
IASB-ISSB Joint Meeting

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Topic	Feedback summary—Connectivity
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). This paper does not represent the views of the IASB, ISSB or any individual member of either board. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards or IFRS[®] Sustainability Disclosure Standards. The technical decisions of the IASB and the ISSB are made in public and are reported in the *IASB Update* and *ISSB Update*, respectively.

Objective

1. This paper provides the International Sustainability Standards Board (ISSB) and the International Accounting Standards Board (IASB) with a summary of the feedback on connectivity received in response to the ISSB's Request for Information [Consultation on Agenda Priorities](#) (Request for Information).

Structure of the paper

2. The paper is structured as follows:
 - (a) Background (paragraphs 3–5);
 - (b) Key messages (paragraphs 6–7);
 - (c) Feedback on connectivity (paragraphs 8–24);
 - (d) Question for the ISSB and IASB (paragraph 25); and
 - (e) Appendix A—Extracts relevant to connectivity from the Request for Information.

Background

3. The Request for Information explained that connectivity between the ISSB and IASB requirements is at the core of all the ISSB's activities and is fundamental to the ISSB's mission to deliver a comprehensive global baseline of sustainability-related disclosures to meet the needs of investors¹. To achieve this, the Request for Information explained that the ISSB and IASB, together with their technical staff, coordinate their work and establish processes to enable connected reporting, ensuring that the IASB's and ISSB's respective requirements are compatible and avoid potential inconsistencies and conflicts.
4. The Request for Information stated that the objective of connectivity is to facilitate the delivery of a coherent and comprehensive system of general purpose financial reporting that includes sustainability-related financial information and financial statements.
5. The Request for Information sought feedback on the strategic direction and balance of the ISSB's activities (Question 1) but did not ask a question on core activities such as connectivity or the types of work the ISSB should prioritise as part of connectivity activities. However, some respondents provided feedback on connectivity, including how the ISSB and IASB might work together, in commenting on the ISSB's activities (Question 1). Others provided feedback on connectivity in commenting on an integration in reporting project (Question 7). This feedback is of interest to both boards in light of their respective commitment to connectivity and in the context of their respective consideration of how they might work together.

Key messages

6. Although the Request for Information did not ask a question on connectivity, some respondents provided feedback on connectivity, including connectivity in processes, connectivity between the ISSB's and IASB's respective requirements and

¹ See Appendix A.

connectivity between sustainability-related financial disclosures and financial statements. These respondents highlighted the importance of connectivity in providing decision-useful information and encouraged the ISSB and IASB to collaborate to achieve that. A few of these respondents suggested specific areas where collaboration between the ISSB and IASB is particularly important.

7. As discussed in Agenda Paper 2A: *Feedback summary—A project on integration in reporting*, respondents also commented on connectivity in discussing integration in reporting. These respondents indicated a range of views on how ‘integration in reporting’ relates to ‘connectivity in reporting’. The respondents’ views on that relationship contributed to their views on whether and how a project on integration in reporting should be pursued relative to advancing and supporting connectivity in reporting. Nonetheless, all these respondents indicated support for connectivity.

Feedback on connectivity

The importance of connectivity

8. In discussing the importance of connectivity, respondents sometimes focussed on a particular aspect of connectivity—connectivity in how the ISSB and IASB should work together, connectivity in the ISSB’s and IASB’s respective requirements or connectivity in reporting—and in other cases respondents commented on various aspects of connectivity.
9. A few respondents highlighted the importance of connectivity in processes, that is the connectivity between the ISSB and IASB, to ensure that the boards’ respective requirements are compatible and complementary, including the use of consistent concepts and language. One respondent noted that connectivity between ISSB and IASB was one of the key benefits of creating the ISSB under the umbrella of the IFRS Foundation and that as a result, they expected the boards to work together.

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10. Some respondents commented on ensuring connectivity between the ISSB's and IASB's respective requirements. These respondents stated that they supported this activity being at the core of the ISSB's activities or emphasised the importance of connectivity in the boards' respective requirements in providing decision-useful information to users of general purpose financial reports.
11. A jurisdictional standard-setter, whose response reflected feedback from their stakeholders, emphasised that their stakeholders wanted 'interconnected sustainability and accounting standards' and that their stakeholders expect more from connectivity activities than just 'compatibility and avoiding potential conflicts' in IASB's and ISSB's respective requirements. They said that their stakeholders are looking for further connectivity in the boards' respective requirements to provide better connected information and expected the boards to work together to achieve this.

