



# ISSB™ priorities

Understanding the future focus

---

[kpmg.com/ifrs](https://kpmg.com/ifrs)

May 2023



# ISSB priorities – Understanding the future focus



## What's the issue?

The ISSB needs to decide what to focus on next, after finalising its general requirements and climate standards in June 2023. It is seeking feedback from stakeholders via a consultation.

The ISSB has agreed it needs to split its time between:

- embedding the first standards<sup>1</sup> on climate and general requirements; and
- focusing on new areas – e.g. choosing between biodiversity, human capital, human rights and integration in reporting.

The ISSB will determine which priorities to focus on over the next two years based on feedback from this consultation.

<sup>1</sup> IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*



## What's the impact?

The ISSB wants to understand where guidance is most urgently needed to help companies to report on all sustainability-related risks and opportunities as required under IFRS S1, not just climate.

This may lead to future IFRS® Sustainability Disclosure Standards because there is not yet a widely accepted standard for investor-focused disclosure across topics including biodiversity, human capital and human rights.

To support connectivity in reporting, the ISSB could work jointly with the IASB to build on its management commentary proposals and the Integrated Reporting Framework. Alternatively, it could work in parallel with the IASB on a separate project on integration in reporting.



## What's next?

Have your say – the comment period is open until 1 September 2023.

Feedback will inform the ISSB's thinking and the direction of its future standard-setting activities.

Irrespective of the consultation outcome, the ISSB's immediate priorities after finalising its first standards are encouraging jurisdictions to adopt them and supporting companies to apply them.

## Abbreviations and key terms

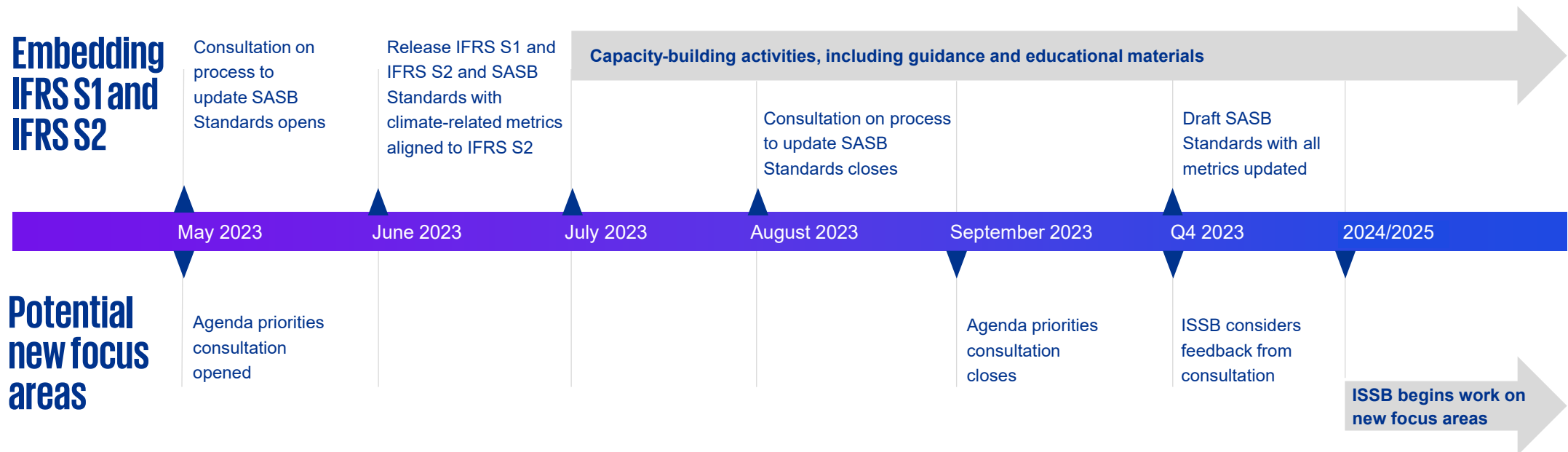


# Understanding the ISSB's future focus areas

- 01** ISSB's parallel workstreams
- 02** Embedding IFRS S1 and IFRS S2
- 03** Biodiversity at a glance
- 04** Human capital at a glance
- 05** Human rights at a glance
- 06** Existing guidance that might inform the ISSB's thinking
- 07** Integration in reporting
-  Appendix
-  Abbreviations and key terms

