback is on the criteria and implementation of IFRS S1 and IFRS S2. Once more users have adopted the standards, the ISSB will continue to do more to understand what the market wants and what investors need.

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

## IFRS sustainability disclosure taxonomy

In this session, the staff provided an overview of the main changes to the proposed IFRS sustainability disclosure taxonomy it recommends to the ISSB.

### **Changes to the Proposed IFRS Sustainability Disclosure Taxonomy (Agenda Paper 7)**

The purpose of this paper was to provide an overview of the main changes to the proposed IFRS sustainability disclosure taxonomy that the staff recommended to the ISSB in response to stakeholder feedback.

#### **Staff recommendation**

##### ***Narrative information***

- Confirm the principle for creating elements for narrative information expected to be both separately understandable to investors and readily identifiable for tagging
- Make targeted amendments to the modelling of specific taxonomy elements to refine and enhance the Taxonomy as well as minimising the gap in how similar requirements in IFRS S2 and European Sustainability Reporting Standard (ESRS) E1 are modelled (specifically with regards to granularity and data type)

##### ***Modelling of relationship between IFRS S1 and IFRS S2***

- Confirm the proposals to create:
  - A single set of elements to reflect the corresponding requirements
  - A dimensional model to reflect disaggregation by risks and opportunities
- Introduce a mechanism to enable investors to identify the sustainability topic(s) of a risk or opportunity when such information is provided and tagged. Specifically, adding an extensible enumeration reflecting the topic of 'Climate'

##### ***Metrics and targets***

Make targeted improvements to the modelling of entity-defined metrics and targets and the link between metrics and targets to make it easier for investors to analyse the resulting data

##### ***Other improvements***

- Refine the list of categorical elements proposed and clarify the guidance for using the categorical elements
- Make targeted editorial changes to shorten verbose standard labels to improve the functionality of the labels in the Taxonomy

#### **ISSB discussion**

##### ***Narrative information***

One of the Vice-Chairs noted that the meeting was to give comments and ask questions on the structure of the taxonomy. She noted that usually, the taxonomy is already set up and the task is only to translate the standard requirements into the taxonomy. However, this is a unique position and hence the ISSB suggested to have this session to input on the structure of the taxonomy.

One ISSB member asked whether existing SASB taxonomy users would encounter any issues when applying the IFRS sustainability taxonomy. The staff replied that some of the metrics in IFRS S2 were taken from SASB Standards, and therefore some elements are identical between the two taxonomies. One of the Vice-Chairs added that also, preparers use SASB Standards for sustainability topics other than climate to develop the disclosures required under IFRS S1, so the taxonomies are highly interoperable. It was noted that the ISSB should have principles that state under which circumstances changes to the taxonomy can be made solely to align with other taxonomies. One ISSB member said that it should be clear what alignment means. If two sets of sustainability disclosures are prepared under different rules, the taxonomy would not be able to align them.

One of the Vice-Chairs noted that each tag should be separately identifiable and understandable for users of the taxonomy. In his view, interoperability comes second behind this objective. This was echoed by another ISSB member who said that the most importantly, the ISSB should focus on stakeholder feedback. The other Vice-Chair said that if the ISSB's standards are used as the global baseline, and preparers are using standards that are very similar, they also have the advantage of using the ISSB taxonomy with extensions (as long as they do not obscure the information presented). She acknowledged that it is more complicated with the ESRS taxonomy. Although there is much overlap, it would require some work with the EFRAG staff to make the taxonomies interoperable.

One ISSB member noted that interoperability with other taxonomies was estimated at 75%, which was assessed as to be insufficient. She asked what percentage would be desirable and warned that reaching a higher percentage would compromise the other objectives of reducing the reporting burden and providing useful information. The staff said that it is difficult to determine an ideal percentage but that all objectives would be considered when thinking about the changes to the taxonomy.

