



IFRS® Foundation

Agenda Paper 3

ISSB's proposed IFRS® Sustainability Disclosure Standards

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IFRS Advisory Council
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Topics

Background

Progress since COP26

Exposure Draft 1 – General Requirements

Exposure Draft 2 – Climate

How to get involved

Next steps

ISSB focus



Develop standards for global baseline of sustainability disclosures and a digital taxonomy to enable electronic tagging of disclosures



Focus on meeting the information needs of investors



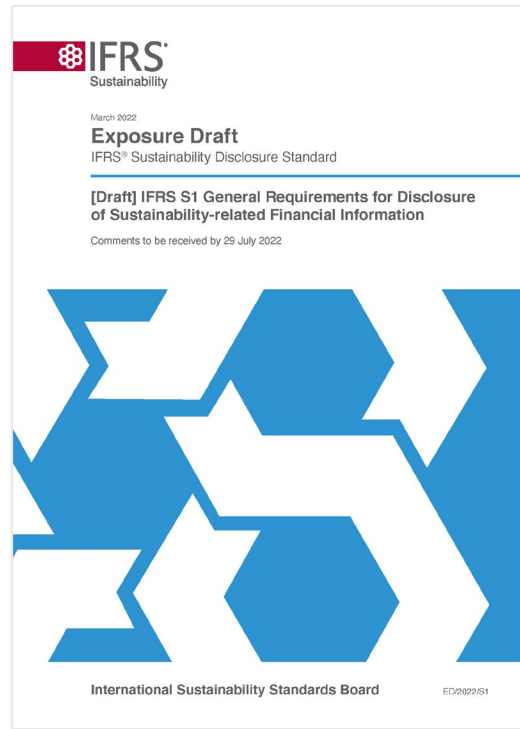
Will enable companies to provide comprehensive sustainability information for the global capital markets



Building blocks approach: facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders

Two proposed IFRS Sustainability Disclosure Standards

1



General Requirements
Exposure Draft

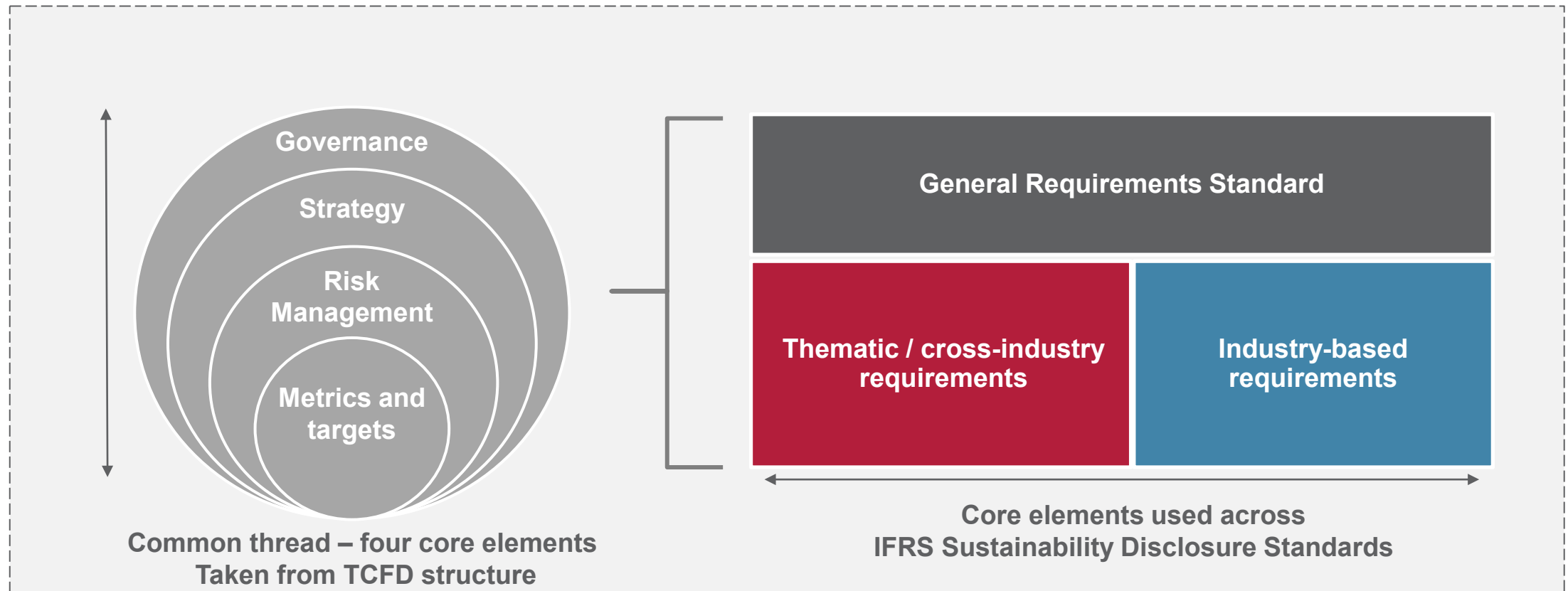
2



Climate
Exposure Draft

Standards architecture

Focus on investor audience and enterprise value

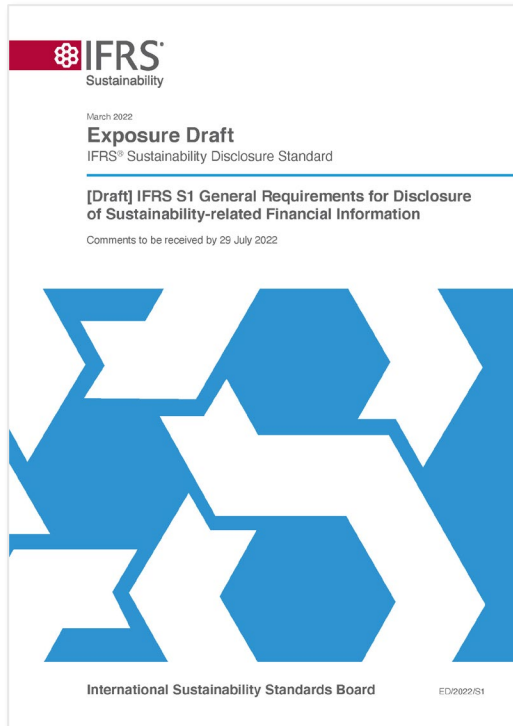




General Requirements Exposure Draft

1

General Requirements Exposure Draft



Requires companies to provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value

