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Making sense of ISSB:
Navigating climate regulation,
compliance and reporting

A CEO companion guide

November 2022



“The ISSB represents a unique opportunity to end the current confusion resulting from competing definitions, frameworks and metrics and to give investors the information they need to understand sustainability risks and opportunities.”

Elizabeth Seeger –
inaugural member of the International
Sustainability Standards Board (ISSB), July 2022

Bold leadership is critical

Society at large needs to overcome a myriad of challenges to effectively and transition to a net zero future.

Addressing these challenges presents us with the need – and the opportunity – to radically change the way we live and work, which requires transformation at scale.

It isn't easy.

Take the dynamic nature of climate regulation and stakeholder expectations. As CEO, you and your strategy and finance teams need to navigate a complex landscape of disparate climate and sustainability reporting and disclosure requirements. And if you don't clearly show what your organisation is doing to decarbonise, your employees, customers and investors will likely be drawn to those that do.

An important step to accelerate to a net zero future is the introduction of *standardised* disclosures, so it will be easier to make comparable disclosures across industries, sectors and time horizons. You play a vital role in leading your sector, organisation and teams from the front.

In fact, you can use this as a catalyst to provide leadership on three critical dimensions, to:



1. Become a **leading voice** in your market for the practical actions that need to be taken to achieve net zero;



2. Ensure complex climate and sustainability issues are translated into **good business fundamentals**, so your business strategy and operations continually evolve to anticipate and readily meet a decarbonised future, and



3. Underpin your organisation's **social licence to operate** and improve engagement with key stakeholders including employees, customers and investors.

So, what's next?

This CEO companion guide is provided to complement our recent publication, '*Making sense of ISSB: Navigating climate regulation, compliance and reporting*'. It seeks to help you navigate the complexities of climate regulation, the best way to report on and disclose commitments and the key considerations and actions required – including questions to ask yourself and your leadership team to inform next steps.

Tackling climate change consistently, boldly and confidently will be the ultimate leadership legacy.

Standardised disclosures likely to be mandatory

There are currently a range of voluntary sustainability standards and frameworks initiatives – such as the Taskforce on Climate-related Financial Disclosures (TCFD), Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) – as well as regional and country specific guidance and mandates relating to climate globally. This variation in expectations and focus across markets results in multiple challenges, including providing consistency and comparability for investors, as well as how best to focus their resources and capability to prepare these disclosures.

The International Sustainability Standards Board (ISSB) was set up by the International Financial Reporting Standards (IFRS) Board of Trustees to develop a consistent global baseline for sustainability-related financial disclosures and their potential financial impacts. It is truly global, integrates a number of sustainability frameworks and is part of the global convergence of frameworks.

“In October 2021, the UK announced that UK adopted ISSB standards will form the central component of the UK’s Sustainability Disclosure Requirements. In the coming months, we intend to consult on an adoption process. This will involve creating a mechanism to assess, adopt and endorse the standards for use in the UK.”

Letter from Lord Callanan to the ISSB regarding their exposure drafts, August 2022

Jurisdictions such as the United Kingdom have already flagged that they will adopt the ISSB climate regulations once these are released as mandatory. This builds on mandatory climate disclosures in the European Union, Singapore and New Zealand.

Over time, we anticipate that Australia will align disclosure requirements with major global markets, and that these standards will become mandatory. This will have profound and far-reaching impacts on Australian business. For most Australian organisations, meeting these reporting standards will require a step change in how they measure, model, assess and report – which in itself will be a catalyst for transformational change – with this country’s CEOs and Boards leading the way.

ISSB: At the heart of strategy

The new ISSB climate regulations are about much more than just disclosure; ISSB is fundamentally about strategy – and about understanding the most material sustainability risks and opportunities that will impact an organisation's financial performance going forward.

The proposed standards require disclosure of short, medium and long-term impacts and disclosing such *forward looking* information to the market is new to many organisations. It will require robust financial and operational scenarios which consider strategic choices and trade-offs, specifically from a sustainability perspective (because they will need to be included in standard financial reporting).

The office of the CEO, strategy and finance functions will need to integrate these perspectives in strategic and scenario planning, but moreover this will require a new level of understanding and engagement from your entire executive team (and the organisation more broadly) as these plans are developed and executed upon. Organisations and those that lead them will need to integrate ESG and climate data into business strategy and decision-making like never before.

To progress its work on the global baseline the ISSB will continue with its consultations and deliberations. The recent update in September 2022 indicates that greater guidance on implementation will be shared, which will help set organisations up for success.

Getting ready for ISSB now gives leaders the chance to make sure their organisations can create competitive advantage in the age of climate. Thoughtful planning and implementation can help you unlock new opportunities while managing risks.

Key considerations for CEOs include:

- **Cost of and access to capital** – the capital markets are clamouring for consistent, comparable and robust sustainability/ ESG and climate data and the ISSB is key to achieving this. Organisations that adopt ISSB well, and integrate climate-related information into their decision-making and into their disclosures appropriately, have a potential source of competitive advantage in being better positioned to secure capital at a lower cost;
- **Making better, more holistic decisions** – when leaders are able to consider the full impacts of climate and other material sustainability risks on the business, they can make better decisions. Adopting ISSB also provides the opportunity to integrate these considerations into existing governance mechanisms and capital allocation decisions. This will require a commensurate investment in systems to support better and more timely access to climate and sustainability data; and

Getting ready for ISSB: Committing to action

- **The data challenge should not be underestimated.** To make better holistic decisions and disclosures, leaders will need access to quality data assets. Data integrity, transparency and verification are a major challenge, not least when considering value chain and scope 3 reporting. If organisations don't invest in and implement the right monitoring and reporting systems, along with new models and methods for data sharing, leaders won't have the information they need to manage stakeholder expectations or to confidently make the right decisions at the right time to lead their organisations into a net zero future.

“Transforming Australia to a low carbon economy is inevitable and complex. If we get it right, the opportunities are immense.”

Philip Chronican, Chair, National Australia Bank (All systems go report, July 2022)

Tackling climate change consistently, boldly and confidently will be the ultimate leadership legacy. We provide six questions for you to ask in order to be ready for ISSB and its broader business implications:

Your opportunity to act:

- 1 What is your climate change and sustainability aspiration and strategy, and how is this connected to tangible measures – that will accelerate your business towards its climate ambitions?
- 2 What are the different sustainability risks and opportunities you need to consider? How do you currently benchmark this against your sector peers?
- 3 What different scenarios should you be planning for, given the forward-looking nature of these disclosures?
- 4 How is your data currently gathered and are you confident that it is adequate to support implementation and monitoring of your climate strategy?
- 5 What is your track record on disclosure and commitments – and what lessons can you learn from this?
- 6 What should you do to position yourself as a leading voice in your sector and champion change?

Answering these questions will ensure you're using the evolving nature of climate and sustainability reporting and disclosure to confidently inspire climate action and spearhead the way towards a net zero future in your sector and beyond.

Further information

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Find out more

Visit our [Deloitte Climate & Sustainability webpage](#) for the latest updates including our 'Making sense of ISSB: Navigating climate regulations, reporting and disclosure' guide.

Footnotes

- 1 <https://www.ifrs.org/news-and-events/updates/issb/2022/issb-update-september-2022/>



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