

# Valued Stakeholder Briefing:

The Value Reporting Foundation's consolidation  
with IFRS Foundation and CDSB



**INTEGRATED  
THINKING  
PRINCIPLES**



**INTEGRATED  
REPORTING  
FRAMEWORK**



**SASB  
STANDARDS**

# Agenda for Today's Call

- Introduction
- Overview of the Announcement & the Formation of the new ISSB
- Technical Readiness Working Group
  - Review the prototype climate and general disclosure requirements
- IFRS & VRF Consolidation
  - Summarize VRF's plan to continue to engage with existing supporters
- Questions

# Housekeeping

- Please use the chatbox in the in the GoToWebinar browser to ask a question of any of our speakers
- A recording of today's webinar will be available to all Value Reporting Foundation stakeholders after the call

# Speakers

- **Janine Guillot**, CEO, Value Reporting Foundation
- **Bryan Esterly**, Chief Technical Officer, SASB Standards, Value Reporting Foundation
- **Caroline Bridges**, Program Manager, International <IR> Framework, Value Reporting Foundation
- **Sue Lloyd**, Vice Chair, International Accounting Standards Board
- **Nicolai Lundy**, Chief of Market Relationships, Value Reporting Foundation (moderator)

# At COP26, IFRS Foundation announced:



**UN CLIMATE  
CHANGE  
CONFERENCE  
UK 2021**

IN PARTNERSHIP WITH ITALY



**1. Formation of the  
International  
Sustainability Standards  
Board (ISSB)**



**2. Consolidation with  
Climate Disclosure  
Standards Board (CDSB)  
& Value Reporting  
Foundation**



**3. Publication of climate  
and general disclosure  
prototype requirements**

Together, these developments create the necessary **institutional arrangements** and **technical groundwork** for a **global sustainability disclosure standard-setter** for the financial markets.

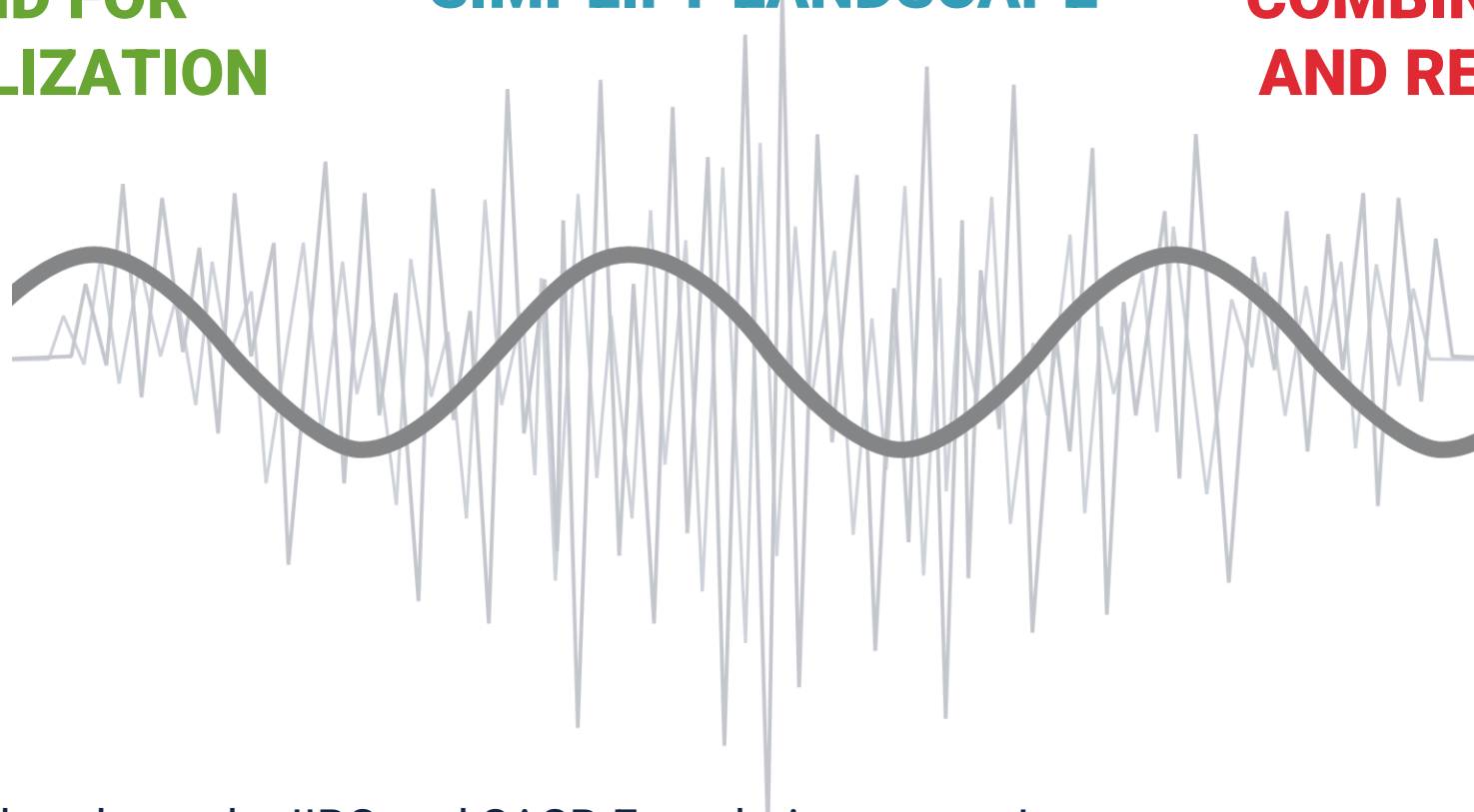


# Why did the Value Reporting Foundation agree to consolidate with IFRS\*?

**DEMAND FOR  
RATIONALIZATION**

**DISRUPTION NEEDED TO  
SIMPLIFY LANDSCAPE**

**COMBINE RESOURCES  
AND RELATIONSHIPS**



\* Same factors that drove the IIRC and SASB Foundation merger!



