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ISSB Announces First Two Sustainability Disclosure Standards to Come Into Force from January 2024

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Following strong demand from investors for a timeline, the International Sustainability Standards Board (ISSB) has confirmed that draft IFRS S1 (General Requirements for Disclosure of Sustainability-Related Financial Information), and the draft IFRS S2 (Climate-Related Disclosures), will **become effective** in January 2024. The announcement follows a March 2022 consultation inviting **feedback** on the proposed standards.

Launched in November 2021, the ISSB is a standard-setting organization established by the International Financial Reporting Standards (IFRS) to promote common, consistent and reliable climate sustainability-related financial disclosures. The ISSB's aim with the standards is to provide "a comprehensive global baseline of sustainability disclosures designed to meet the information needs of investors in assessing enterprise value."

The ISSB also agreed to reference the European Sustainability Reporting Standards (ESRS) within the S1 appendix "as a source of guidance companies may consider, in the absence of a specific ISSB standard, to identify metrics and disclosures if they meet the information needs of investors." As we have **discussed**, the European Central Bank and European Banking Authority recently published their opinions on the first set of the ESRS. The ISSB highlighted the need to attempt to achieve consistency among the various major climate-related disclosure standards: "The ISSB announced with the European Commission and [the European Financial Reporting Advisory Group, which approved the ESRS in November] that they are working toward a shared objective to maximise interoperability of their standards and aligning on key climate disclosures." In this same vein, S1 and S2 themselves "build upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and

incorporate **industry-based disclosure requirements** derived from SASB [Sustainability Accounting Standards Board] Standards.”

Taking the Temperature: We have commented often on the challenges confronting issuers and investors with respect to climate-related disclosures, including challenges due to a lack of consensus on appropriate disclosures and a **lack of quality data on which to base disclosures. The ISSB disclosure standards represent progress in the effort to unify globally climate-related reporting. As the IFRS commented in announcing the January 2024 effective date, “the decision on effective date is answering the strong demand from investors for companies globally to disclose comprehensive, consistent and comparable sustainability-related information. IOSCO [the International Organization of Securities Commissions] and governments around the world, including G20 leaders and others, have been vocal about the urgent need for standards that enable companies to disclose information about sustainability-related risks and opportunities, starting with climate, to support systemic financial stability and for investor protection.” We can expect additional standards covering disclosure of other sustainability topics, and, as Faber commented in Montreal, guidance on “adoption strategy, the support to adopt, the scalability, the capacity building, the proportionality... this is fully a part of what we need to deliver.”**