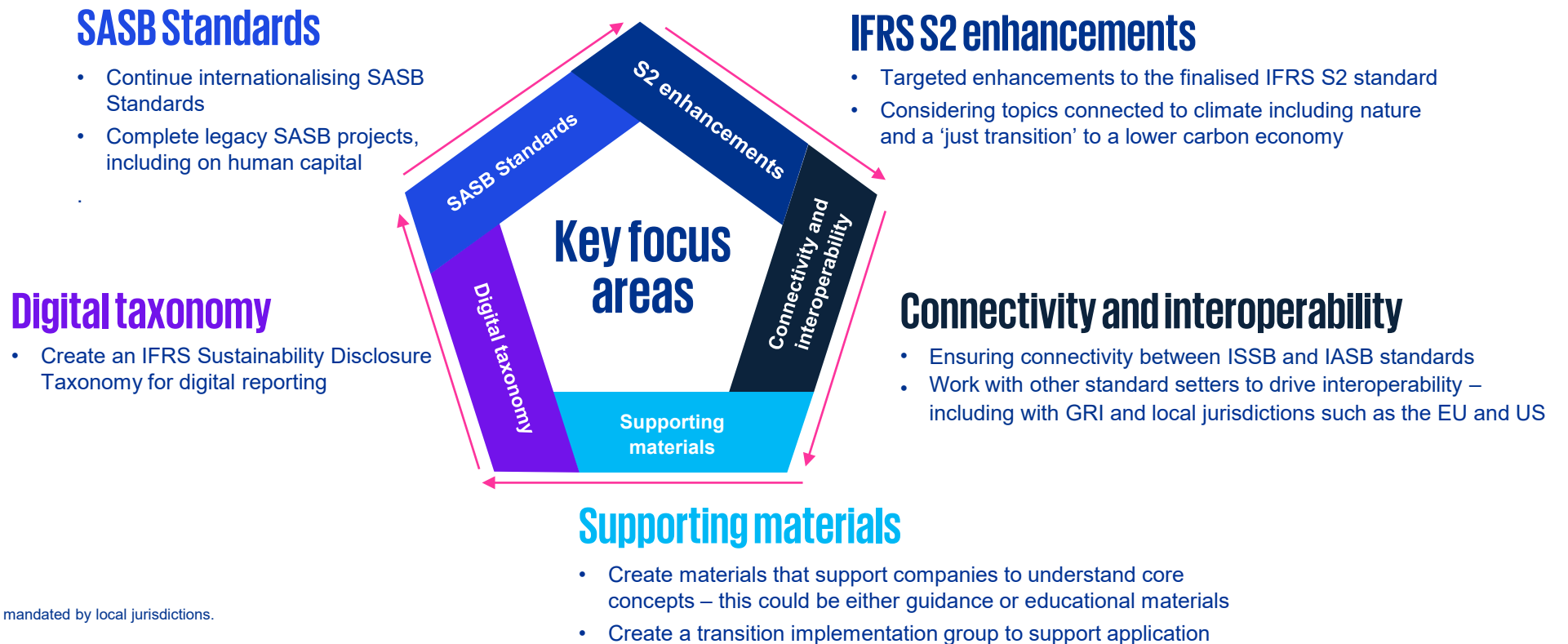
# 01 ISSB's parallel workstreams

- The ISSB's two-year workplan will consist of two parallel workstreams:
  - **embedding IFRS S1 and IFRS S2** – building capacity and supporting companies to apply the first standards (see page 5); and
  - **focusing on new areas** – e.g. biodiversity, human rights, human capital and integration in reporting (see pages 6–11)
- Feedback will help the ISSB determine the **balance between both workstreams and which of the new focus areas to choose**
- The ISSB expects to use significant resources to embed IFRS S1 and IFRS S2



# 02 Embedding IFRS S1 and IFRS S2

- The ISSB has committed to actively embedding its first standards and building capacity after they are finalised in June 2023
- The aim is to help jurisdictions feel confident to endorse them<sup>1</sup> and companies to apply – whether voluntarily or mandatorily
- The ISSB is asking for feedback on the relative priority of these activities compared to new focus areas



<sup>1</sup> Adopting the standards would be mandated by local jurisdictions.