Stakeholders tell us they are looking for connectivity between the IASB's International Accounting Standards and the ISSB's Sustainability Disclosure Standards to be embedded into both sets of standards. This is supported by extensive research undertaken by the UKEB that connectivity must be the key focus at this point in time. ... Stakeholders expected the Boards would work together to ensure the requirements of IFRS Accounting Standards and IFRS Sustainability Disclosure Standards communicate the connections between financial and sustainability performance, explicitly, efficiently and effectively in a manner that is more easily understood by an entity's investors. ... Stakeholders also noted that the principles underlying the IASB and ISSB Standards needed to be closely aligned to avoid conflicts between the financial statements and sustainability reports and other unintended consequences. (Comment letter 75: UK Endorsement Board)

12. A few respondents highlighted the importance of connectivity in reporting, that is connecting information about sustainability-related risks and opportunities to the information provided in the financial statements. A respondent that represented an investment association, noted the considerable value to investors from connected disclosures highlighting their support for this element in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and

IFRS S2 *Climate-related Disclosures* and stating that connected disclosures enable sustainability factors to be considered in making investment decisions.

13. A few respondents argued that requirements for connected information are an important factor in providing faithful representation of the effects of sustainability-related risks and opportunities on an entity and improving the quality of reported information.

Specific areas of suggested collaboration

14. A few respondents highlighted areas where collaboration between the ISSB and IASB would be particularly important to ensure the boards' respective requirements are compatible and complementary, including:

- (a) the IASB's Climate-related Risks in the Financial Statements project.
- (b) the IASB's future Intangibles project.

Knowing that the IASB is currently working on a research project to review the IFRS Accounting Standard on intangible assets, developing disclosures relating to intellectual capital in the context of the broader topic of human capital (including internally generated intangibles that are not recognised in the financial statements) could be relevant to this IASB project and collaboration between the two boards on this subtopic will be beneficial. (Comment letter 70: Ernst & Young Global Limited)

- (c) the IASB's work on pollutant pricing mechanisms.²

15. A few respondents specified that the development of educational materials, guidance and clarifications on various topics is needed or would be helpful, to support connectivity. These respondents suggested specific topics, including:

- (a) connected information—given its importance as a key concept of IFRS Sustainability Disclosure Standards.

² Pollutant Pricing Mechanisms is a project that the IASB has added to a reserve list. Projects on the reserve list will be added to the work plan if, and only if, additional capacity becomes available before the IASB's next five-yearly agenda consultation.

(b) current and anticipated financial effects of sustainability-related risks and opportunities—due to the complexity in providing this information, the level of understanding of these new requirements and the challenges that are known to exist as evidenced by reporting applying existing frameworks or requirements.

(c) reporting climate-related risks in the financial statements.

The ISSB is encouraged to work with the IASB to identify potential areas where the effects of climate-related risks flow through to financial statements and where additional guidance would be useful, eg concerning the valuation of financial instruments and relevant estimates, giving due consideration to data availability and the reliability of resulting estimates. (Comment letter 229: BCBS Secretariat [Basel Committee on Banking Supervision])

(d) explaining to users of general purpose financial reports the role of financial statements in providing information about sustainability-related risks and opportunities.

We have observed that certain interest groups believe financial reporting should cover all aspects of sustainability. In that context, it would be helpful to clarify the scope of financial reporting, which could involve the ISSB and IASB working together on projects, such as intangibles, to illustrate the boundary of where financial reporting ends but sustainability reporting continues. We believe that this type of project could be completed relatively quickly and would not necessarily require significant resources. (Comment letter 136: BDO)

(e) materiality—given the use of a consistent definition in both ISSB and IASB Standards. One of these respondents suggested joint work is needed to ensure a consistent approach is applied to the application of materiality judgements under both the ISSB and IASB Standards.

Connectivity and Integration in reporting

16. As discussed in paragraph 6, respondents also provided feedback on connectivity in commenting on an integration in reporting project and this feedback has been summarised in Agenda Paper 2A: *Feedback summary—A project on integration in*

reporting. These respondents indicated a range of views on how ‘integration in reporting’ relates to ‘connectivity in reporting’. For example, some viewed ‘connectivity in reporting’ as the first step towards ‘integration in reporting’ whereas others viewed ‘integration in reporting’ as a way to achieve ‘connectivity in reporting’. In some cases, respondents used the terms ‘connectivity’ and ‘integration’ interchangeably.

