

ISSB proposes two sustainability standards

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At a glance

The International Sustainability Standards Board issued its first two proposals for new sustainability standards. The exposure drafts address general and climate-related disclosures. Comments are due by July 29.

What happened?

On March 31, the International Sustainability Standards Board (ISSB) issued its first two exposure drafts (EDs) for comment: one on [general disclosure](#) requirements and a thematic ED on [climate-related disclosure](#) requirements. Comments are due by July 29, and final standards are expected before the end of the year.

Why is this important to a US audience?

The ISSB sits alongside the International Accounting Standards Board (IASB), with both boards overseen by the IFRS Foundation. The boards of the two entities are independent but are working in close cooperation to establish complementary standards to provide comprehensive information to investors and other providers of capital. The ISSB stated that the standards would provide a global baseline for ESG reporting, and that it will work with other international organizations and jurisdictions to support the inclusion of the global baseline into jurisdictional requirements. Each country will determine whether ISSB standards should be adopted locally.

The SEC [proposed](#) its own climate-related disclosure requirements for US public companies on March 21. Both the ISSB and the SEC based their proposals on the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD). Although US registrants will not be required to use the ISSB standards, they may serve as a useful reference point for certain foundational issues for companies preparing ESG reports given their close linkage to an established set of accounting standards.

What are the EDs based on?

The ISSB EDs are based on the four pillars developed by the TCFD: governance, strategy, risk management, and metrics and targets, and focus on significant sustainability risks and opportunities. Although TCFD is the basis, the proposed disclosure requirements in the EDs extend beyond the TCFD recommended disclosures.

When will the standards be effective?

The effective date will be determined when the final standards are issued. Early adoption would be permitted. Comparative information would not be required in the year of adoption. Because local jurisdictions will determine whether to require adoption of the proposed standards, a company's adoption date may be later than the date included in the final standards.



What's next?

We understand that later this year, the ISSB will consult on standard setting priorities, including seeking feedback on the needs of investors in assessing enterprise value and on further development of industry-based requirements. The ISSB also [announced](#) plans to embed the industry-based approach used by the Sustainability Accounting Standards Board (SASB) into its standard setting process. Ongoing projects by the SASB will be transitioned to the ISSB and continued. The ISSB encourages preparers and investors to continue to use the SASB standards in this transition phase.

To have a deeper discussion, contact:

Andreas Ohl

Partner

Email: andreas.ohl@pwc.com

Maria Constantinou

Managing Director

Email: maria.constantinou@pwc.com

Emily Kirsch

Director

Email: emily.kirsch@pwc.com

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