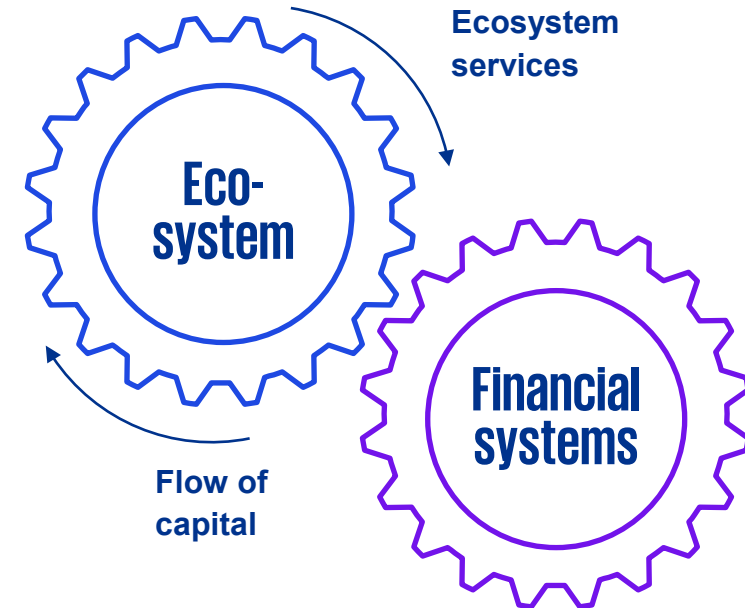
# 03 Biodiversity at a glance

## What is biodiversity?

- The variety of life on earth, including animals, plants and other living organisms
- All these forms of life live together in a particular environment – i.e. an **ecosystem**
- Biodiversity is intrinsically connected to other topics, including climate. The ISSB's potential sub-topics are broad, including water, land use and land-use change, pollution, resource exploitation and invasive non-native species

## How can biodiversity impact a company?

- Companies rely on **ecosystem services**. These are benefits provided to all living forms – e.g. effective pollination and clean water. Investors need to understand the ecosystem services that affect a company's prospects
- To protect these services, companies can support the **flow of capital** towards preserving biodiversity – i.e. promote functional, productive and resilient ecosystems. This in turn supports the stability of **financial systems**



## Existing or developing biodiversity standards and frameworks:

- Recommendations from the TNFD, expected to be finalised in September 2023
- GRI 304 *Biodiversity* – consultation on proposed updates closed February 2023
- Draft ESRS E4 *Biodiversity and Ecosystems* builds on GRI 304