# About the IFRS Foundation

- **Not-for-profit, public interest organization**
- **Sets globally accepted accounting standards – IFRS Standards**
- **Required in 140+ jurisdictions, permitted in many more (incl. 500+ private issuers in the US)**
- **Public accountability through global monitoring board led by IOSCO**
- **Extensive, inclusive due process.**





# Demand-driven process

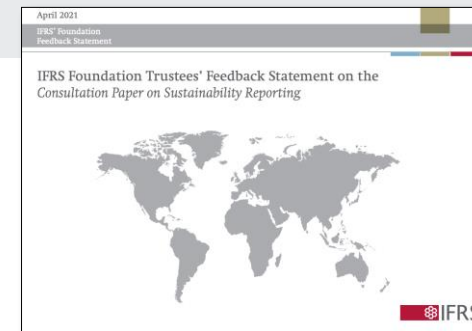
## WHAT IFRS FOUNDATION ASKED

- Demand for global sustainability standards?
- Should the IFRS Foundation play a role?
- Is the solution a sustainability-focused standard-setting board within the IFRS Foundation?



## WHAT THEY HEARD

- 750+ comment letters across stakeholder groups, geographies & economic settings
- Growing and urgent demand for global standards to improve consistency and comparability
- Broad support for Foundation to play a role
- ESG focus but climate first.



# International Sustainability Standards Board



**Develop global baseline of sustainability disclosure standards**



**Focus on meeting the information needs of investors**



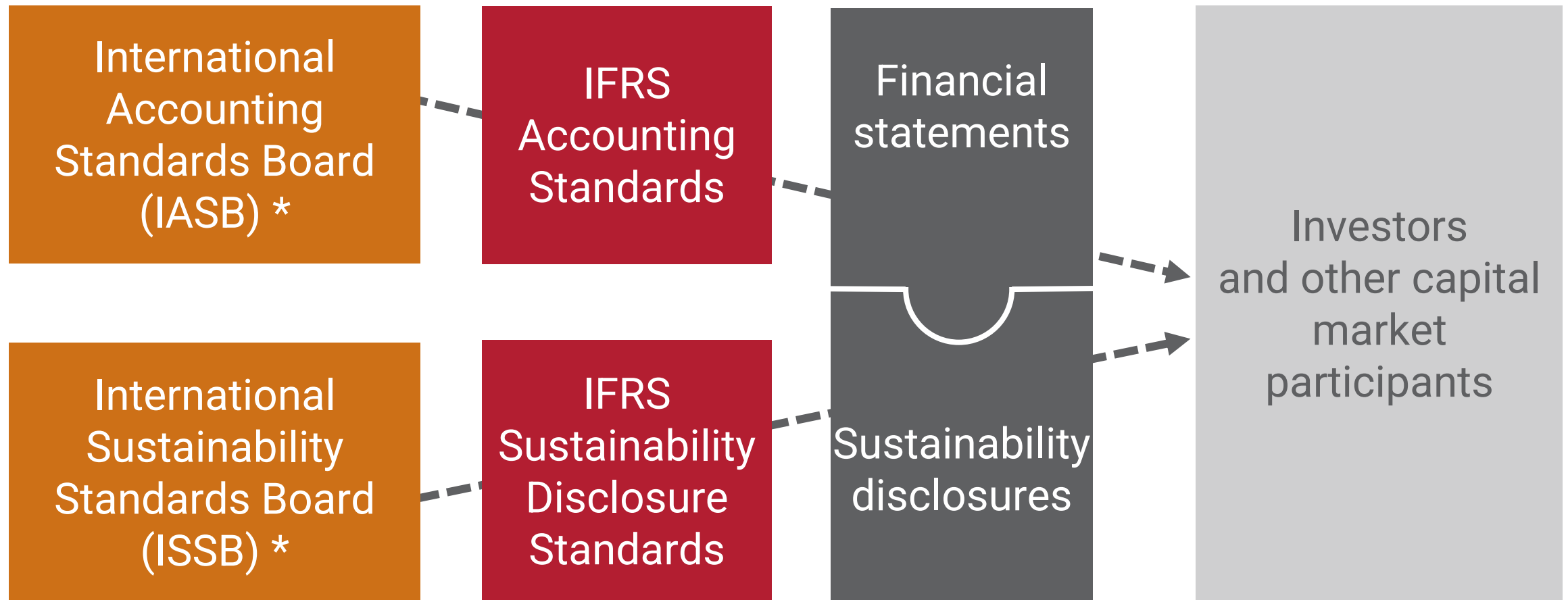
**Companies to provide comprehensive sustainability information for the global capital markets**



**Facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders**



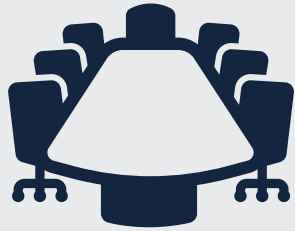
# Compatible standards to meet investors' needs



\* IIRC Council to advise IASB and ISSB on connectivity via fundamental concepts / guiding principles of integrated reporting



# ISSB composition



14 board  
members



Majority  
full-time



Diversity in  
expertise and  
experience



Geographical  
balance



# ISSB locations

**Global footprint through multi-location presence**

**Coverage across the Americas, Asia-Oceania and EMEA (Europe, the Middle-East & Africa)**

- **Frankfurt & Montreal to host key functions**
- **Frankfurt to serve as seat of the Board and office of the Chair**
- **San Francisco & London provide technical support and platforms for market engagement**
- **Further discussions with Beijing and Tokyo to finalise Asia-Oceania footprint**

**Engagement with developing and emerging economies a priority**



# ISSB informed by expert advice

## **Sustainability Consultative Committee**

- Technical expert advice to the ISSB
- Multilateral institutions & other technical experts

