



# Sustainability (ESG) Alert

## The ISSB issues proposals for its first two Standards

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### Executive Summary

The International Sustainability Standards Board (ISSB) has issued its first consultation on two proposed sustainability Standards. The first one sets out general sustainability-related disclosure requirements and the other specifies climate-related disclosure requirements.

The ISSB, which was established in November 2021 at the COP26 event in Glasgow, has released the following Exposure Drafts (EDs):

- IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'
- IFRS S2 'Climate-related Disclosures'

These two EDs build on recommendations from Task Force on Climate-Related Financial Disclosures (TCFD). They also include industry-based disclosure requirements from the Sustainability Accounting Standards Board (SASB) Standards. The proposals build on the prototypes that were prepared last year by the Technical Readiness Working Group (TRWG) and they respond to requests from G20 Leaders, the International Organization of Securities Commission (IOSCO) and investors for enhanced information from companies on sustainability-related matters.

At this stage, the ISSB is looking to simplify the sustainability reporting landscape by bringing together the work of the TCFD, Integrated Reporting, SASB, the Climate Disclosure Standards Board (CDSB) and the World Economic Forum (WEF) into two coherent and comprehensive proposed standards.

Building a global baseline will reduce the need for entities to prepare different reports to meet reporting requirements in different jurisdictions. When the ISSB's standards are used as the baseline for disclosures by jurisdictions, preparers would gain efficiencies by adding additional disclosures to those required by the ISSB rather than preparing two totally distinct sets of information, therefore enabling them to meet broader stakeholder information needs.

ED IFRS S1 sets out the overall requirements for disclosing sustainability-related financial information about all its significant sustainability-related risks and opportunities, to provide the market with a complete set of sustainability-related financial disclosures. It also provides guidance on how to identify and develop appropriate disclosures about sustainability-related risks and opportunities not addressed by an IFRS Sustainability Disclosure Standard using the disclosure topics in SASB Standards and the CDSB Framework application guidance for water and biodiversity-related disclosures.

ED IFRS S2 sets out the specific requirements for the identification, measurement and disclosure of climate-related financial information.

The ISSB has provided a comment period of 120 days, which closes on 29 July 2022.



# Our thoughts

We welcome the release of these two proposed sustainability Standards because they will enable preparers to provide a comprehensive global baseline of sustainability disclosures that should meet the information needs of investors whenever they want to assess enterprise value.

We are mindful these IFRS Sustainability Disclosure Standards being issued by the ISSB are intended to also be compatible with jurisdiction-specific requirements, including those intended to meet broader stakeholder information needs.

Grant Thornton will review these documents and will provide written comments back to the ISSB for its consideration. Given the importance of this topic to so many companies, we encourage any entity that might be affected by these proposed Standards, either now or in the future, to take time out to respond to these EDs as well.

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