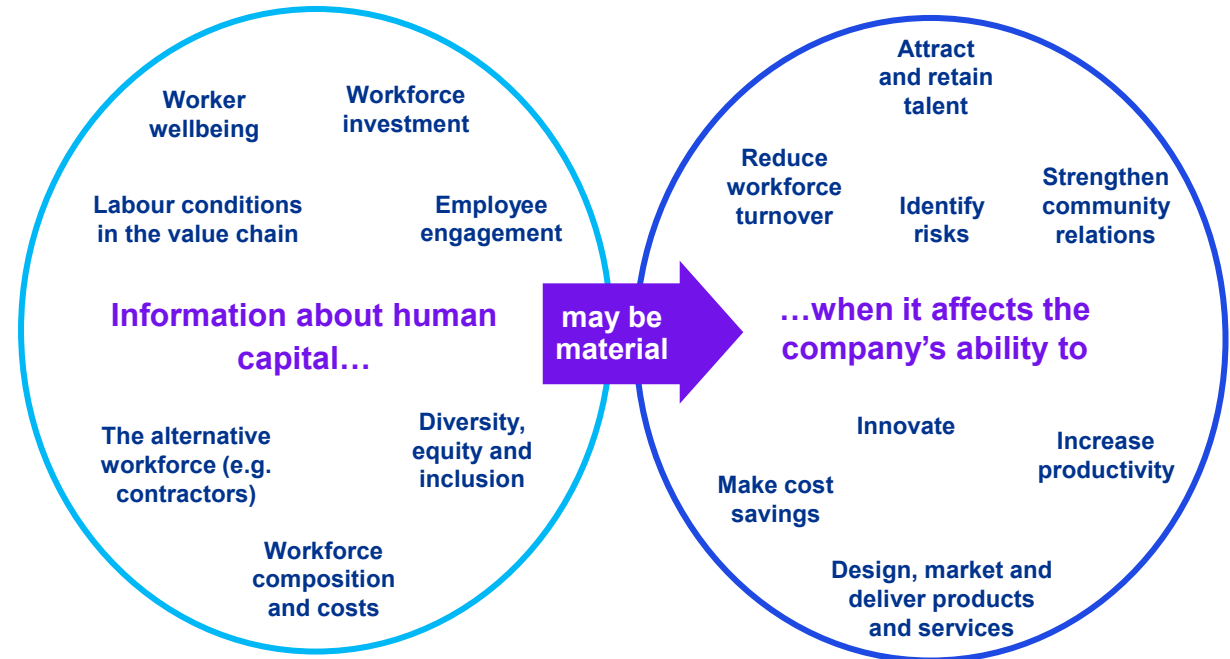
# 04 Human capital at a glance

## What is human capital?

- The people who make up a company's workforce
- Their competencies, capabilities and experience and motivations to innovate

## How can human capital impact a company?

- Safeguarding and protecting human capital promotes talent attraction and retention, while encouraging growth via creativity and innovation in design and delivery
- Increased productivity and cost savings are associated with employee health, safety and wellbeing
- Legal and regulatory risks and costs may exist when human capital is overlooked



## What does the ISSB propose to focus its thinking on?

- Connecting human capital subtopics to sustainability-related risks and opportunities and material information to disclose
- Understanding existing practices, tools and metrics

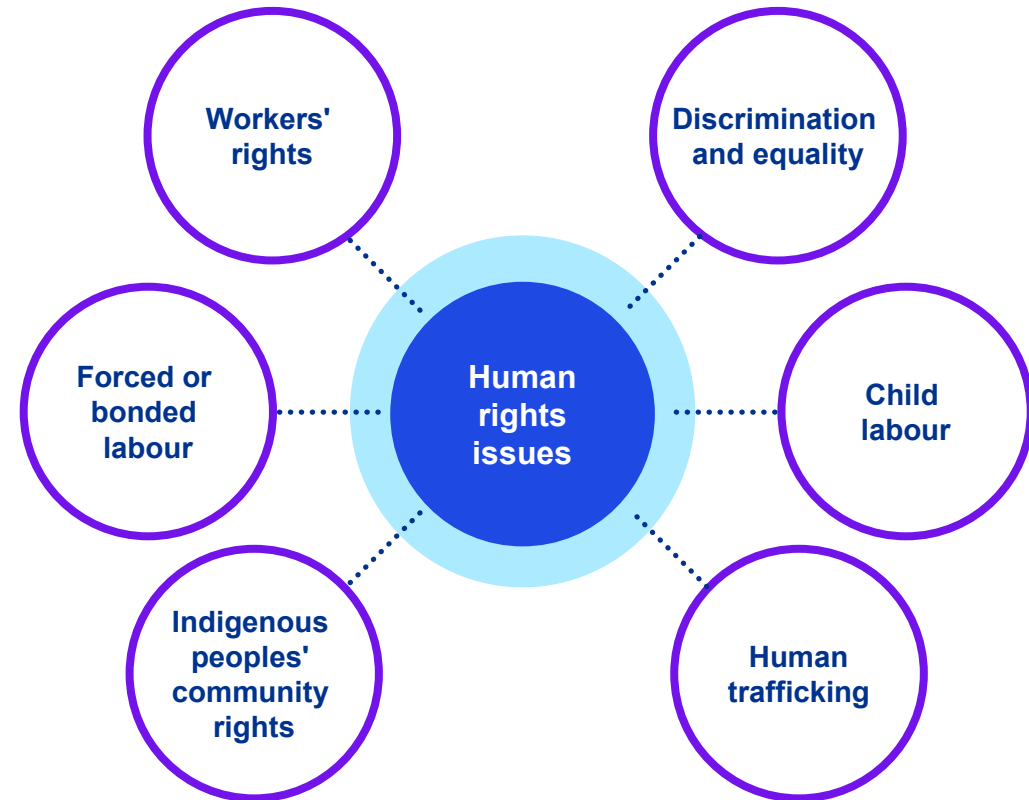
# 05 Human rights at a glance

## What are human rights?

- The fundamental rights to exist as humans
- The topic covers a wide range of issues in a company's direct operations or value chain
- Some issues overlap with other topics, particularly human capital

## How can human rights impact a company?

- Exposure to perceived human rights violations may result in substantial costs (e.g. from penalties or fines) and reputational risk
- Jurisdictions are challenging companies to perform appropriate due diligence to ensure that they respect human rights