## **Sustainability Standards Advisory Forum (TBC)**

- Formal mechanism for jurisdictional engagement
- Membership TBC, representing all regions, both developed, developing and emerging economies

## **IFRS Advisory Council**

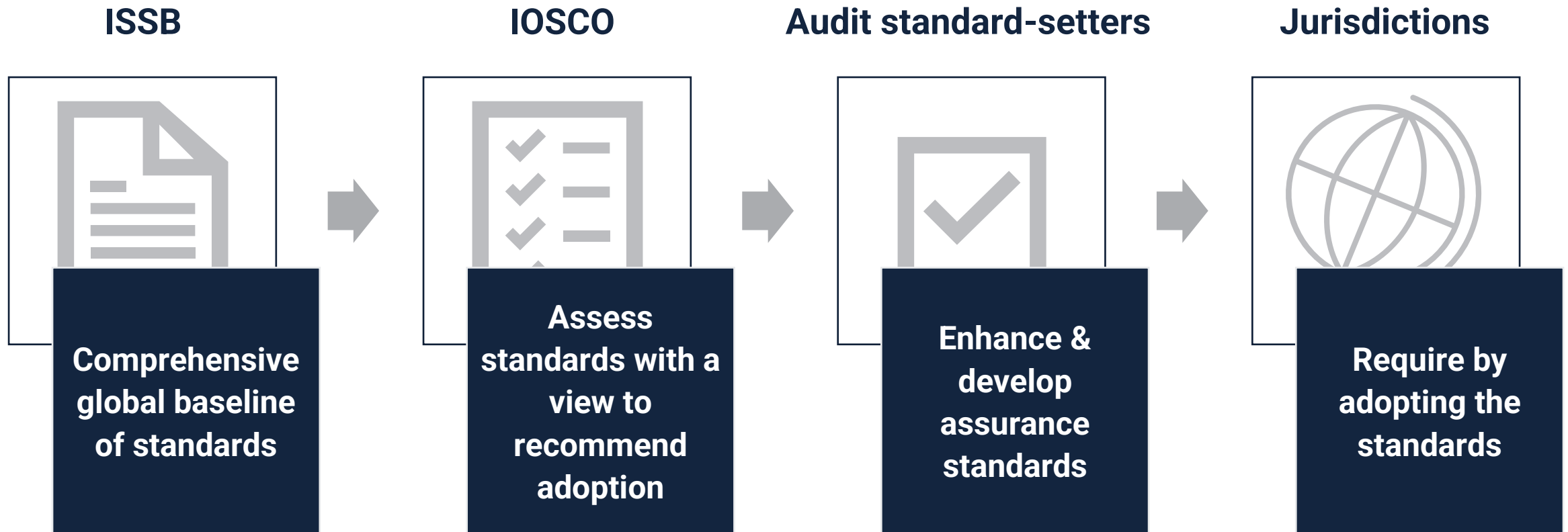
- Mandate extended to include strategic advice to ISSB (in addition to Trustees & IASB)
- Approx. 50 members representing cross-section of key stakeholder organisations

## **VRF Advisory Groups (TBC)**

- <IR> Council
- SASB Standards Advisory Group
- SASB Standards Investor Advisory Group



# Steps to achieving global capital market standards





# IFRS Foundation Technical Readiness Working Group





# IFRS Foundation Technical Readiness Working Group (TRWG)

## OBJECTIVES

- Provided recommendations to IFRS Foundation and ISSB on overall approach and technical design for the ISSB and its staff's future work
- Provided recommended prototype requirements for the ISSB to advance through consultation or exposure
- Leveraged the resources, knowledge and experience of participants to develop recommendations to guide establishment of the ISSB
- TRWG deliverables are recommendations only; all deliverables are subject to future ISSB deliberations and due process.

## PARTICIPANTS

- Climate Disclosure Standards Board (CDSB)
- Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)
- International Accounting Standards Board
- Value Reporting Foundation (which houses the Integrated Reporting Framework and SASB Standards)
- World Economic Forum.

### Observers:

- International Organization of Securities Commissions (IOSCO)
- International Public Sector Accounting Standards Board (IPSASB).



# Strong support from TRWG members to simplify the landscape

Will consolidate into the IFRS Foundation



Provided technical advice and contributed content to TRWG deliverables



# TRWG Deliverables

## Observations and proposals for:

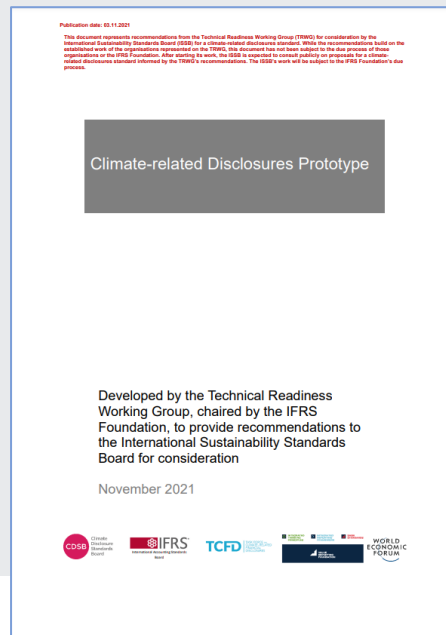
### Technical Preparatory Work

- 1 **General requirements for disclosure of sustainability-related financial information (prototype published)**
- 2 **Climate-related disclosures (Prototype published)**
- 3 **Conceptual guidelines for standard setting**
- 4 **Architecture of standards**
- 5 **Other items to inform a standards agenda**
- 6 **Due process characteristics**
- 7 **Digitisation strategy**
- 8 **Connectivity between IASB & ISSB**

