

ESG reporting developments

Talking points for episode 123



Developments in environmental, social and governance (ESG) non-financial reporting have moved quickly during 2021, driven by the demand from investors. Investors are looking for clarity about the ESG initiatives that companies are underlying, and for comparable, reliable information that they can rely on for decision-making.



At the Finance Day at COP26, on 3 November 2021, the IFRS Foundation announced:

- the establishment of the International Sustainability Standards Board (ISSB); and
- that the Climate Disclosure Standards Board (CDSB, an initiative of CDP) and the Value Reporting Foundation (VRF, which houses the Integrated Reporting Framework and the Sustainability Accounting Standards Board's standards) will be consolidated into the ISSB.



The IFRS Foundation also published two prototype standards that provide those who are likely to comment the benefit of seeing what expected exposure drafts relating to general requirements and to climate-related disclosures might contain when issued.



Consistent with the TCFD reporting framework, these prototypes are built on four pillars - governance, strategy, risk management and metrics and targets:

- The general requirements prototype standard sets out a framework and hierarchy for reporting entities if no specific guidance is yet available within an ISSB standard.
- The climate-related prototype standard is the first thematic standard that the ISSB will issue, providing guidance on narrative and cross industry metric disclosure requirements.

In addition, there is a 'technical protocols supplement' which replicates the majority of the SASB disclosure requirements.



We expect the Chair, vice-chair(s) and Board members to be announced soon, shortly followed by the publication of exposure drafts. The ambition is that final standards will be issued by late 2022.



The ISSB standards will affect all companies and companies need to ensure that engagement on these developments goes beyond the finance department. After the initial focus on climate risk, we anticipate the ISSB will move at pace beyond climate to other key ESG areas, including providing information about business's role in society, as soon as possible. The IFRS Foundation is keen to hear a wide range of interested parties and developments are likely to continue to move quickly.