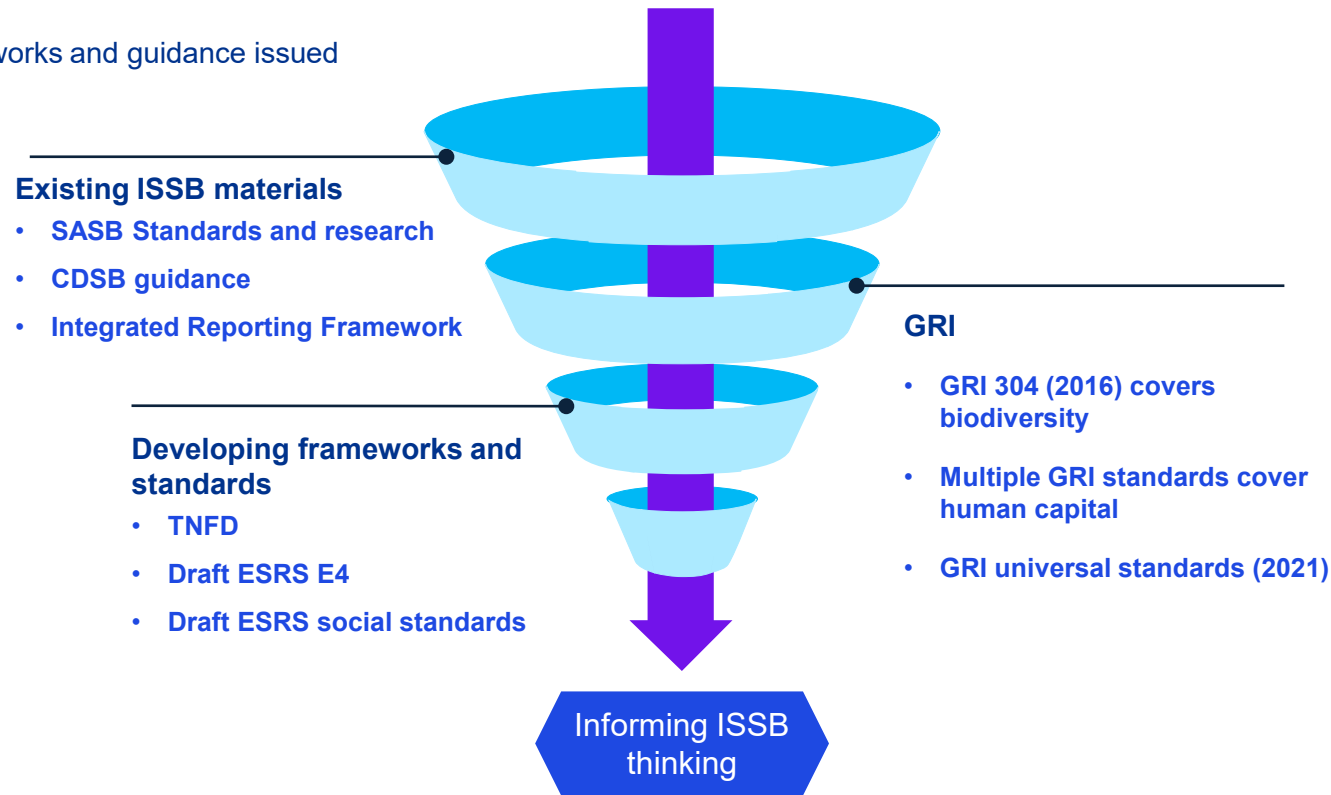
## What does the ISSB propose to focus its thinking on?

- Connecting human rights issues to sustainability-related risks and opportunities across different jurisdictions and types of business model
- Understanding existing practices, tools and metrics



# 06 Existing guidance that might inform the ISSB's thinking


- The ISSB will **leverage existing IFRS Foundation materials**
- It may also consider frameworks and guidance issued by third parties



**What else might it use?**

For example, materials from:

- Capitals Coalition
- International Labour Organization
- PBAF
- Science Based Targets Network
- UN Guiding Principles
- WEF SCM



## Appendix ▶

# 07 Integration in reporting

- The ISSB is considering a project on integration in reporting, which would **aim to connect financial and sustainability performance** – and communicate those connections explicitly and effectively
- The ISSB may work with the IASB, which has an ongoing project on management commentary to address investor concerns over the quality of this type of information
- The ISSB is seeking feedback on:
  - whether this project should be a priority, and if so, how it should work with the IASB; and
  - which existing IFRS Foundation or other resources to use to inform its thinking