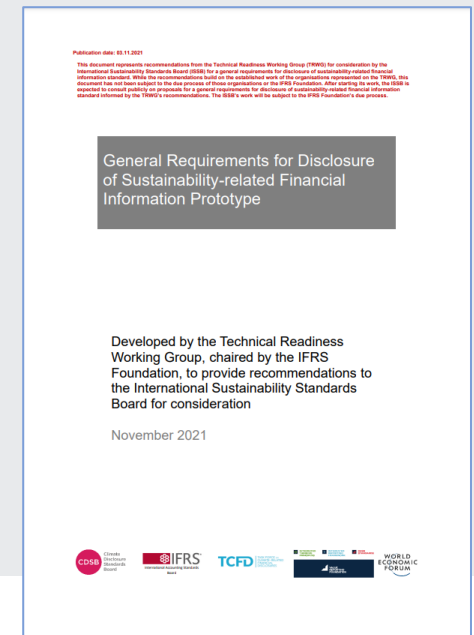


# Publication of prototype requirements

## Climate-related Disclosures



## General Requirements for Disclosure of Sustainability-related Information



- Recommendations from Technical Readiness Working Group (TRWG) to ISSB
- ISSB to consider as part of initial work programme.



# Publication of summary of TRWG's programme of work

## Summary of the Technical Readiness Working Group's Programme of Work

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021



Climate  
Disclosure  
Standards  
Board



International Accounting Standards  
Board

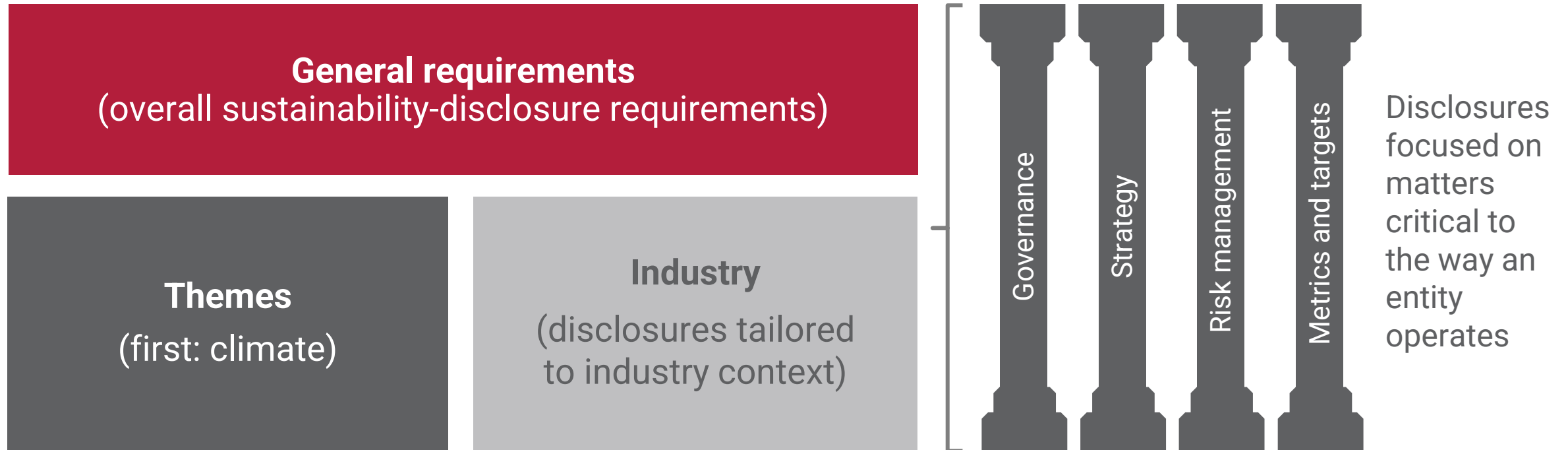


- Context of the TRWG
- Overview of the workplan
- Development of deliverables
- Expectation-setting and future due process
- Summary of deliverables
- Implications for preparers.

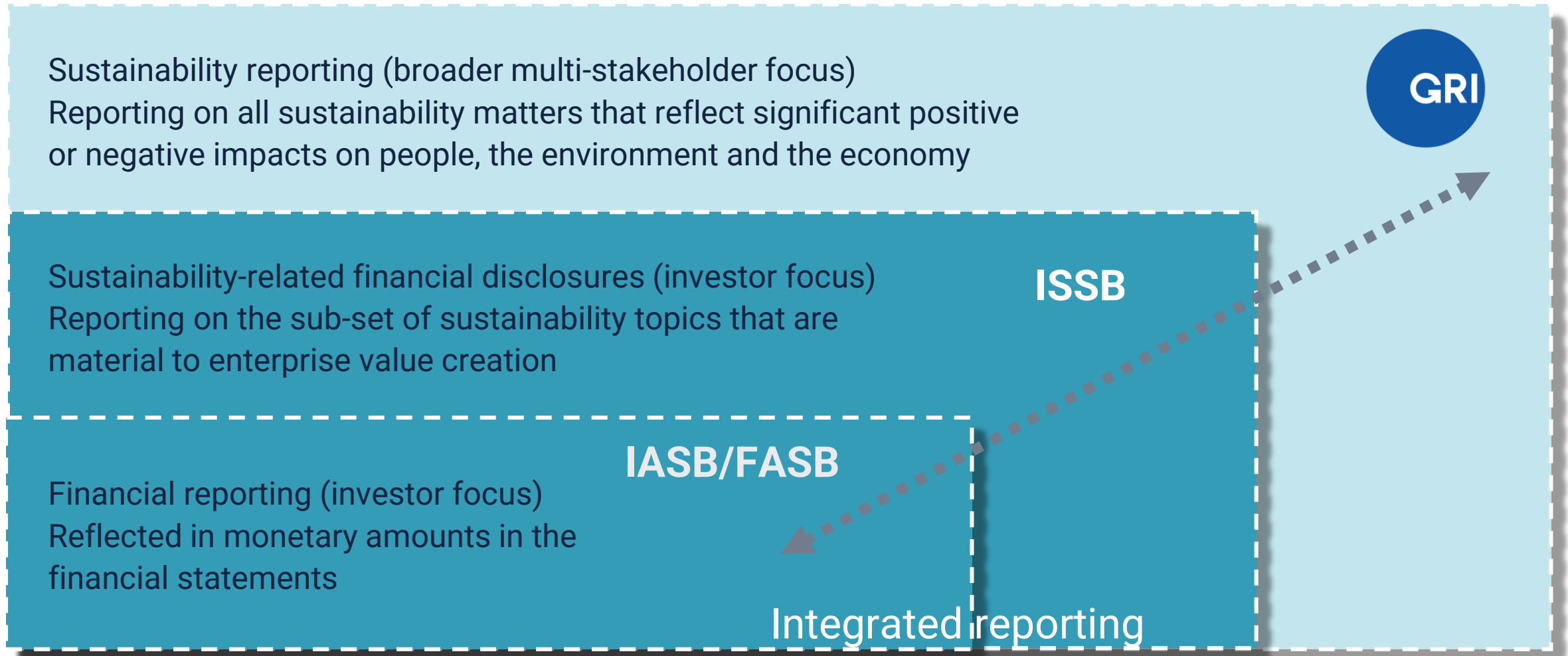
Download at: [ifrs.org/groups/technical-readiness-working-group](https://ifrs.org/groups/technical-readiness-working-group)



