
Developing stronger connections between the ISSB and the IASB

Why are connections between IASB and ISSB important?

Connections in **PROCESS**

Examples:

- *Information sharing*
- *IASB/ISSB technical staff representation on projects*

supports

Connections in **PRODUCT**

Examples:

- *Shared concepts (eg materiality)*
- *Complementary requirements (eg intangibles)*

leads to

Better general purpose financial reporting
Better information for better decisions

Connections – in product examples

- ISSB has built on concepts and requirements in IFRS Accounting Standards. For example:
 - use of the same definition of materiality
 - use of ‘reasonable and supportable information without undue cost or effort’
 - many requirements in IFRS S1 taken from IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*)
- IFRS S1 will require:
 - that sustainability-related financial information be provided with the financial statements
 - effects of sustainability-related risks and opportunities in financial statements to be explained
 - use of consistent assumptions to the extent possible
- ISSB and IASB considered one another’s work on commercially sensitive information in January and February board meetings
- IASB plans to build on ISSB’s work in IFRS S1 and IFRS S2 *Climate-related Disclosures* in project on climate-related disclosures
- Central team working on ISSB digital taxonomy leveraging learnings and expertise from the IASB digital taxonomy

Connectivity—what is it and what does it deliver?

- Article by ISSB Chair Emmanuel Faber and IASB Chair Andreas Barckow explaining the meaning of connectivity in relation to the ISSB and IASB's work
- The article is included in the next slides
- It is also available on the IFRS Foundation website:
<https://www.ifrs.org/news-and-events/news/2023/03/connectivity-what-is-it-and-what-does-it-deliver/>

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Connectivity—what is it and what does it deliver? (1/4)

By IASB Chair Andreas Barckow and ISSB Chair Emmanuel Faber

The benefits of connectivity were an important consideration when the IFRS Foundation created the International Sustainability Standards Board (ISSB) to operate alongside the International Accounting Standards Board (IASB). Stakeholders consistently highlighted the benefits to be gained from having two standard-setting boards within the Foundation, both focused on providing information to inform investment decisions.

In this article, we explain what we mean by connectivity, why it matters and what benefits it can deliver.

Connectivity in reports

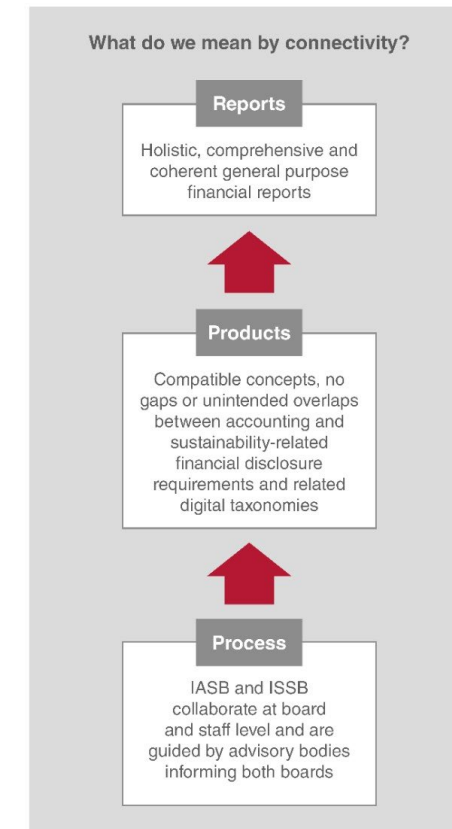
The ultimate outcome of connectivity is holistic, comprehensive and coherent general purpose financial reports. Connectivity in our products and connectivity in our processes contribute to that goal (see Diagram 1).

Investors are the primary audience for general purpose financial reports, which include sustainability-related financial disclosures and financial statements (see Diagram 2).

Sustainability-related financial disclosures and financial statements complement each other. For example, sustainability-related financial disclosures may explain the sustainability-related risks and opportunities arising from an entity's activities and its assets and liabilities. Such disclosures may also provide early indications of matters that will subsequently be reflected in financial statements. For example, a company's commitment to net zero emissions could, over time, result in liabilities being reported in the financial statements.

Investors need general purpose financial reports to give them a holistic, comprehensive and coherent picture of a company. They want to understand how matters reported in financial statements and in sustainability-related financial disclosures are connected.

Diagram 1



Connectivity—what is it and what does it deliver? (2/4)

Connectivity in product

To achieve connectivity in reports we need connectivity in our products—our Standards and digital taxonomies that facilitate digital reporting. Connectivity in our products is also important to companies because, increasingly, the same people within a company prepare both the financial statements and sustainability-related financial disclosures. So it is important that the language in IFRS Accounting Standards and IFRS Sustainability Disclosure Standards is consistent and that the requirements work well in combination.

