IOSCO’s endorsement of the ISSB Standards IFRS S1 and IFRS S2:
a major step towards creating effective sustainable capital markets

Jean-Paul SERVAIS, IOSCO Chair
25 July 2023
Brussels, Belgium
About IOSCO

✓ International Organization of Securities Commissions (IOSCO)

✓ International body for world’s financial markets regulators

✓ Global standard setter for the financial sector

✓ G20 and FSB partner in the global regulatory reform agenda

✓ 130 jurisdictions, 95% of financial markets supervised
Corporate sustainability reporting: where do we come from?

1. Incomplete, inconsistent and incomparable information
2. No global framework to facilitate comparability
3. Little connectivity between financial and sustainability information
4. A confusing alphabet soup for investors

IOSCO calls on creation of ISSB in its 2021 Report on Sustainability-related Issuer Disclosures
IOSCO & sustainability related disclosures

Jun 2021
IOSCO calls on creation of ISSB in its Report on Sustainability-related Issuer Disclosures

Mar – Jun 2022
IOSCO analysis of ISSB’s ED against endorsement criteria

Sept 2022 – Feb 2023
ISSB analyses feedback from consultation and makes decisions accordingly

Mar – Jul 2023
IOSCO analyses ISSB decisions (based on drafts, and final IFRS S1 and IFRS S2)

Jun 2023
ISSB publication of final IFRS S1 and IFRS S2

Sept 2020
IFRS Foundation Consultation Sustainability Reporting under the Monitoring Board oversight

Dec 2021
COP26: Announcement of ISSB

March 2022
ISSB Exposure Drafts (ED) for IFRS S1 and IFRS S2 published

Nov 2022
COP27: IOSCO: “Disclosure and audit standards ready for use for end 2024 accounts”

Jul 2023
IOSCO endorsement decision and publication (importance noted by G20, G7 and FSB)
Why does IOSCO’s endorsement matter?

• Assesses ISSB Standards are fit for purpose for financial markets (valued by G20, G7 and FSB)

• Support for a private entity working in the public interest, only for the second time in IOSCO’s existence. IOSCO’s historical endorsement of the International Accounting Standards in 2000 empowered the IFRS Standards

• Key role in addressing fragmentation

• Promotes investor protection by addressing greenwashing

• Fosters a consistent language and facilitates data collection & digitization

• Creates momentum for ISSB Standards for jurisdictions to consider using them
What is the philosophy behind IOSCO’s endorsement?

- Effective global framework for consistent and comparable approaches to mandatory or voluntary reporting.
- Interconnectivity with financial accounting standards.
- Common framework for interoperability.
- Enable pricing of sustainability-related risks and opportunities, meeting investor, issuer and capital markets needs.
- Basis for robust audit and assurance framework.
What assessment criteria has IOSCO applied?

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<td>i(a) Target outcome</td>
<td>2(a) Purpose of framework</td>
<td>3(a) Sustainability topics covered:</td>
<td>4(a) Narrative</td>
<td>5(a) Framework for integration with financial accounting standards</td>
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<td>i(b) Objective of framework</td>
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<td>2(c) Principles vs prescription</td>
<td>3(c) Dynamic materiality and interoperability with other reporting standards</td>
<td>4(c) Reference to science-based parameters</td>
<td>5(c) Supporting narrative</td>
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<td>3(d) Industry-specific guidance</td>
<td>4(d) Structured, historical, current and forecast data</td>
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<td>5(d) Audit and assurance</td>
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<td>3(e) Company-level materiality assessment</td>
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<td>4(f) Format, location and taxonomy</td>
<td>5(b) Link to financial statements</td>
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IOSCO’s endorsement: What does it mean?

It means IOSCO considers the ISSB Standards:

- were subject to a comprehensive and independent review
- provide an effective and proportionate global framework for sustainability-related information
- accurately assess relevant sustainability risks and opportunities

And as a result, IOSCO calls on members and jurisdictions to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards, reflecting each jurisdiction’s circumstances, similarly to what IOSCO did with the IFRS Accounting Standards.
What’s next and from 2024 onwards?

- National Considerations
  - July 2023 onwards

- Capacity building
  - July 2023 onwards

- ESG Assurance Standards
  - 2024

- Support and monitor adoption
  - 2024 onwards
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