# Recommended architecture for ISSB Standards integrates content from all TRWG members into a cohesive whole

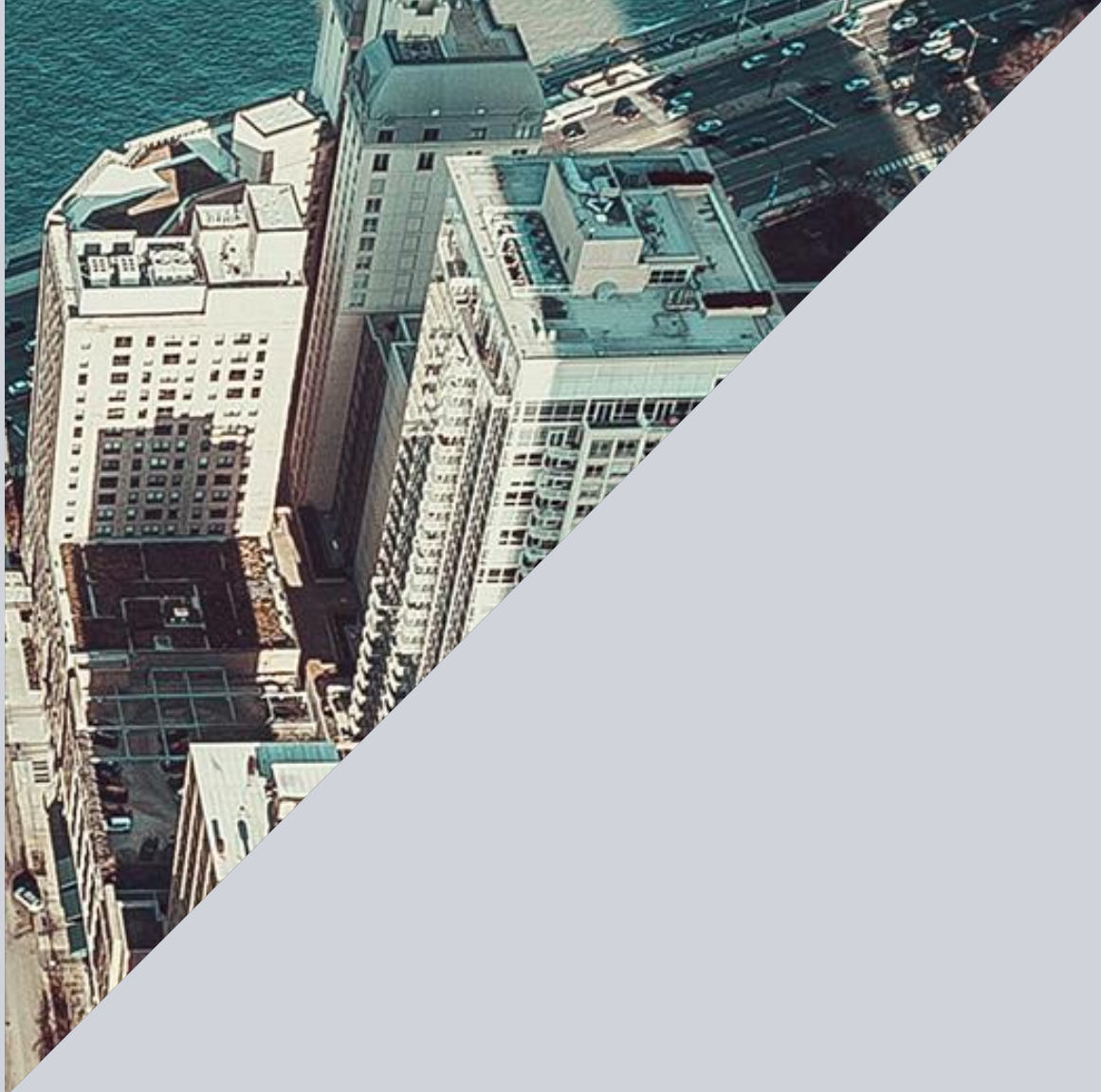


# Compatible standards and global baseline approach



IFRS Sustainability Disclosure Standards will focus on investor needs but will be compatible with jurisdictional requirements to meet broader stakeholder-information needs.