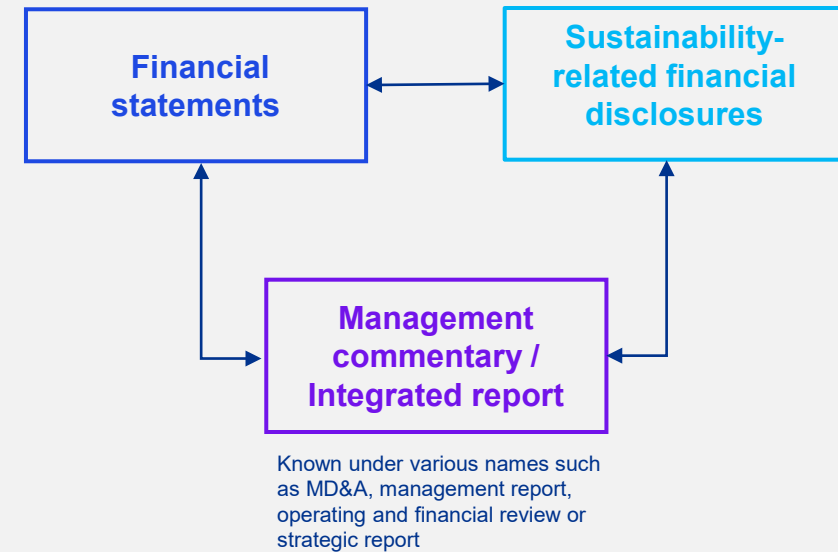
## What are the existing IFRS Foundation resources?



The resources<sup>1</sup> designed to support effective narrative reporting – e.g. in MD&A – are:

- the IASB's ongoing project on management commentary<sup>2</sup>; and
- the Integrated Reporting Framework.

## Connected reporting



<sup>1</sup> Based on analysis presented at the IFRS Advisory Council, these resources share similar goals and should result in similar information being provided.

<sup>2</sup> IASB ED: Management Commentary. The IASB has temporarily paused this project to allow the ISSB to consider whether it wishes to participate on a joint basis.



# Appendix

	Biodiversity	Human capital	Human rights
<b>Existing ISSB materials</b>	<ul style="list-style-type: none"> <li>• <b>SASB Standards:</b> more than 400 metrics covering related biodiversity disclosure topics. Many are included in the industry-specific guidance in IFRS S2, as they are 'climate-related'</li> <li>• <b>CDSB guidance:</b> supports disclosure on biodiversity-related risks and opportunities, and how they impact strategy and financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• <b>SASB Standards:</b> include metrics on employee safety, diversity and labour practices. The ISSB has continued a previous SASB project to enhance metrics on DEI</li> <li>• <b>CDSB Framework:</b> updated in 2021 to include guidance on reporting social information</li> </ul>	<ul style="list-style-type: none"> <li>• <b>SASB Standards:</b> include human rights related aspects such as community relations and indigenous rights</li> <li>• <b>CDSB Framework:</b> updated in 2021, it now includes a focus on human rights of key groups within the value chain</li> </ul>
<b>GRI standards</b>	<ul style="list-style-type: none"> <li>• <b>GRI 304:</b> the most common existing standard for biodiversity reporting</li> <li>• The GRI held a consultation to update the standard, which closed in February 2023</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Multiple GRI standards:</b> cover human capital related aspects</li> </ul>	<ul style="list-style-type: none"> <li>• <b>GRI universal standards (2021):</b> include emphasis on human rights disclosures</li> <li>• Further GRI updates are expected to reflect the importance of human rights reporting</li> </ul>
<b>Other frameworks and standards</b>	<ul style="list-style-type: none"> <li>• <b>TNFD draft recommendations:</b> modelled on the TCFD framework, which is expected to be finalised in September 2023</li> <li>• <b>Draft ESRS E4:</b> builds on GRI 304 but requires additional reporting on resilience analysis, transition plans and financial effects</li> <li>• Other <b>draft ESRSs</b> cover environmental topics including water and marine resources, pollution, and resource use and circular economy, which may be connected to the ISSB's suggested sub-topics</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Draft ESRS S1:</b> includes metrics relating to the company's own workforce</li> </ul>	<ul style="list-style-type: none"> <li>• <b>UN Guiding Principles on Business and Human Rights</b> and the associated reporting framework is commonly used</li> <li>• <b>Draft ESRS S2–4:</b> split social topics into affected groups, including workers in the value chain (S2), affected communities (S3) and consumers and end users (S4)</li> <li>• <b>Draft EU CSDDD:</b> includes rules for companies to respect human rights and the environment in their global value chains</li> </ul>