#### ***Modelling of relationship between IFRS S1 and IFRS S2***

The Chair noted that the staff had used single tags for some information that is required under IFRS S1 and IFRS S2. It might be confusing for users to find the information if, for example, the IFRS 2 governance information is provided together with the IFRS S1 governance information. The staff replied that the taxonomy based on the staff draft included many instances of double-tagging, which was undesirable. Therefore, it was reduced to single elements in those instances. However, when the user searches for key words, all instances would appear.

#### ***Metrics and targets***

One ISSB member asked how the staff monitors application issues with the taxonomy once effective. The staff replied that the due process handbook requires to review practice as it develops. The staff also reviews common content elements (i.e. those that are not required by the taxonomy) that practice develops. These are sometimes adopted in the taxonomy if they are consistent with the requirements. Another ISSB member suggested to draft some guidance for preparers on how to use the IFRS sustainability taxonomy with the SASB taxonomy.

## International applicability of the SASB Standards

In this session, the staff will seek ratification by the ISSB of amendments to the SASB Standards; seek ratification of the related updates to the digital SASB Standards Taxonomy; and ask the ISSB to confirm it is satisfied that it has complied with the applicable due process requirements to publish the updated SASB Standards.

### **Ratification of amendments to the SASB Standards (Agenda Paper 8A)**

Pursuant to the international applicability of the SASB Standards project, this paper's objectives were:

- to seek ratification by the ISSB of amendments to the SASB Standards;
- to seek ratification of the related updates to the digital SASB Standards Taxonomy; and
- to ask the ISSB to confirm it is satisfied that it has complied with the applicable due process requirements to publish the updated SASB Standards.

The SASB Standards Board Advisor Group amended the SASB Standards to enhance their international applicability and recommended these amendments to the ISSB for ratification.

The SASB Standards Board Advisor Group also recommended that the ISSB ratify related updates to the SASB Standards Taxonomy to reflect these proposed amendments.

Ratifying the amended SASB Standards and the SASB Standards Taxonomy updates requires the same level of support from ISSB members as is required for any other standard (nine members in favour). An ISSB member may dissent from ratifying the updated SASB Standards. In that case, the dissent and the member's reasons for doing so will be stated in the basis for conclusions.

Following ratification, the staff will finalise the amended SASB Standards to prepare for publication and update the SASB Standards Taxonomy.

### **ISSB discussion**

The first question the ISSB was asked, related to the potential need for re-exposure. Considering the importance of the overall objective to support the application of IFRS S1, the approach to publish detailed marked-up revisions in the SASB Standards satisfied the ISSB members that the ISSB has complied with the applicable due process requirements and has undertaken sufficient consultation and analysis to publish the amended SASB Standards. The feedback received related to those marked-up revision documents did also not reveal any significant need for changes, as it primarily reflected editorial comments. Therefore, the ISSB decided that re-exposure was not necessary (all ISSB members agreed).

Some comments received were related to future research and were considered not to be in scope of this project. However, it was emphasised that they are important to consider as part of the ISSB consultation on agenda priorities. In this context, it was also emphasised that future amendments of the SASB Standards will follow the regular due process for maintenance and enhancements of IFRS standards.

### **ISSB decision**

The ISSB decided to ratify the proposed amendments to the SASB Standards (all ISSB members agreed). The accompanying basis for conclusions was considered as a very good and helpful substantive document to illustrate the use of the methodology for enhancing the international applicability of the SASB Standards. In

addition, the ISSB decided to make related updates to the SASB Standards Taxonomy (all ISSB members agreed).

As recommended, the staff will finalise the amended SASB Standards to prepare for publication and update the SASB Standards Taxonomy until the end of 2023.

Even though the updated SASB Standards will be effective for annual reporting periods beginning on or after 1 January 2025, the ISSB emphasised that early application is permitted and even encouraged entities to apply the updated SASB Standards earlier if possible.

**Draft: Basis for Conclusions on Enhancing the International Applicability of the SASB Standards (Agenda Paper 8B)**

This paper provided a summary of the process proposed in the exposure draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*, including the amendments to the SASB Standards made based on the applied methodology.

There was no discussion on this paper.