
Joint CMAC-GPF meeting
June 2023

ISSB Update

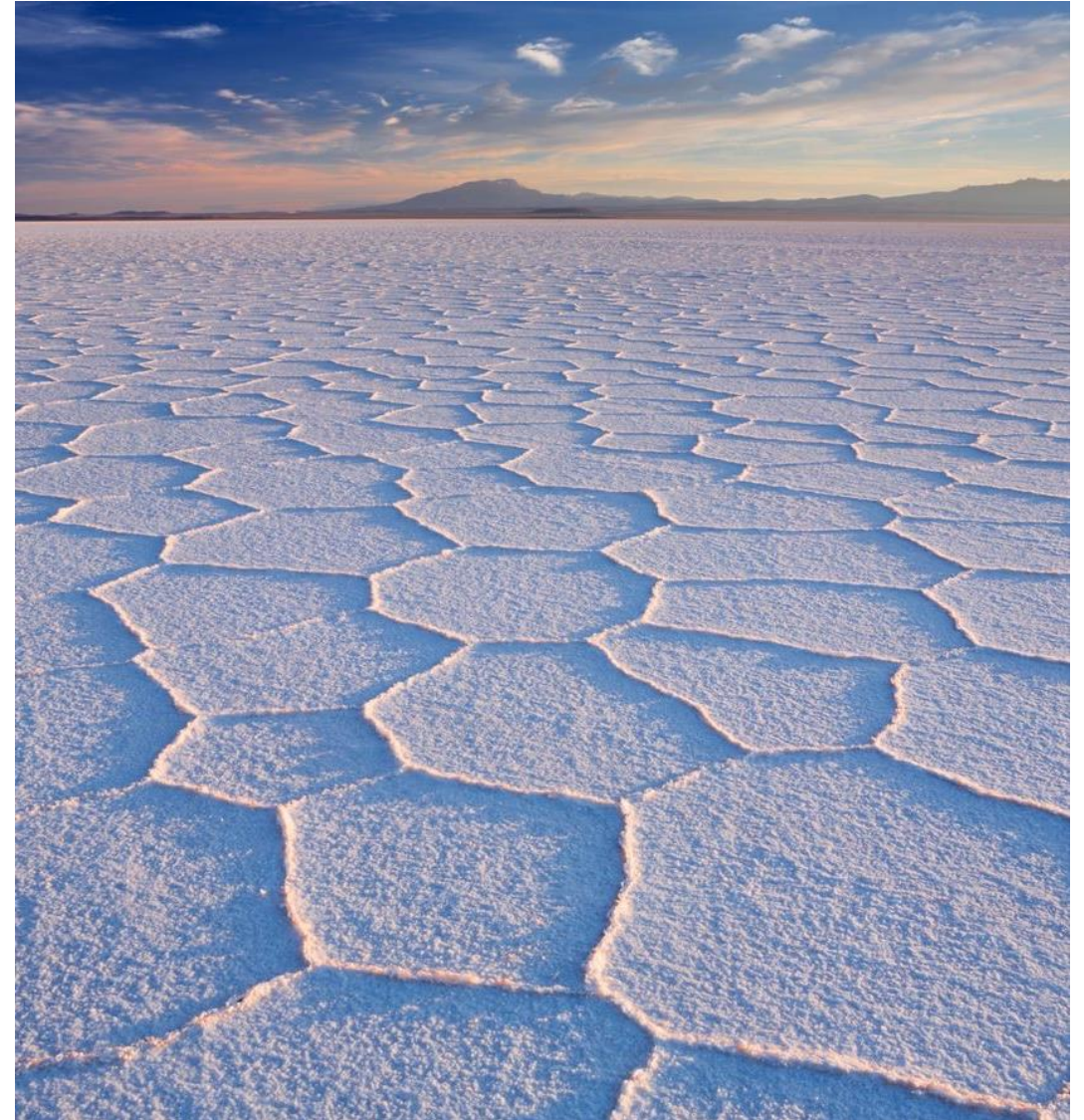
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Better Information, Better Decisions

This paper has been prepared for discussion at a public meeting of the Capital Markets Advisory Committee (CMAC) and the Global Preparers Forum (GPF). The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation, International Accounting Standards Board or the International Sustainability Standards Board.
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Achieving efficient reporting through interoperability