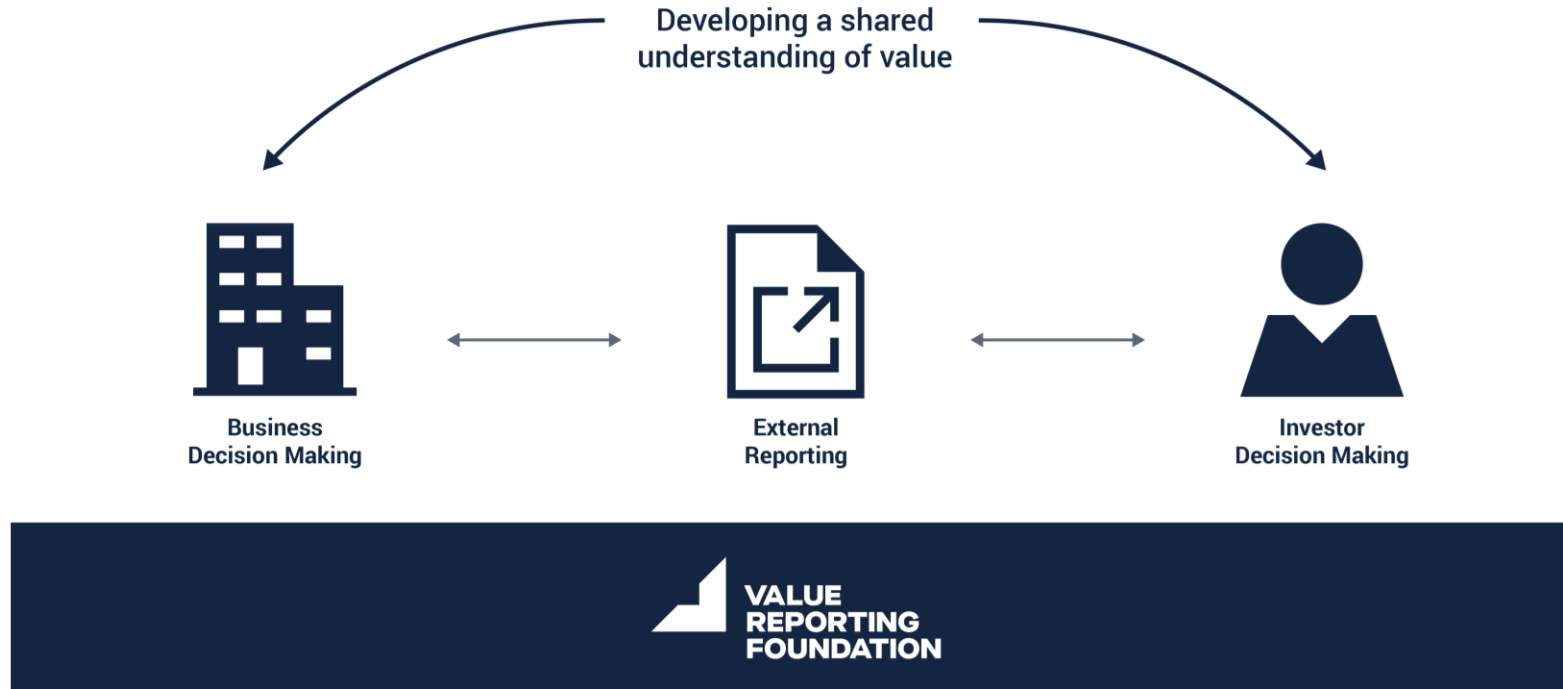


# IFRS and VRF Consolidation





# A robust, market led toolset to support business and investor decision making



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# Positioning the Value Reporting Foundation's resources within the IFRS Foundation (subject to IASB and ISSB due process)



Principles and concepts of the <IR> Framework used as a framework to connect the IFRS Accounting Standards and the IFRS Sustainability Disclosure Standards



## International Accounting Standards Board (IASB)

- IFRS Accounting Standards required in over 140 jurisdictions globally
- Current home of the Management Commentary Practice Statement.



## International Sustainability Standards Board (ISSB)

- IFRS Sustainability Disclosure standards to include general requirements, thematic requirements, and industry-specific requirements
- **SASB Standards** to provide input for industry-specific requirements, subject to ISSB due process.



\* Perhaps combined with a repositioned and renamed management commentary that focuses on the role of boards in addition to management.



# IFRS and VRF consolidation: Shared Critical Success Factors (1/2)

## End state vision

- Serve the public interest
- Establish connectivity between the IASB and ISSB
- Provide industry-specific standards
- Build strong support from public authorities, global regulators and market participants.

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## Governance

- Three-tier governance structure
- Trustees broadly reflect the world's capital markets and geographical diversity
- An open, rigorous and transparent process for appointment
- A Transition Advisory Group including members of the VRF Board and CDSB/CDP Board to provide advice to the IFRS Foundation Trustees.

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## Activities

- Full acquisition of the VRF by the IFRS Foundation
- Includes the VRF's market engagement programs and activities.

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## Standards/ Frameworks

- Integrate the principles and concepts of the <IR> Framework and SASB Standards into IFRS Foundation's content.



# IFRS and VRF consolidation: Shared Critical Success Factors (2/2)

## Market engagement

- Drive adoption through both regulatory mandates and market forces
- Retain critical expertise from VRF by transitioning VRF advisory groups into IFRS and/or ISSB advisory groups , including SASB Standards Advisory Group, SASB Standards Investor Advisory Group, <IR> Council.

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## Timeline

- Target to close transaction by mid-2022, subject to due diligence.

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## Location

- A global and multi-location presence
- Offices in Frankfurt (seat of the Board and office of the Chair) and in Montreal responsible for key functions
- Offices in San Francisco and London to provide technical support and platforms for market engagement.

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## Brand

- In the interim, the SASB Standards and Integrated Reporting Framework brands will be maintained to preserve market relevance and support and to provide clarity for users (preparers, investors, licensees).



# What happens to SASB Standards?

## **SASB STANDARDS**

- Starting point for industry-specific requirements. Need to go through full ISSB due process on timeline TBD.

## **SASB STANDARDS ADVISORY GROUP**


- Transition to support the ISSB standard-setting process

## **SASB STANDARDS INVESTOR ADVISORY GROUP**

- Strategic advice to the ISSB
- Advocacy for the ISSB Standards
- Participation in standard development process.



