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# International Sustainability Standards Board Prioritizes Climate Disclosures

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**By Zack Schrieber**
Associate | Global Litigation

**By Timbre Shriver**
Associate | Global Litigation

The International Sustainability Standards Board (ISSB) **has approved a plan** that would implement a **transition period** for companies applying IFRS S1 (General Requirements for Disclosure of Sustainability-Related Financial Information), and IFRS S2 (Climate-Related Disclosures). Under the transition relief, companies would only need to report on climate-related risks and opportunities for the first year in which the ISSB Standards become effective. Companies would then be required to disclose other sustainability risks and opportunities beginning in the second year that the standards are effective. According to the ISSB, "this one-year transition relief would not change the effective date of IFRS S1. The ISSB tentatively decided in February 2023 to require that IFRS S1 be effective for annual reporting periods beginning on or after 1 January 2024. However, for an entity applying this transition relief in the first year it applies IFRS S1, the requirements in IFRS S1 would apply only insofar as they relate to the disclosure of climate-related financial information."

ISSB is a standard-setting organization established in 2021 by the International Financial Reporting Standards (IFRS). The IFRS' **goal** was to "develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs."

This transition program allows for companies to focus efforts on initially providing climate-related disclosures – what investors have "indicted [is] . . . the most urgent" disclosure – while also becoming familiar with the disclosure requirements under ISSB. Companies can use this first year to design and implement necessary reporting and disclosure systems without the full burden of all ISSB disclosure requirements.

During the transition year, companies would be exempt from: (1) reporting sustainability risks and opportunities other than for climate-related information; (2) providing annual sustainability-related disclosure at the same time as the related financial statements; (3) disclosing requisite comparative information; (4) reporting Scope 3 GHG emissions; and (5) utilizing the Green House Gas Protocol to track and measure emissions, so long as the company is currently using a different emissions measurement methodology.

The ISSB cautioned that "companies will still need to apply S1 in the first year they use the ISSB Standards to meet general disclosure requirements where they relate to climate. For example, S1 sets out the approach to materiality and requirements for connectivity of information with that in the financial statements, which are relevant to the disclosure of climate-related information."

**Taking The Temperature: As we have commented before in discussing the ISSB standards, there remains an absence of consensus on an appropriate climate-related disclosure scheme and an ongoing lack of quality data on which to base such disclosures. In announcing the transition plan, Emmanuel Faber, Chair of the ISSB, commented that "[t]his transitional relief ensures companies can phase in their approach, initially focusing on the quality of the climate-related information they provide." By prioritizing climate-related disclosures over other sustainability-related reporting, the ISSB recognized that climate-related risks and opportunities are of paramount concern to investors.**