- Ongoing dialogue with **jurisdictions** to ensure consistency across reporting requirements, eg the European Commission
- Adopted the **TCFD structure** to align with existing reporting and regulation
- **CDP** to align platform to ISSB climate standard
- Work with **GRI** to further harmonise the sustainability reporting landscape



Informed by experts

Strategic Advisory Groups

IFRS Advisory Council

Integrated Reporting and Connectivity Council

ISSB Advisory Groups

Sustainability Standards Advisory Forum

Jurisdictional Working Group

Sustainability Consultative Committee

Investor Advisory Group

Technical Reference Group

Projects in the ISSB work plan

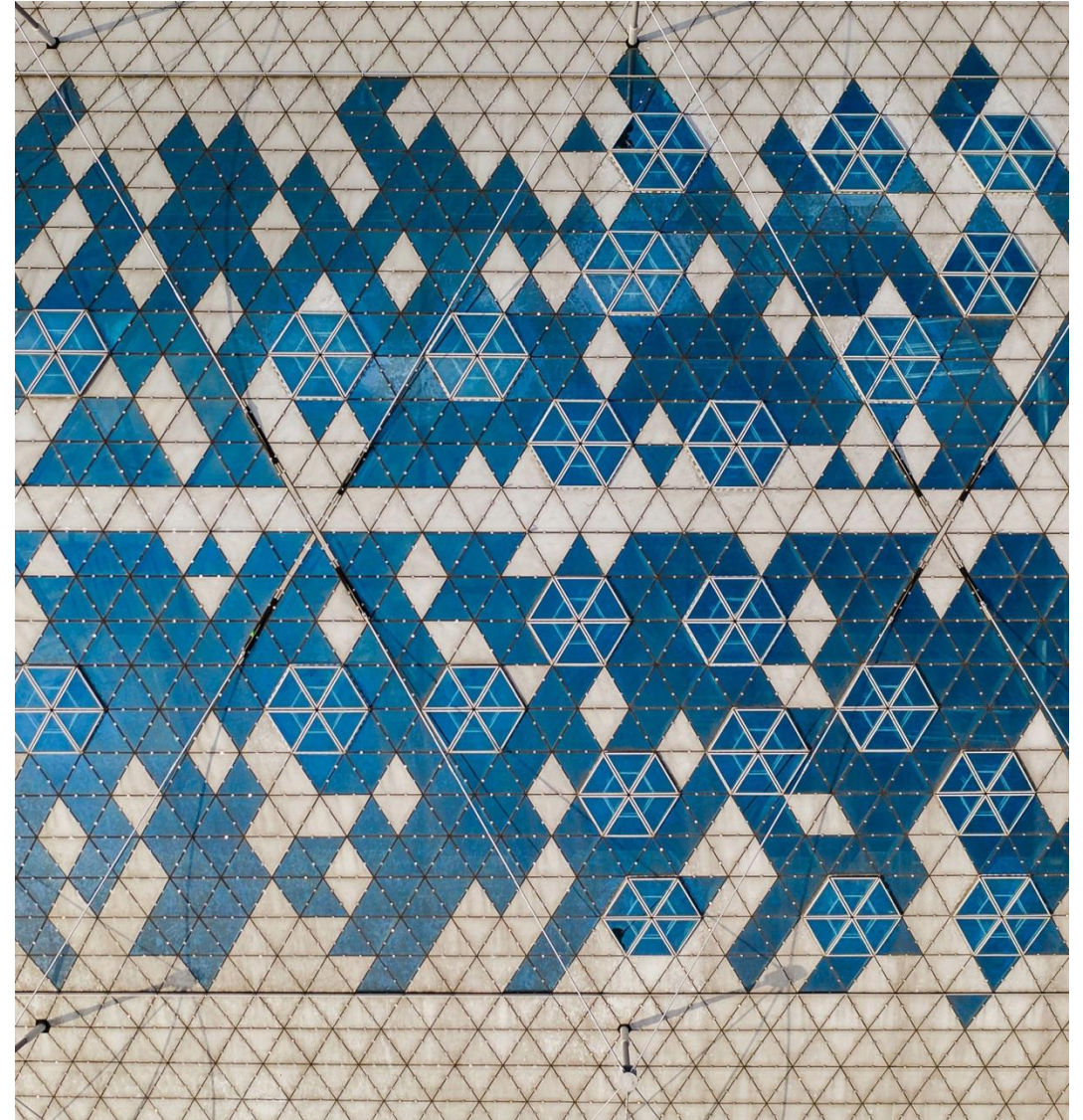
	Next milestone
Consultation on Agenda Priorities	Consider feedback on the Request for Information
General Sustainability-related Disclosures	Issue IFRS S1 (final standard)
Climate-related Disclosures	Issue IFRS S2 (final standard)
IFRS Sustainability Disclosure Taxonomy	Publish Proposed IFRS Sustainability Disclosure Taxonomy (exposure draft)
Maintenance of the SASB Standards	Consider feedback on proposed methodology for improving the international applicability
Inherited SASB Standards Projects	Publish exposure drafts for projects that were at advanced stage at the time of the VRF consolidation

