



ISSB Sustainability Disclosure Proposals

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Reading Time : **6 min**

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Readers are reminded, too, that the ISSB proposals should be seen in the context of a wider, transnational push to establish a set of global sustainability standards. Together with recently-developed frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, the ISSB proposals are to form the structure within which jurisdiction-specific disclosure regimes are elaborated (see our previous client alerts on the incorporation of TCFD recommendations for [listed company requirements](#) and [Companies Act 2006 and Limited Liabilities Partnerships Act 2000 requirements](#)). Both the [European Securities and Markets Authority](#) and [Securities and Exchange Commission](#) have committed to ensuring harmony with the ISSB's final-form proposals, and U.K. authorities (discussed below) have also agreed to incorporate the new standards into their regimes.

General

On March 31, The ISSB launched a consultation on the exposure drafts of its first two proposed standards for creating a “comprehensive global baseline of sustainability disclosures”. Developed in the wake of the COP26 conference in October 2021, and in response to requests from G20 leaders and the International Organization of Securities Commissions (IOSCO) (among others), these proposals mark the first major steps from the ISSB in creating alignment between differing sustainability disclosure regimes and helping meet investor information needs on sustainability-related risks and opportunities.

In particular, the proposals are designed to meet the information needs of investors in assessing enterprise value and build upon the recommendations of the TCFD and the Sustainability Accounting Standards Board (SASB) Standards to do so. One proposal sets

out general sustainability-related disclosure requirements (the “General Disclosure Requirements”) and the other specifies climate-related disclosure requirements (the “Climate Disclosure Requirements”) (together, the “Proposed Requirements”).

The General Disclosure Requirements cover the broad range of an entity’s environmental concerns and activities. The Climate Disclosure Requirements target the physical risks associated with climate change and the transition to a lower-carbon economy, and the opportunities that the physical and transition risks might make available.

The Proposed Requirements

As part of an entity’s general purpose financial reporting, the Proposed Requirements instruct relevant entities to provide sustainability- and climate-related disclosures on:

1. **Governance**—the governance processes, controls and procedures the entity uses to monitor and manage sustainability- and climate-related risks and opportunities.
2. **Strategy**—the approach for addressing sustainability- and climate-related risks and opportunities that could affect the entity’s business model and strategy over the short, medium and long term.
3. **Risk Management**—the processes the entity used to identify, assess and manage sustainability- and climate-related risks.
4. **Metrics and Targets**—information used to assess, manage and monitor the entity’s performance in relation to sustainability- and climate-related risks and opportunities over time.

The exposure drafts for the Proposed Requirements specify the precise contents to be disclosed for each theme (Appendices 1 and 2).

In addition to the discrete disclosures above, the General Disclosure Requirements intend that entities provide further analysis on ‘connected information’ and ‘comparative information’ to enable prospective investors to contextualize the sustainability disclosures. Under the former, an entity will be required to describe the relationships between the discrete disclosures through narrative accounts, thereby giving a holistic overview of how such disclosures tie into the entity’s current performance, future prospects and adopted strategy.¹ Under the latter, an entity will be required to present metric information and narrative accounts from the previous reporting period alongside its present disclosures to aid investor understanding.

For both of the Proposed Requirements, it is intended that the information be disclosed at the same time and in accordance with the reporting period and consolidated/unconsolidated format of the entity's existing financial statements.

Consultation Feedback

The ISSB is seeking feedback on the proposals over a 120-day consultation period closing on July 29. It will review feedback on the proposals in the second half of 2022 and aims to issue the Proposed Requirements by the end of the year.

The issuance of the Proposed Requirements will have immediate effect. As confirmed by the Business, Energy & Industrial Strategy (BEIS) Guidelines (see our [previous client alert](#)), the BEIS is working on measures which will allow the government to adopt these international standards for use in the U.K. and to require certain companies to report against them. Similarly, the Financial Conduct Authority (FCA) also indicated that it expects its climate disclosure rules for listed companies² (see our [previous client alert](#)) and broader proposals for sustainable disclosure requirements (see our [previous client alert](#)) to be updated to reference the ISSB's reporting standards.³

Comments on the Proposed Requirements can be submitted by comment letter to commentletters@ifrs.org or online at the respective [General Disclosure Requirements](#) and [Climate Disclosure Requirements](#) pages.

Looking Ahead

Further to the consultation launch, the ISSB [announced](#) (May 18) that it remains on-course for establishing the core elements of its 'global baseline' by the end of 2022. The announcement follows the ISSB's progress in developing the institutional arrangements needed to complement the anticipated adoption of the Proposed Requirements by the year end.

In particular, ISSB confirmed that its board is expected to be operational by Q2 2022, with the full board expected to be in place during Q3 2022. Agreements to establish locations in [Frankfurt](#) and [Montreal](#) have also been made, whilst steps have been taken to ensure institutional alignment between the ISSB and related bodies. The consolidation of the Value Reporting Foundation (home of SASB Standards and Integrated Reporting Framework) into the ISSB is expected to be completed by the end of June 2022, and a [co-operation agreement](#) has been entered into with the Global Reporting Initiative (GRI) to reduce the reporting

burden for jurisdictions and companies when combining the ISSB's global baseline and the GRI's multistakeholder sustainability reporting requirements.

Regarding implementation, the ISSB has established a dedicated working group of jurisdictional representatives to further ensure compatibility between the Proposed Requirements and the pre-existing sustainability disclosures of each jurisdiction. More advisory and consultative bodies for collaboration with other international organisations, jurisdictional authorities and other stakeholder representatives are set to be formed.

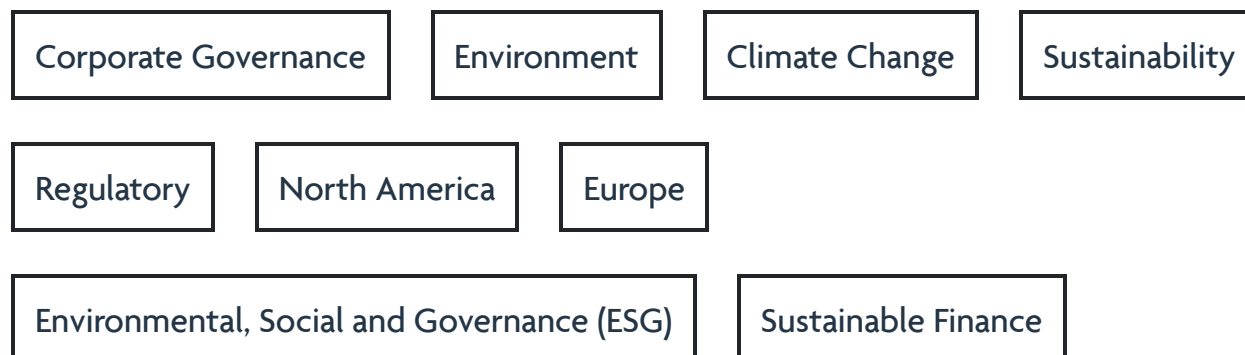
Please view Akin Gump's Appendices to this post, titled "Contents for General Disclosure Requirements" and "Contents for Climate Disclosure Requirements."

¹ For instance, explaining the effect or likely effect of its strategy on its financial statements or financial plans; how, say, its use of natural resources and changes within its supply chain could amplify, change or reduce its significant sustainability-related risks and opportunities; and what the potential or actual effects are on its production costs as well as its strategic response to mitigate such risks and its related investment in new assets.

² Clause 2.11 PS21/24.

³ Clause 1.5 DP 21/4.

Categories



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