



Sustainability Adviser Alert

ISSB issued its first international sustainability standards

July 2023

Executive summary

The International Sustainability Standards Board (ISSB) has issued its first two international sustainability standards (the Standards) that become effective for periods beginning on or after January 1, 2024. Together they mark the start of a new era of requiring reporting entities to make sustainability-related disclosures.

In Canada, the Canadian Sustainability Standards Board (CSSB or the Board) was created to work in partnership with the ISSB to drive the adoption of the ISSB standards in Canada. As of the date of this publication, no decision has yet been made on whether and when the Standards will be adopted in Canada. Refer to the “Next Steps for Canada” section for more details.

Background

The ISSB aims to establish through the issuance of these Standards a global baseline of sustainability-related financial disclosures. All the standards the ISSB will issue aim to provide the right information, in the right way, to support investor decision-making and facilitate international comparability to attract capital.

To achieve this, the ISSB is working closely not only with jurisdictions but also with other global organizations such as the International Organization of Securities Commissions (IOSCO) to gain support for the use of these Standards. In many jurisdictions, it is highly probable that some additional disclosures will be added to the baseline requirements created by the ISSB. This process of taking the ISSB standards and then adding to them is often referred to as the building block approach.

The sustainability standards that have been released are:

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

These Standards create a common language for disclosing sustainability risks and opportunities, initially focusing on climate-related risks and opportunities, to achieve global comparability. Together these Standards will provide decision-useful, sustainability-related information for investors. They fully incorporate and build on the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).



IFRS S1

IFRS S1 sets out the overall requirements for a reporting entity to disclose sustainability-related financial information about its sustainability-related risks and opportunities. This will enable reporting entities to communicate to investors the sustainability-related risks and opportunities they face over the short, medium and long term.

IFRS S2

IFRS S2 sets out specific requirements for the identification, measurement and disclosure of climate-related financial information and is designed to be used in conjunction with IFRS S1.

Effective date

IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1, 2024. This means the first reporting will be seen in 2025 for reporting entities applying the Standards to their December 31, 2024, reporting cycles. Early adoption is permitted.

In order to claim compliance with IFRS Sustainability Disclosure Standards, reporting entities need to apply both Standards together. However, the ISSB has provided relief from some requirements in the first year the Standards are applied, which are detailed below.

Transitional provisions

IFRS S1 and IFRS S2 set out some transition reliefs that can be used in the first year of application, including relief from the following requirements:

- reporting information about sustainability-related risks and opportunities beyond those relating to climate-related risks and opportunities;
- reporting sustainability-related financial disclosures, including climate-related financial disclosures, at the same time as the related financial statements. This means a reporting entity will be permitted to report its sustainability-related financial disclosures after its financial statements, allowing for more time to collate and report on sustainability;
- disclosing Scope 3 greenhouse gas (GHG) emissions information and using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol Corporate Standard) to measure Scope 1, Scope 2 and Scope 3 GHG emissions if they are using a different approach, and;
- disclosing any comparative information.

Next steps at the international level

Now that IFRS S1 and IFRS S2 have been issued, the ISSB has indicated it will work closely with jurisdictions and reporting entities throughout the adoption process. One of its first steps will be creating a Transition Implementation Group to support reporting entities that apply the Standards. In addition, the ISSB will be launching capacity-building initiatives to support the effective adoption and implementation of these two Standards.

The ISSB has indicated it will work closely with jurisdictions wanting incremental disclosures beyond the global baseline it has created to achieve greater interoperability of the Standards.



Next steps for Canada

In Canada, the CSSB was created to work in partnership with the ISSB to promote the adoption of the Standards in Canada. This Board is responsible for identifying key issues relevant to the Canadian context and ensuring that the standards to be applied in Canada are well aligned with those of the ISSB.

The CSSB is operational since the end of June 2023 and plans to hold its first meeting by the end of July 2023. During this first meeting, the discussions should notably deal with the adoption of the Standards, including how effective dates should be determined in Canada. The Board also works with Canadian regulatory bodies who are responsible for addressing the mandatory application or not of the Standards by Canadian publicly accountable enterprises.

Our thoughts

We welcome the release of these Standards because they are the beginning of a new era in sustainability reporting. They provide a comprehensive global baseline of sustainability disclosures that should meet many of the information needs of investors.

We are pleased the ISSB will continue to work with jurisdictions and other international organizations to achieve a greater interoperability of the Standards, as we believe this is key to the success of sustainability reporting around the world.

Given that reporting on sustainability will either be new to many reporting entities, or potentially different from what they have previously reported, we encourage all entities that may be affected by these Standards to start to consider the impact of them now.

We are closely following the progress of the work under the responsibility of the CSSB in Canada, mainly regarding the decisions that will be taken on the adoption of the Standards in Canada, as well as the communications that the regulatory authorities of Canada may publish on the subject.

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