S1: General Requirements for Sustainability-related Disclosure

Identifying material sustainability information

*“Information is material if omitting, misstating or obscuring it could reasonably be expected to **influence investor decisions.**”*

IFRS Sustainability Disclosure Standards use the same definition of ‘material’ as IFRS Accounting Standards.



S1: Links sustainability and financial value creation

A company's ability to deliver financial value for **investors is inextricably linked to:**

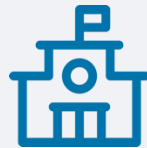
Stakeholders

with whom it works
and serves



Society

in which it
operates



Natural

resources upon
which it draws

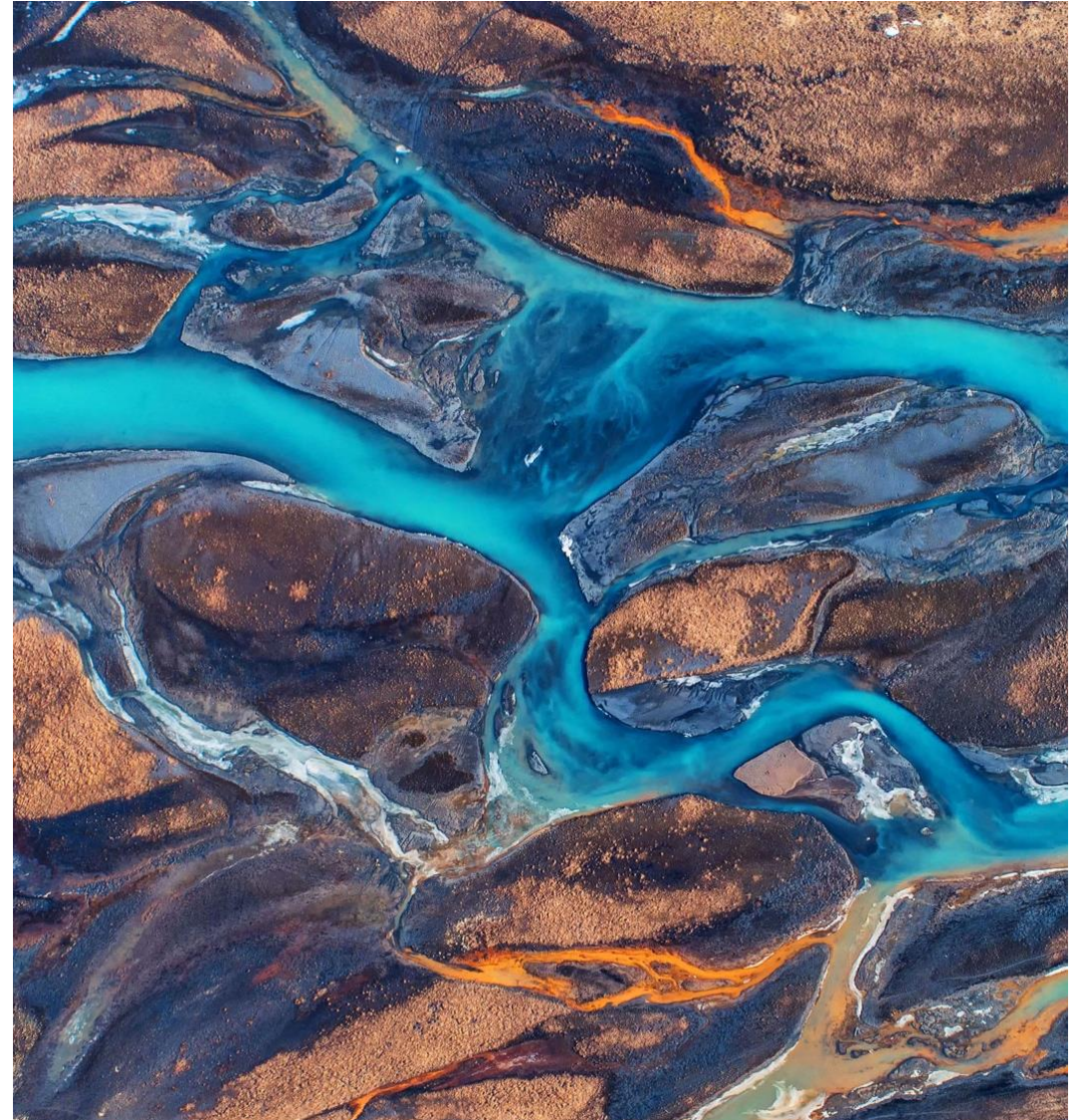


Builds on concepts from the **Integrated Reporting Framework**

Supporting S1 application

To support those using its standards, the ISSB will provide further guidance on how to:

- Implement materiality judgements and identify sustainability-related risks and opportunities
- Disclose industry-specific metrics if a company spans multiple industries
- Disclose current and anticipated financial effects
- Revise comparative information to reflect updated estimates
- Disclose judgements, assumptions and estimates



Both S1 and S2 recognise the value of industry-specific sustainability disclosures

- S1 requires companies to consider SASB industry standards, in the absence of an ISSB Standard, to identify sustainability risks or opportunities and disclosures
- S2 requires industry-specific disclosures and provides illustrative climate-related metrics from SASB industry standards.



S2: Climate

S2: Scope 3 GHG emissions

Reliefs and support



Relief:

Temporary exemption from this disclosure when first applying S2



Relief:

Permission to include information obtained from companies in the value chain with a different reporting cycle



Relief:

Use of reasonable and supportable information available without undue cost or effort



Guidance:

Framework for Scope 3 measurement that incorporates use of estimation



We recognise that companies need help, as best practice develops, in measuring Scope 3 GHG emissions. These reliefs and guidance provide companies with time to get their processes in place, and the guidance to support this disclosure.

Sue Lloyd
Vice-Chair, ISSB

S2: Climate-related scenario analysis

Companies will need to use climate-related scenario analysis when reporting on climate resilience



S2 includes application guidance on how to undertake scenario analysis

Building on TCFD materials

The guidance requires:

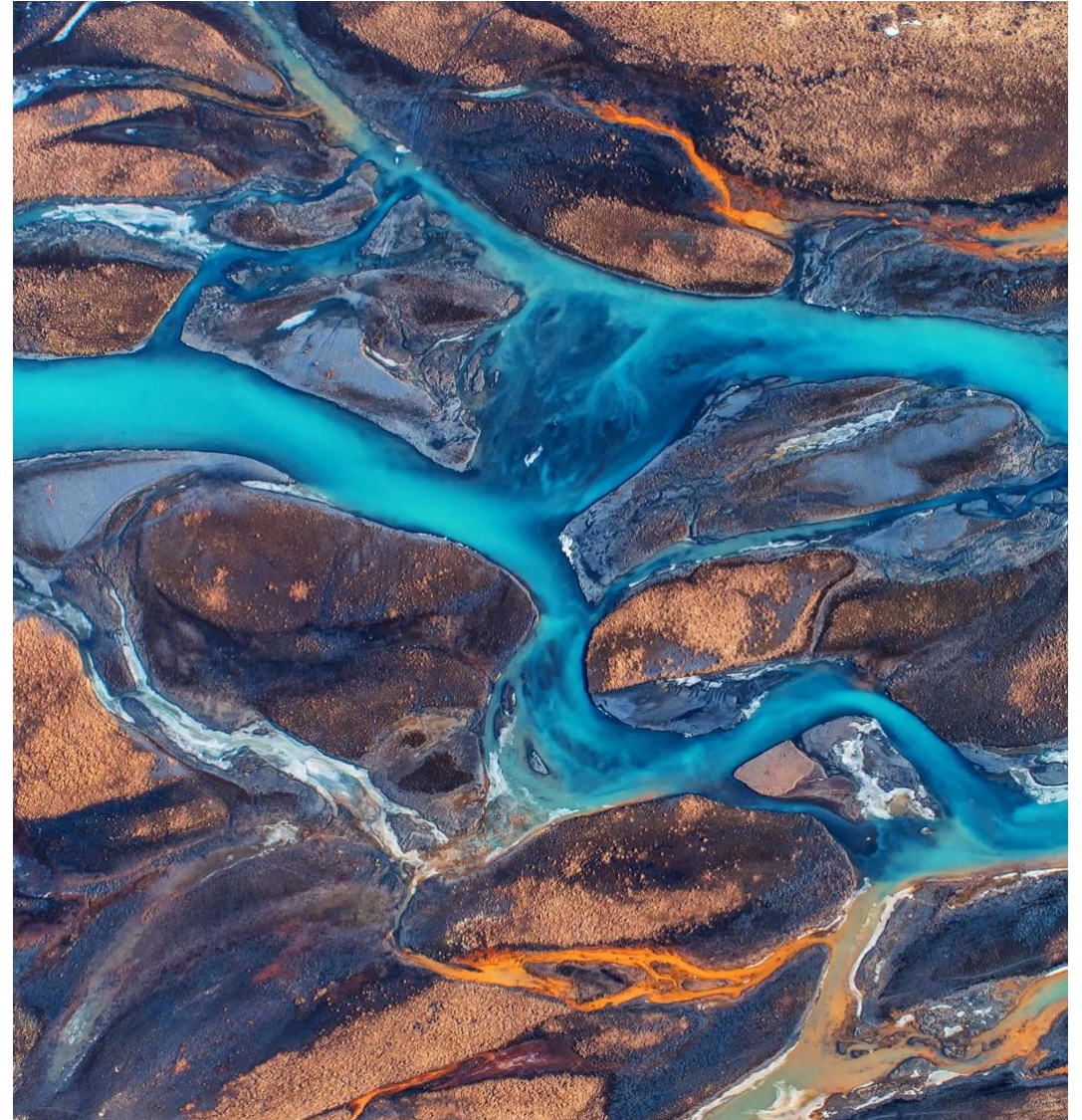
- a method of climate-related scenario analysis **commensurate** with a company's circumstances
- consideration of the **degree of the company's exposure** to climate-related risks and opportunities
- the use of **reasonable and supportable information** that is available at the reporting date without **undue cost or effort**
- consideration of **skills, resources and capabilities** available to the company.

Companies may consider publicly available, off-the-shelf scenarios most relevant to their circumstances and most likely to support disclosure.

S2 application support

To support those using its standards, the ISSB will provide guidance, education materials or illustrative examples on:

- Scenario analysis, using TCFD Guidance
- Industry-based climate disclosure, drawing on SASB Standards
- How to identify relevant sustainability-related risks and opportunities in the value chain, using Scope 3 GHG emissions as an example.
- Scope 3 GHG emission measurement
- Disaggregation of Scope 1-2 GHG emissions by consolidated accounting group and unconsolidated investees
- Potential disaggregation of GHG emissions by greenhouse gas (eg methane)