# Abbreviations and key terms

## CDSB

Climate Disclosure Standards Board – an initiative of CDP

## CSDDD

Corporate Sustainability Due Diligence Directive

## DEI

Diversity, Equity and Inclusion

## ED

Exposure draft

## ESRS

European Sustainability Reporting Standards

## EU

European Union

## GRI

Global Reporting Initiative

## IASB

International Accounting Standards Board

## IFRS Foundation

International Financial Reporting Standards Foundation

## ISSB

International Sustainability Standards Board

## PBAF

Partnership for Biodiversity Accounting Financials

## SASB Standards

Sustainability Accounting Standards Board Standards

## TCFD

Task Force on Climate-related Financial Disclosures

## TNFD

Task Force on Nature-related Financial Disclosures

## UN

United Nations

## WEF SCM

World Economic Forum's stakeholder capitalism metrics

# Keeping in touch



**Mark Vaessen**  
Partner  
KPMG in the Netherlands  
vaessen.mark@kpmg.nl



**Julie Santoro**  
Partner  
KPMG in the US  
jsantoro@kpmg.com



**Tomokazu Sekiguchi**  
Partner  
KPMG in Japan  
tomokazu.sekiguchi@jp.kpmg.com



**Helena Watson**  
Director  
KPMG International Standards Group  
helena.watson@kpmgifrg.com

## With thanks to our additional contributors

Qudaija Bhayat   Gordon Crerar   Arlene Joseph  
Deborah Chandler   Gina Desai

Follow 'KPMG IFRS' on [LinkedIn](#) or visit [kpmg.com/ifrs](https://kpmg.com/ifrs) for the latest news.

Whether you are new to sustainability reporting or a current user, you can find digestible summaries of recent developments and more detailed guidance on the current proposals.

### ISSB | Sustainability reporting resource centre

Tracking the development of IFRS Sustainability Disclosure Standards



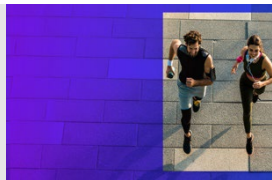
### ESRSs | Sustainability reporting resource centre

Practical guidance on the ESRSs



### New on the Horizon – Sustainability Reporting

Detailed analysis of ISSB general and climate-related proposals



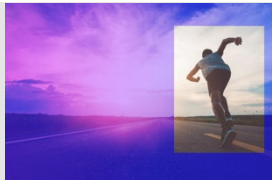
### ESG Reporting

US resources for financial reporting professionals



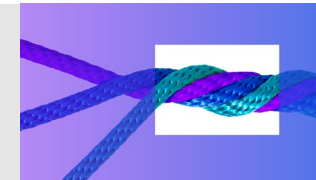
### Get ready for IFRS Sustainability Disclosure Standards

A high-level summary



### Comparing sustainability reporting proposals

Comparing proposals from the ISSB, EU and US





[kpmg.com/ifrs](https://kpmg.com/ifrs)

Publication name: ISSB priorities

Publication number: 137845

Publication date: May 2023

© 2023 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Standards Group is part of KPMG IFRG Limited, registered in England No 5253019. Registered office: 15 Canada Square, London, E14 5GL, UK.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit [kpmg.com/governance](https://kpmg.com/governance).

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

*This publication contains copyright © material of the IFRS® Foundation. All rights reserved. Reproduced by KPMG IFRG Limited with the permission of the IFRS Foundation. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit [www.ifrs.org](https://www.ifrs.org).*

Disclaimer: To the extent permitted by applicable law the IASB, the ISSB and the IFRS Foundation expressly disclaims all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise (including, but not limited to, liability for any negligent act or omission) to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.

*“ISSB™ is a Trade Mark and IFRS®, ‘IASB®’, ‘IFRIC®’, ‘IFRS for SMEs®’, ‘IAS®’ and ‘SIC®’ are registered Trade Marks of the IFRS Foundation and are used by KPMG IFRG Limited under licence subject to the terms and conditions contained therein. Please contact the IFRS Foundation for details of countries where its Trade Marks are in use and/or have been registered.*