17. These respondents said that connectivity was important and that included both those who said that an integration in reporting project was a higher priority to advance in the ISSB’s next two-year workplan when compared to the three proposed sustainability-related topics and those respondents who did not rank that project as a higher priority.
18. A few respondents highlighted that more work is needed to further connectivity in reporting before addressing integration in reporting. This included those who said that a new project on ‘connectivity’ was needed to support connectivity in reporting which would improve the understanding of how sustainability information is connected to the financial statements. These respondents argued that a project on connectivity was more crucial at this time than a project on ‘integration in reporting’.
19. Other respondents viewed an integration in reporting project as a way to enable, reinforce or further the connectivity established by the ISSB Standards—these respondents said the project should ‘ensure connections between financial and sustainability performance are explicitly, efficiently and effectively communicated in a manner that is more easily understood by an entity’s investors’ (as articulated in the Request for Information).

Integration in reporting project ... should be considered in the development of any other standard, in order to achieve an integrated, coherent and comprehensive system of corporate reporting. Facilitating connectivity between sustainability-related financial disclosures and the financial statement is key to ensure the quality, sense and usefulness of information reported. (Comment letter 51: BBVA)

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20. Other respondents argued for the development of a new framework to support connectivity. For example, some of these respondents advocated for the development of a conceptual framework that would set out the fundamental principles that would underpin the work of the ISSB, or of both boards. These respondents argued that embedding the notion of connectivity within a conceptual framework would support connectivity in the ISSB's and IASB's respective requirements and hence reinforce connectivity in reporting. These respondents suggested that such a conceptual foundation for connectivity could be achieved by the development of a conceptual framework for sustainability disclosures, an 'interconnected conceptual framework' addressing principles of connectivity or through an update to the IFRS *Conceptual Framework for Financial Reporting*.

Other suggestions

21. A few respondents provided feedback in relation to processes or mechanisms that should be put in place to support connectivity, including both how the boards determine their respective workplans and how the boards facilitate working together.
22. This included feedback on criteria that should be applied to assess the priority of new research and standard-setting projects. That is, that the ISSB consider the connections between potential projects of both boards. These respondents expressed the view that such consideration would foster coordination of the work of the two boards, improve efficiency in progressing projects on the respective work plans, improve the quality and transparency of the Standards developed by the IASB and ISSB, and help ensure the resulting information for investors is connected and consistent. One respondent, a jurisdictional standard setter that represented views of stakeholders in their jurisdiction, suggested a similar process be put in place for the IASB to consider the interaction with the ISSB's workplan when considering its own.
23. A few respondents—that were all jurisdictional standard-setters—suggested that in considering the capacity of stakeholders to engage in the standard-setting process and the implementation of new Standards the ISSB should take into consideration that both the ISSB's and IASB's workplans may affect the same stakeholders. Two of

these respondents suggested that the ISSB's workplan should allow flexibility to respond to the interaction of the IASB's and ISSB's developments.

24. One respondent suggested that the IFRS Foundation should consider its governance structure and whether an additional technical committee is needed to enable the boards to work together.

Regarding the development from connectivity towards integration within reporting, we suggest re-thinking the governance structure of the IFRS Foundation and establishing a higher-level or joint body that brings ISSB and IASB together. As an example, we refer to our own governance structure and the good experiences with our Joint Technical Committee, which meets quarterly on a regular basis as well as occasionally, if additional topics emerge. This allows for discussions of topics with implications for both, financial and sustainability reporting. (Comment letter 290: ASCG [Accounting Standards Committee of Germany] (DRSC e.V.))

Question for the ISSB and IASB

25. The staff presents the following question for the ISSB and IASB.

Questions for the ISSB and the IASB

Do ISSB or IASB members have any comments or questions on the feedback discussed in this paper?

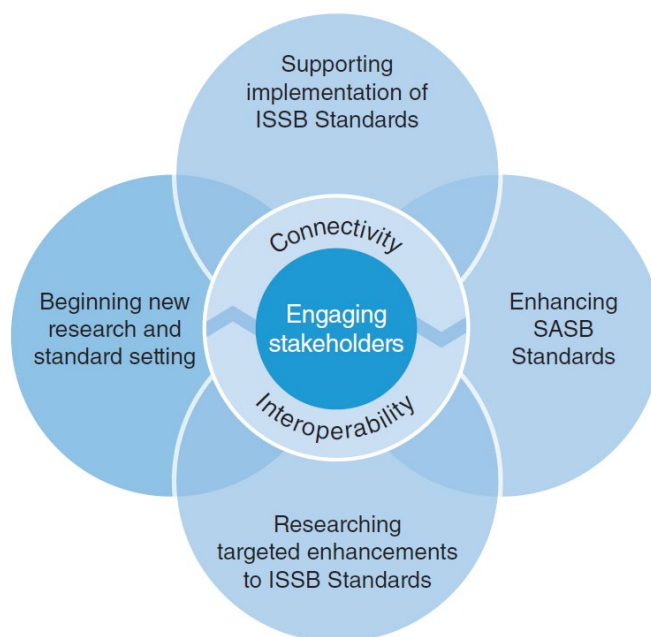
Appendix A—Extracts relevant to connectivity from the Request for Information