Together, we can ensure that there is compatibility of concepts and that there are no gaps or unintended overlaps between IASB and ISSB Standards and our digital taxonomies.

We can already point to some first tangible connectivity in our products. Examples include¹:

- the many concepts and terms in IASB Standards that are used in the ISSB's first two Standards, S1 and S2;
- the requirement in S1 for sustainability-related financial disclosures to be provided with the financial statements, as part of a company's general purpose financial report;
- the requirements in S1 and S2 for companies to explain how sustainability-related risks and opportunities (and climate-related risks and opportunities) are reflected in the financial statements and to use assumptions consistent with the financial statements when applicable; and
- the IASB's new project on [Climate-related Risks in the Financial Statements](#), which will use learnings from the ISSB's work on S1 and S2. [Read this article](#) by Andreas Barckow about this new project.

¹ ISSB Standards are 'GAAP agnostic', meaning that a company using accounting requirements other than IASB Standards can apply ISSB Standards. Companies that use both sets of IFRS Standards, and their investors, will fully benefit from our work on connectivity.

Connectivity—what is it and what does it deliver? (3/4)

Connectivity in process

To achieve connectivity in our products, we are building connectivity in our processes. We have established practices to facilitate knowledge sharing and coordination between the IASB and the ISSB. For example, the boards and staff regularly update each other on their activities during and between public board meetings.

Engagement between the boards and staff enables us to identify and address common issues and to identify opportunities to use common language and concepts. This engagement includes staff of one board working on projects of the other board when relevant.

While there will be instances when it will be appropriate for the boards to consider technical issues together, connectivity in our products can be and has been achieved without joint board discussions.

Evolution over time

We are still in the early days of our connectivity journey—our work will evolve over time as we learn from each other and as the wider financial reporting ecosystem develops.

In its forthcoming consultation on agenda priorities the ISSB will ask its stakeholders for feedback on its work plan priorities including whether the ISSB should undertake a project to move beyond simply connecting information in the financial statements and sustainability-related financial disclosures to closer integration in reporting. The ISSB's consultation will also ask stakeholders how such a project could be undertaken. For example, depending on the feedback that the ISSB receives on its work and priorities, this project could be a joint project between the two boards and it could build on the IASB's [Exposure Draft Management Commentary](#) and/or the [Integrated Reporting Framework](#), which has been a joint responsibility of the IASB and the ISSB since the IFRS Foundation consolidated with the Value Reporting Foundation in 2022.

We look forward to engaging with our many stakeholders as we work to deliver better information for better decisions.

Connectivity—what is it and what does it deliver? (4/4)

Diagram 2

General purpose financial reports include financial statements and sustainability-related financial disclosures. The objective of general purpose financial reports is to inform investors' investment decisions. Other stakeholders may also find this information useful.

General purpose financial reporting requirements may be interoperable with other sustainability reporting requirements aimed at meeting the information needs of broader stakeholders.

Together, general purpose financial reports and sustainability reports aimed at broader stakeholders are referred to as corporate reports.

We look forward to engaging with our many stakeholders as we work to deliver better information for better decisions.

General purpose financial report (investor focus)



IASB initiates project to consider climate-related risks in financial statements

23 March 2023

The International Accounting Standards Board (IASB) has [added a project to its work plan](#) to explore whether and how companies can provide better information about climate-related risks in their financial statements.

The initiation of the project responds to feedback received from the [IASB's recent Agenda Consultation](#) for the IASB to enhance the reporting of climate-related risks in the financial statements.

In undertaking the project, the IASB will consider the work of the International Sustainability Standards Board (ISSB) to ensure any proposals work well with IFRS Sustainability Disclosure Standards and that any information required by the two boards would be complementary. The first two IFRS Sustainability Disclosure Standards are due to be issued by the end of Q2 2023. [Read our article for further information about how the IASB and ISSB's work on climate-related disclosures is connected.](#)

The project was discussed at the [IASB meeting this week](#) for the first time. The project will research to what extent the [educational material published in 2020](#) is helping companies reflect the effects of climate-related risks in the financial statements, and what actions, if any, the IASB could take to further improve information about these matters.

Commenting on the initiation of the project, IASB Chair Andreas Barckow said:

“ The IASB introduced educational materials to help companies consider climate-related risks when preparing their financial statements. Feedback from our Agenda Consultation indicates a desire for us to go further. Therefore, we are initiating this project, informed by the ongoing work of our colleagues on the ISSB. ”

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