# What happens to Integrated reporting?

- ISSB will sit alongside and work closely with the IASB, ensuring connectivity and compatibility
  - General Requirements Prototype emphasises importance of linking information in financial statements and sustainability-related disclosures
  - IFRS Foundation will use the <IR> Council to provide advice on establishing connectivity between the two boards via the fundamental concepts and guiding principles of integrated reporting.
  - TRWG identified possible joint projects for the IASB and ISSB, including allowing consideration of the <IR> Framework and Management Commentary
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# Myths about IFRS, VRF and the ISSB

Myth	Reality
<p>ISSB diminishes GRI's important role in the sustainability reporting landscape.</p>	<ul style="list-style-type: none"><li>• GRI is the leading global standard-setter for sustainability reporting focused on the information needs of multiple stakeholders</li><li>• The ISSB and GRI will co-exist, because they play different roles in the landscape</li><li>• We aim for interoperability between the GRI and SASB Standards. We will continue to advocate as such for ISSB Standards.</li></ul>
<p>The &lt;IR&gt; Framework is being consolidated into the ISSB and will therefore lose relevance as a connecting framework across financial and sustainability disclosure.</p>	<ul style="list-style-type: none"><li>• The VRF is being consolidated into the IFRS Foundation, not the ISSB.</li><li>• The SASB Standards map to the ISSB.</li><li>• The &lt;IR&gt; Framework is best positioned as a connecting framework between the IASB and ISSB.</li></ul>

# Myths about IFRS, VRF and the ISSB

Myth	Reality
<p>The ISSB standards will not be used in the US, because the US does not use IFRS standards for financial accounting.</p>	<ul style="list-style-type: none"><li>• The ISSB has a strong base of investor support, including public support from the SASB Standards Investor Advisory Group</li><li>• Investor support is likely to help drive use of ISSB standards in both the US and globally.</li></ul>
<p>The IFRS Technical Readiness Working Group and the EFRAG Project Task Force on European Standards are not cooperating.</p>	<ul style="list-style-type: none"><li>• IFRS TRWG members have not signed <u>formal</u> statements of cooperation with EFRAG, but we have shared significant technical resources.</li></ul>





# Myths about IFRS, VRF and the ISSB

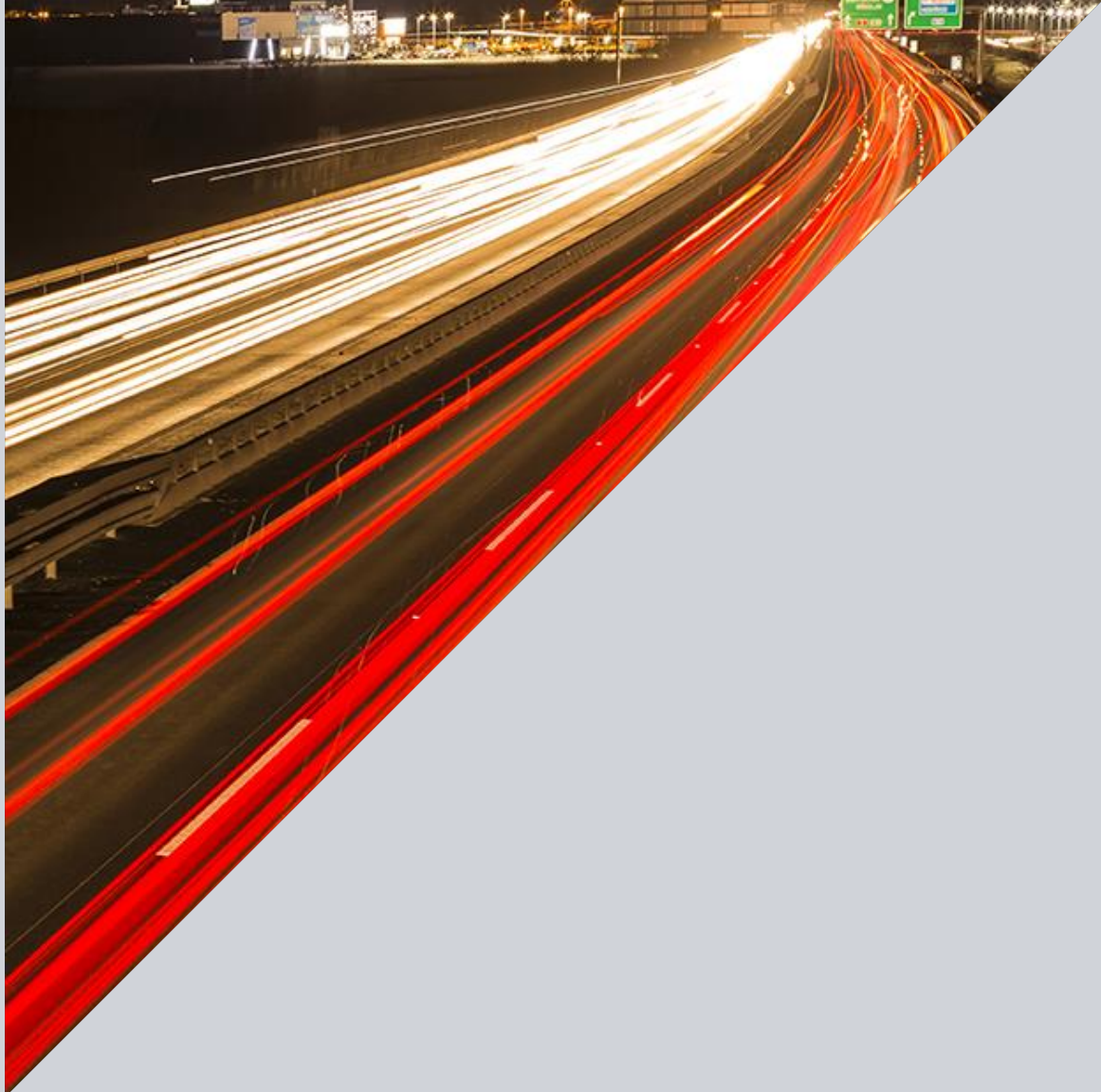
Myth	Reality
<p data-bbox="114 568 766 725"><b>Integrated Thinking Principles don't "fit" within the IFRS Foundation.</b></p>	<ul data-bbox="970 486 2300 758" style="list-style-type: none"><li data-bbox="970 486 2130 586">• <b>Integrated thinking is a key tool to demonstrate the strategic value of comprehensive reporting</b></li><li data-bbox="970 596 2300 758">• <b>The Integrated Thinking Principles are an important part of the VRF's market engagement efforts that will be acquired by the IFRS Foundation.</b></li></ul>
<p data-bbox="114 925 817 1310"><b>Consolidating the principles and concepts of the &lt;IR&gt; Framework with the IASB's Management Commentary Practice Statement will lose the &lt;IR&gt; Framework's focus on governance and connectivity.</b></p>	<ul data-bbox="970 982 2288 1253" style="list-style-type: none"><li data-bbox="970 982 2288 1253">• <b>We believe that, <u>if</u> the principles and concepts of the &lt;IR&gt; Framework are combined with the management commentary practice statement, the combined document would need to be repositioned as a connecting framework, and as commentary from those charged with governance.</b></li></ul>



