

IFRS Sustainability Developments

The ISSB adds biodiversity and human capital to its agenda

What you need to know

- ▶ On 23 April 2024, the ISSB decided to add to its agenda two research projects:
a) biodiversity, ecosystems and ecosystem services; and
b) human capital.
- ▶ The research projects do not necessarily mean that standard-setting work will be undertaken. Research is needed for the ISSB to explore the feasibility and necessity of initiating standard-setting work.
- ▶ The final outcome of the agenda consultation is expected to be published in mid-2024 and will include the ISSB's work plan for a period of two years.

Introduction

On 23 April 2024, the International Sustainability Standards Board (the ISSB or the Board) decided to add to its agenda two sustainability-related research projects on: a) biodiversity, ecosystems and ecosystem services, and b) human capital. Moreover, the ISSB decided not to add to its agenda, human rights and integration in reporting, or any of the additional topics raised by respondents to the Request for Information.

The final outcome of the agenda consultation will be the ISSB's work plan for a period of two years. This work plan will be included in the ISSB's agenda consultation feedback statement that is expected to be published in mid-2024.

Background

In April 2023, the ISSB published its first Request for Information about its agenda priorities. The ISSB's objective in the agenda consultation was to receive formal input from the public on: the strategic direction and balance of the ISSB's activities; the criteria they apply for assessing potential research and standard-setting projects to be included in the work plan; and which of the sustainability reporting matters should be given priority. The ISSB identified in the Request for Information, a shortlist of four potential projects to be prioritised: biodiversity, ecosystems and ecosystem services; human capital; human rights; and integration in reporting.

Given the emerging and evolving nature of sustainability-related risks and opportunities, the ISSB decided to focus on a two-year time horizon, which is shorter than the timeframe typically considered for financial accounting standard setting (e.g., a five-year work plan usually set out by the International Accounting Standards Board (IASB)).

The ISSB decided to include in its agenda two research projects: biodiversity, ecosystems and ecosystem services; and human capital.

Decisions made by the ISSB on its future work plan

The ISSB met in March 2024 to decide on the strategic direction and balance of activities for its work plan over the next two years, based on the feedback received on its agenda consultation. The ISSB decided that the key initial priorities will include: to support the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*; to begin new research and standard-setting projects; and to enhance the Sustainability Accounting Standards Board (SASB) Standards.

With respect to new research and standard-setting projects, in its Request for Information, the ISSB identified four potential projects to be prioritised. In its February 2024 meeting, the ISSB decided on the criteria it would use in prioritising those projects for the purposes of adding them to the work plan. The four projects were then assessed against the criteria, and the criteria were applied in combination with one another according to their relative importance for each project. As a result of this process, the ISSB decided to include in its work plan only two of the projects that were initially identified, namely: biodiversity, ecosystems and ecosystem services; and human capital.

The ISSB's decision to add the project on biodiversity, ecosystems and ecosystem services and the project of human capital to its work plan was based on an evaluation of the potential for each project to address the information needs of primary users, while also considering the cost of preparing such information. Both projects are estimated to be large projects. Therefore, the ISSB believes that by focusing only on those two projects, they can be advanced in a timely manner.

Research as a preliminary step in exploring standard-setting

Adding a research project to the ISSB's work plan does not necessarily mean that standard-setting work will be undertaken. The ISSB's research is needed as a preliminary step to explore the feasibility and necessity of initiating future standard-setting work.

Such research will involve investigating whether and how the information needs of primary users may be addressed by leveraging from other standards and frameworks. Examples of such other standards and frameworks are the SASB Standards, the Climate Disclosure Standards Board (CDSB) Framework, the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) for the biodiversity, ecosystems and ecosystem services project as well as the International Labour Organization (ILO) for the human capital project.

Research will involve investigating how the two projects may enhance the interoperability of the ISSB's global baseline of sustainability-related financial disclosures, with standards focused on a broader set of stakeholders such as the Global Reporting Initiative's (GRI) and the European Sustainability Reporting Standard (ESRS), in order to create efficiencies for preparers.

Projects not added to the ISSB's agenda

The projects on human rights and integration in reporting initially identified in the ISSB's Request for Information were not added to the agenda. This is because prioritisation of projects was necessary considering the capacity of both the ISSB and its stakeholders. However, both topics remain important matters and will be considered by the ISSB for a future agenda consultation.

Notwithstanding the above, the ISSB believes that its work on the project on human capital and the related risks and opportunities for an entity's own workforce and workers in its value chain (including, where relevant, some aspects of human rights) will contribute to making progress towards a future human rights project.

The ISSB also highlights that, although a project on integration in reporting is not a priority in the near term compared to advancing work on sustainability-related topics, enhancing connected information between sustainability-related financial disclosures and the financial statements remains an area of focus for the ISSB.

Feedback statement on the Request for Information

As a next step, the ISSB will publish a feedback statement summarising the feedback on the Request for Information and the ISSB's response to that feedback. The feedback statement will also include the final output of the consultation on agenda priorities and the ISSB's final work plan. The feedback statement is expected to be published by mid-2024.

How we see it

The ISSB's decision to add the two projects to its agenda is aligned with the feedback provided by EY to the ISSB in response to its Request for Information.

Giving priority to two projects, rather than a single project, will allow the ISSB to benefit from having another project underway that can be accelerated if progress were to be delayed on the other project due to unforeseen challenges. Also, given capacity constraints, developing no more than two new research projects will enable the ISSB to also focus on supporting the implementation of IFRS S1 and IFRS S2, which is essential to paving the way for smoother implementation of its future standards. However, it is unlikely that a final new topical ISSB standard will be issued within the next two years. Meanwhile, entities will need to consider other sources of guidance indicated in IFRS S1, such as the SASB standards.

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