Strategic direction and balance of the ISSB's activities³

- A1. This Request for Information seeks your feedback on the strategic direction and balance of the ISSB's activities that will form its next work plan.
- A2. As part of its next work plan, the ISSB's activities will primarily consist of:
- (a) beginning new research and standard-setting projects;
 - (b) supporting the implementation of IFRS Sustainability Disclosure Standards (ISSB Standards);
 - (c) researching targeted enhancements to the ISSB Standards;
 - (d) enhancing the SASB Standards;
 - (e) ensuring connectivity between the ISSB's and IASB's respective requirements;
 - (f) ensuring interoperability of the ISSB Standards with other sustainability standards; and
 - (g) engaging with stakeholders.
- A3. While (a) relates to *new research and standard-setting*, (b)–(d) are part of the *foundational work* (see paragraphs 15–16). All the ISSB's activities are interrelated to some degree with the overall aim of delivering the comprehensive global baseline of sustainability-related disclosures. In particular, (e)–(g) are at the core of all the ISSB's activities, including new research and standard-setting and the foundational body of work. The interrelated nature of the ISSB's activities is illustrated in Diagram 3—please note that this diagram is not drawn to scale.

³ See paragraphs 18–22 and Table 1 of the [Request for Information](#).

Diagram 3—Overview of the ISSB’s activities



- A4. This Request for Information seeks your feedback on how the ISSB ought to prioritise its activities. To help you provide feedback, Table 1 includes a summary of each activity.
- A5. Since forming in 2021, the ISSB has primarily focused its activities on IFRS S1 and IFRS S2. As such, the ISSB does not have the benefit of prior years of comparable activities with which to estimate the level of priority for each of its activities. Instead, the ISSB will use your feedback on the relative level of priority of each of the ISSB’s activities to inform its future resource allocations.

Connectivity extract from Table 1—The ISSB’s activities in the Request for Information

Activity	Objective	Description of the activity
<p>As discussed in paragraph 20 and demonstrated in Diagram 3, connectivity between the ISSB and IASB requirements, interoperability with the materials of other sustainability standard setters, and stakeholder engagement are at the core of all the ISSB’s activities and fundamental to the ISSB’s mission to deliver a comprehensive global baseline of sustainability-related disclosures to meet the needs of investors.</p>		

Activity	Objective	Description of the activity
<p>Ensuring connectivity between the ISSB’s and IASB’s respective requirements</p>	<p>Facilitate the delivery of a coherent and comprehensive system of general purpose financial reporting that includes sustainability-related financial information and financial statements.</p>	<p>The ISSB and the IASB, together with their technical staff, coordinate their work and establish processes to enable connected reporting, ensuring that the IASB’s and ISSB’s respective requirements are compatible and avoid potential inconsistencies and conflicts. Connectivity with the IASB is essential to all of the ISSB’s current and future work.</p> <p>The collaboration between the IASB and the ISSB could take various forms. In many cases this would involve the sharing of knowledge and materials. For example, IFRS S1 includes general requirements that have been derived in many cases from requirements in IFRS Accounting Standards, and the ISSB uses the same definition of materiality as the IASB. In some cases this could involve joint work to ensure their respective requirements are compatible and complementary (for example, ensuring IFRS S2 requirements are compatible and complementary with the output of the IASB’s project on climate-related risks in the financial statements).⁴</p> <p>In the same vein, the ISSB could also work with the IASB on other projects or activities that have sustainability-related considerations to ensure the cohesiveness of the ISSB and IASB’s respective work (for example, sustainability-related considerations of the IASB’s pipeline projects on intangible assets and pollutant pricing mechanisms).⁵</p>

⁴ See the IASB’s climate-related risks in the financial statements project page: <https://www.ifrs.org/projects/work-plan/climate-related-risks-in-the-financial-statements/>.

⁵ See the IASB’s summary of pipeline projects: <https://www.ifrs.org/projects/pipeline-projects/>.