# Myths about IFRS, VRF and the ISSB

Myth	Reality
<p data-bbox="114 596 759 701">The ISSB would never publish industry specific standards</p>	<ul data-bbox="970 454 2288 786" style="list-style-type: none"><li data-bbox="970 454 2288 615">• Historically the accounting standard setters, IASB and FASB, have not developed industry specific standards, but the ISSB will develop industry specific requirements.</li><li data-bbox="970 625 2288 786">• It's in the recommended target architecture, because investors are very clear that they value industry-specific requirements for sustainability disclosure.</li></ul>
<p data-bbox="114 1011 835 1225">Companies should stop using the SASB Standards, because they're going to be replaced by ISSB standards.</p>	<ul data-bbox="970 953 2288 1225" style="list-style-type: none"><li data-bbox="970 953 2288 1225">• It is true that ultimately, ISSB Standards are the long-term target state. But the SASB standards will inform development of the industry-specific requirements in the ISSB standards. And so time spent now and invested in reporting to the SASB Standards is time well spent.</li></ul>





## Response to the announcement and next steps



# International support



“

Finance Ministers and Central Bank Governors from 40+ jurisdictions\* from 6 continents joined the UK in publicly welcoming the announcement of the establishment of the ISSB and its work programme to develop a set of internationally consistent, high-quality, and reliable baseline standards for disclosure of sustainability-related information on enterprise value creation.

\* Australia, Brazil, Canada, Chile, China, Costa Rica, Egypt, Ethiopia, European Commission, Fiji, France, Germany, Greece, Guatemala, India, Indonesia, Italy, Jamaica, Japan, Kenya, South Korea, Luxembourg, Maldives, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Paraguay, Philippines, Russia, Saudi Arabia, Seychelles, Singapore, Spain, Switzerland, Tonga, Turkey, UK, Uruguay, USA



# International support

“...62 members who represent >\$52T in assets applauds the IFRS Trustees’ landmark decision...”

**SASB Standards Investor Advisory Group**

“...will provide financial markets with the clarity and insights they need to assess risks and opportunities...”

**Punit Renjen, Global CEO, Deloitte**

“...may well prove to be one of the most important developments in Glasgow.”

**Aron Cramer, President and CEO, Business for Social Responsibility**

“Once in a lifetime opportunity to help shape global reporting standards for the benefit of investors, economies and the public good”

**Helen Brand, CEO, ACCA**

“...no turning back from value creation issues being reported and being integrated with the financial report...”

**Professor Judge Mervyn King**

“...ensures that the integrated reporting and SASB Standards core principles are guaranteed in the future...”

**Thomas Kusterer, CFO, EnBW**

“...truly historic announcement...”

**Koushik Chatterjee, CFO, Tata Steel**

“...strongly support the initiative of the IFRS Foundation...”  
**Statement by 57 organizations employing over 5 million people**

“Positive step in achieving further consistency, global comparability and legitimacy...”

**Margaret Franklin, President and CEO, CFA Institute**

“...will enable preparers to narrate more coherently their integrated thinking on business models, sustainability issues and financial outcomes”

**Chng Sok Hui, CFO, DBS Group**

“...lays the groundwork for a single global organization to coordinate high-quality sustainability reporting standards.”

**Michael R Bloomberg**

“...a new era for corporate reporting where the same level of rigour will be demanded for sustainability reporting as for financial information.”


**Barry Melancon, CEO, AICPA**







# Build strong preparer and investor support

- Drive adoption of ISSB standards through both regulatory support and market support
  - Meet investor needs through industry-specific standards
  - Meet preparer needs by simplifying the disclosure landscape
  - Meaningfully engage investors and preparers in standards development processes
  - Utilise the Value Reporting Foundation's market engagement programs and activities
  - Retain critical expertise and experience from the VRF by transitioning VRF advisory groups into advisory groups to the IFRS Foundation and/or ISSB (building on engagement programmes of both IFRS Foundation and VRF)
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# Next steps

## APPOINTMENTS

Chair, Vice-Chair(s), launch recruitment for remaining ISSB members

## CONSULTATIONS

Proposed climate and general disclosure standards, work plan and future priorities (due process)

## CONSOLIDATION

Complete consolidation with CDSB and Value Reporting Foundation

## LOCATION

Implement multi-location approach for global footprint



# Advice to report preparers



Continue applying the <IR> Framework and SASB Standards



Get familiar with the prototypes – early indication of direction of travel



Be ready to share your views – public consultation early 2022



Plan to engage in ISSB Standards development on an ongoing basis







**Once in a lifetime opportunity to build a global corporate reporting system, utilizing existing frameworks and standards and respecting individual jurisdictional requirements, consistent with a building blocks approach.**

Questions?



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