



## ISSB ISSUES PROPOSED GLOBAL CLIMATE AND SUSTAINABILITY DISCLOSURE STANDARDS

The International Sustainability Standards Board (ISSB), an independent board established by the IFRS Foundation in November, issued its highly anticipated proposed uniform global disclosure standards on March 31. The release marks a watershed moment in environmental, social, and governance (ESG) and sustainability reporting. The comprehensive standards are designed to provide a globally recognized and accepted baseline to help organizations create reports on sustainability-related risks and opportunities, which will allow capital markets and investors to make better informed decisions.

The ISSB issued two draft standards:

- The [\*General Requirements for Disclosure of Sustainability-related Financial Information\*](#) would require “an entity to disclose information about its significant sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reporting when they assess enterprise value and decide whether to provide resources to the entity.”
- The [\*Climate-related Disclosures\*](#) would require “an entity to disclose information about its exposure to significant climate-related risks and opportunities, enabling users of an entity’s general purpose financial reporting:
  - (a) to assess the effects of significant climate-related risks and opportunities on the entity’s enterprise value
  - (b) to understand how the entity’s use of resources, and corresponding inputs, activities, outputs and outcomes support the entity’s response to and strategy for managing its significant climate-related risks and opportunities; and
  - (c) to evaluate the entity’s ability to adapt its planning, business model and operations to significant climate-related risks and opportunities.”

The general requirements further break down disclosures to provide stakeholders with information on how organizations address ESG and sustainability issues as they relate to governance, strategy, and risk management, as well as how they measure related performance (metrics and targets).

“These proposed standards lay the groundwork for achieving much-needed uniformity and consistency in sustainability reporting across the world’s markets, which stakeholders demand and deserve,” said IIA President and CEO Anthony J. Pugliese. “The IIA looks forward to reviewing the proposals and providing our input. Ultimately, we must ensure that

the ISSB standards address the need for independent assurance over sustainability reporting, specifically identifying internal audit as being most appropriate to deliver that assurance, as well as accountability, as described in The IIA's [Three Lines Model](#)."

The ISSB's proposed general and climate-related standards will be open to public comments until July 29 and allow for both direct comment letters and responses to two surveys found [here](#) (general standards) and [here](#) (climate-related disclosures).

Additionally, the ISSB provided two supporting documents. The [Basis for Conclusions on General Requirements for Disclosure of Sustainability-related Financial Information](#) provides insight into how the general standards were crafted, while the [Illustrative Guidance General Requirements for Disclosure of Sustainability-related Financial Information](#) is a guide for implementing materiality judgements and selecting sustainability-related financial disclosures.

## Background

The proposed standards are the result of two decades of evolving sustainability and integrated thinking practices, which urge organizations to take a holistic view of their outcomes and impacts on a wide array of issues, such as climate change, diversity, community involvement, and social justice. A more comprehensive understanding of these issues and the organization's relationship with them can create significant value for the organization, its stakeholders, and broader society.

While many organizations have embraced sustainability practices and issued integrated, and/or sustainability reports, the lack of a uniform global reporting standard led to inconsistencies in what was reported and how it was measured. Several reporting frameworks evolved over that time including those created by the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), the Sustainability Accounting Standards Board (SASB), the Climate Disclosure Standards Board (CDSB), the Task Force on Climate-related Financial Disclosures (TCFD), and others. The dizzying array of reporting frameworks and standards created confusion and often resulted in inconsistencies among sustainability reports.

The ISSB was created by the IFRS Foundation largely to address that confusion. In announcing the new board, IFRS also acquired CDSB and the Value Reporting Foundation (which previously merged the IIRC and SASB organizations). In addition, the IFRS Foundation and GRI announced earlier in March a collaboration agreement under which their respective standard-setting boards — the ISSB and the Global Sustainability Standards Board (GSSB) — would seek to coordinate their work programs and standard-setting activities.

## What the proposed standards mean for:

### Organizations

Organizations that have established ESG internal controls and processes may need to improve or adjust their current sustainability reporting practices to meet the latest guidance. They also need to look at their data governance practices around ESG information to ensure they are well-designed and operating effectively and help to build trust and confidence in their ESG disclosures. Organizations that have not delved into ESG reporting will need to establish effective internal controls around measuring, collecting and reporting relevant information.

### Regulators

Regulators will have new assessment criteria to ensure sustainability risks are properly identified, assessed, and reported. For example, the U.S. Securities and Exchange Commission will likely take into consideration the ISSB proposals when reaching a final version of its own proposed climate-disclosure rules announced on March 21.

## Internal auditors

Internal auditors should be prepared to evaluate the data points defined by their organizations as relating to sustainability, as well as assess current quantitative and qualitative measurement methodologies against the proposed ISSB standards. They also should provide fundamental independent assurance by examining whether internal assurance over ESG risks management is reliable, the internal control environment is effective, and disclosures are trustworthy. In organizations where ESG reporting is new, internal audit can provide internal advisory services to management on building an effective ESG internal control environment.

## Questions internal auditors should be prepared to address:

1. What is my organization's ESG control environment? Are roles for key participants, including internal audit, clearly delineated as outlined in The IIA's Three Lines Model?
2. Does my organization have in place established ESG reporting internal control processes?
3. What is my organization's ESG governance structure (ESG committee, center of excellence), and how is it operating?
4. How are sustainability-related data points identified, collected, classified, and managed and by whom?
5. What metrics, including RPIs and PRIs, are in place or proposed to monitor sustainability data points and reporting?
6. What activities have been (or will be) implemented to map new sustainability requirements against current sustainability activities?
7. Do my organization's current ESG reporting efforts meet the "faithful presentation" threshold identified in the proposed standards? Does internal audit currently provide necessary "verification" (assurance and validation) on information used in existing reporting?

# IIA RESOURCES



The Institute of  
**Internal Auditors**

- [Internal Audit's Role in ESG Reporting](#)
- [The ESG Risk Landscape Part 1: Understanding ESG Reporting Standards in 2022 and Beyond](#)
- [The ESG Risk Landscape Part 2: Implementation, Reporting, and Internal Audit's Role](#)
- [The ESG Risk Landscape Part 3: Evaluating ESG Risks](#)

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## Internal Auditor Magazine

- [Greenwashing](#)
- [The Corporate Commitment](#)

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## Research Foundation

- [Prioritizing Environmental, Social and Governance: Exploring Internal Audit's Role as a Critical Collaborator](#)

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## Other Resources

- [Enterprise Risk Management: Applying enterprise risk management to environmental, social and governance-related risks \(PDF\)](#)
  - [ESG Reporting and Attestation: A Roadmap for Audit Practitioners](#)
  - [GRI Standards by language](#)
  - [SASB Standards](#)
  - [TCFD Implementation Guide - English](#)
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## About The IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA. For more information, visit [www.theiia.org](http://www.theiia.org).

## Disclaimer

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April 2022



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