



Financial Reporting Council

Frequently Asked Questions: International Sustainability Standard Setting

Factsheet for preparers

FRC International Sus

September 2021

This factsheet has been prepared by FRC staff to inform our UK company stakeholders of developments in sustainability standard setting by the International Financial Reporting Standards Foundation ('IFRS Foundation'). This is a fast-moving agenda that has the potential to impact corporate reporting significantly in the future.

What are the IFRS Foundation's plans?

In response to calls from investors for consistent and comparable sustainability information, the IFRS Foundation plans to develop International Sustainability Standards. This will be achieved by establishing an International Sustainability Standards Board (ISSB) alongside the International Accounting Standards Board (IASB).

We expect an announcement on the formation of the ISSB to take place in November 2021, to align with COP26.

The ISSB's standards will focus on reporting that is aimed at investors and other capital market participants, enabling them to assess the impact of sustainability matters on value creation.

When will International Sustainability Standards be issued?

We expect a draft standard on climate to be published in early 2022. Following that, the ISSB is expected to develop a suite of standards on a range of sustainability topics.

How will the standards impact UK companies?

As with the adoption of International Accounting Standards (IAS/IFRS), it will be for individual jurisdictions to determine whether these standards are mandated for use, the scope of companies affected and the timeframe over which this might take place.

This will be something for the UK to consider over the next few months.

What about the existing voluntary frameworks that companies have been using to report on sustainability matters?

We expect that a number of the existing frameworks (Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD), Climate Disclosure Standards Board (CDSB)) will form the building blocks of the international standards.

The IFRS Foundation is working closely with some of the existing framework providers as it develops its proposals.

How does this interact with other UK non-financial reporting developments?

For accounting periods beginning on or after 1 January 2021, UK premium listed companies are required to provide TCFD disclosures on a 'comply or explain' basis as part of the Financial Conduct Authority's Listing Rules. The FCA has recently consulted on whether to expand this requirement to companies with a standard listing.

The government plans to set requirements for certain companies to provide TCFD disclosures in the Strategic Report. These are expected to take effect from 2022.

The FRC encourages companies to use the [TCFD and SASB frameworks](#).

What are the views on international standards being set by the IFRS Foundation?

In December 2020, the IFRS Foundation consulted on whether it should set International Sustainability Standards. It received 577 comment letters with the majority of respondents supporting the development of International Sustainability Standards by the IFRS Foundation.

It issued a further consultation in April 2021, inviting comments on changes to its Constitution to accommodate an ISSB.

The FRC is strongly supportive of the development of high-quality global standards for sustainability reporting and the IFRS Foundation establishing an ISSB.

What are the FRC's current activities relating to International Sustainability Standard Setting?

The FRC is watching the developments at the IFRS Foundation with interest, influencing as appropriate and considering the implications for the narrative reporting framework in the UK.

Further information

- [FRC Statement of Intent on Environmental, Social and Governance challenges](#)
- FRC responses to IFRS Foundation consultations:
 - [Sustainability Reporting](#)
 - [Constitution review](#)
- [IFRS Foundation Sustainability Reporting webpage](#)



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