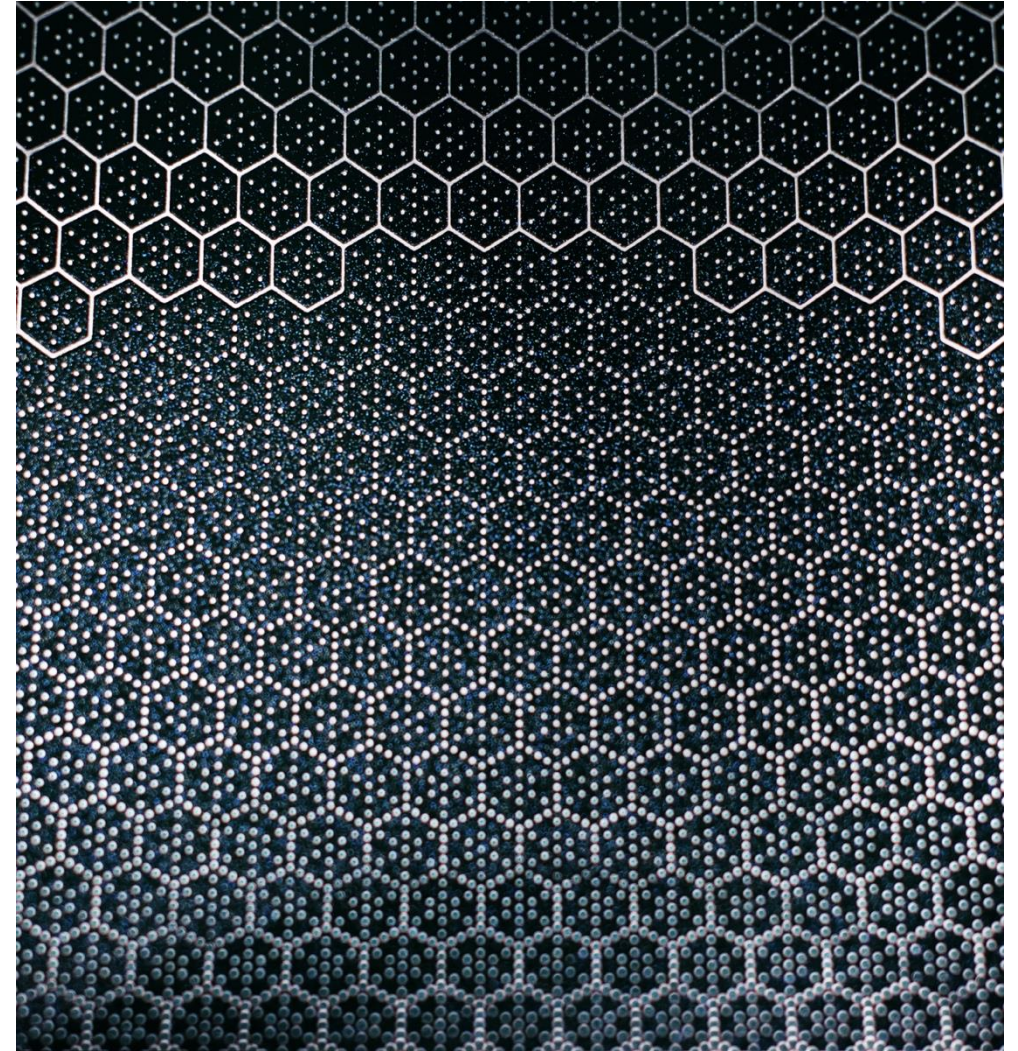


Towards adoption



Mechanisms that support application

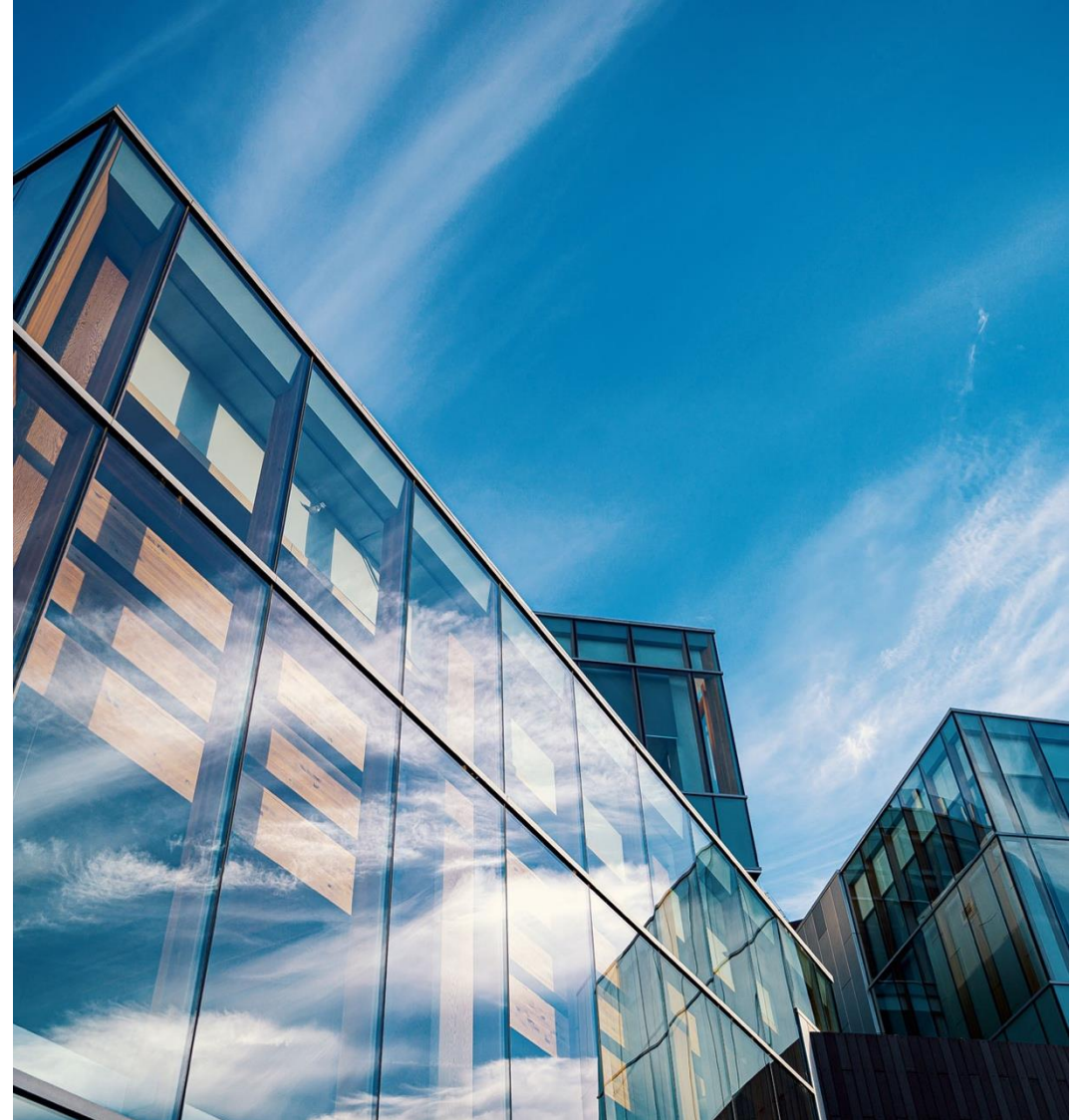
- Use of well-known **terminology and concepts**
- Provides **transitional reliefs**
- Proportionality:
 - the instruction to **use reasonable and supportable** information that is available without **undue cost or effort**
 - consideration of a company's **skills, capabilities and resources**
- Provides:
 - **guidance** within the Standards and educational materials
 - **sources of guidance** to identify sustainability-related risks and opportunities, and metrics
 - other clarifications, such as permitting **qualitative** scenario analysis and qualitative information on financial effects (rather than quantitative)
- Focussed exemption for competitive advantage concerns



Reliefs for first year of application

- provide disclosures about sustainability-related risks and opportunities beyond climate-related information
- Timing of reporting
- Scope 3 disclosure
- Applying Greenhouse Gas Protocol (in specific circumstances)
- Comparative reporting*

**companies that only report on climate-related risks and opportunities in the first year need not provide comparative information about their sustainability-related risks and opportunities beyond climate in their second year.*



When to start to provide the disclosures in S1 and S2?

- **Effective** for annual reporting periods beginning on or after **1 January 2024**
- **Available for use before** that date to the extent a company applies both Standards at the same time
- If a company applies before 2024 it will **disclose that fact**
- **No** requirements to provide:
 - **interim** sustainability-related financial reporting
 - **comparative** information in the **first annual reporting period**
- One year **relief** to focus initial efforts on disclosure of climate-related risks and opportunities

Considerations in setting 2024 effective date



- Responding to investor demand
- Built on well-established standards and frameworks
- Transition reliefs
- Use of information that is reasonable and supportable and is available without undue cost or effort
- Committed to capacity building and providing guidance
- 18,000+ companies will collect data as required by S2 to disclose on the CDP platform for the 2024 financial year

ISSB priorities for 2023

Steps to deliver, strengthen and enhance adoption and application of IFRS S1 and IFRS S2:

- balloting process
- digital taxonomy
- capacity building
- regulatory adoption, working with IOSCO and jurisdictions
- voluntary application, working with companies and investors

Work to:

- enhance international applicability of SASB Standards
- research disclosures that highlight nature and social aspects of climate-related risks and opportunities in IFRS S2

Focus on:

- connections with financial statements
- interoperability with GRI Standards



Q2 Agenda consultation

Public consultation on four projects to further understand standard-setting priorities:

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- integration in reporting



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