- Other IFRS Sustainability Disclosure Standards (eg Climate Standard) set out specific disclosures
- Points to other standards and frameworks in absence of a specific IFRS Sustainability Disclosure Standard
- Equivalent to IFRS Accounting Standards IAS 1 and IAS 8

Structure consistent with TCFD recommendations

Governance

The governance processes, controls and procedures a reporting entity uses to monitor sustainability-related risks and opportunities.

Strategy

The sustainability-related risks and opportunities that could enhance the entity's business model and strategy over the short, medium and long term.

Risk management

How sustainability-related risks are identified, assessed, managed and mitigated.

Metrics and targets

Information used to manage and monitor the entity's performance in relation to sustainability-related risks and opportunities over time.

The Exposure Drafts – building on CDSB & SASB

Exposure drafts	CDSB	SASB
General Requirements Exposure Draft	<ul style="list-style-type: none"> • CDSB Framework application guidance used to assist in the selection of specific water- and biodiversity-related financial disclosures in the absence of specific IFRS requirements • Illustrative guidance booklet illustrates use CDSB materials • ‘Connected information’ and ‘location of information’ built from the CDSB Framework’s guiding principles 	<ul style="list-style-type: none"> • SASB Standards disclosure topics used to identify sustainability-related risks and opportunities • SASB Standards used to select metrics in the absence of specific IFRS requirements • Illustrative Guidance shows use of SASB Standards • Proposed disclosure of which SASB industry classification(s) a company has used

Key features



Emphasises need for consistency and connections between financial statements and sustainability reporting by requiring companies to

- explain linkages in information
- use consistent assumptions when relevant



Requires financial statements and sustainability disclosures to be published at the same time



Facilitates application in different jurisdictions by

- not specifying a particular location for sustainability information
- allowing additional information to be provided

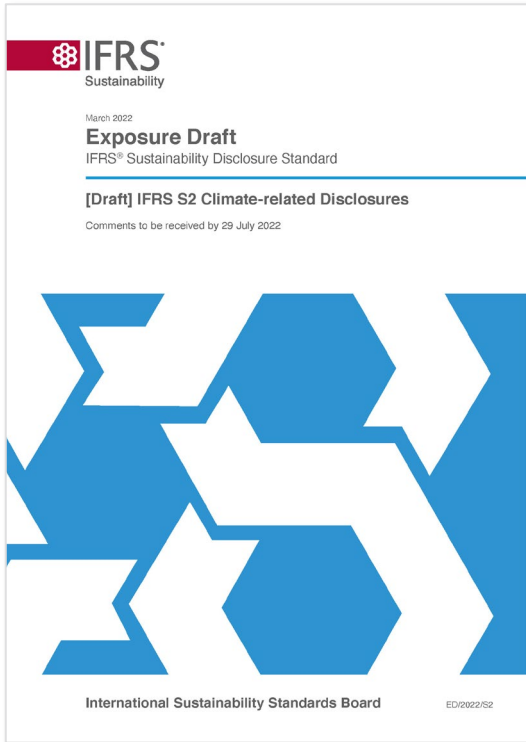
Information for the capital markets

- Information provided must 'enable an assessment of the effects of sustainability-related risks and opportunities on a company's enterprise value' (the market value of its equity and net debt)
- focus is on **significant** sustainability-related risks and opportunities
- information required includes the impacts of a company on people, the environment and the planet **if** they affect assessments of enterprise value
- requires information that is **material** for a company, ie that could reasonably be expected to influence decisions that investors would make (in this case, when assessing enterprise value)



Climate Exposure Draft

2 Climate Exposure Draft



Requirements for disclosure of material information about significant climate-related risks and opportunities

- Incorporates TCFD recommendations
- Includes SASB's climate-related industry-based requirements
- Requires disclosure of information about;
 - physical risks (eg flood risk)
 - transition risks (eg regulatory change)
 - climate-related opportunities (eg new technology)

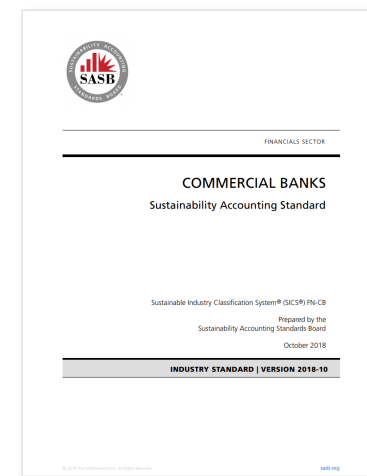
Requires information that enables investors to...

- determine the effects of climate-related risks and opportunities on the company's enterprise value
- understand the company's response to and strategy for managing its climate-related risks and opportunities
- evaluate the ability of the company to adapt its planning, business model and operations to climate-related risks and opportunities

Consistent with the General Requirements Exposure Draft

- focus is on significant climate-related risks and opportunities
- information provided must be material for assessments of enterprise value

Relation to TCFD recommendations and SASB Standards



- Consistent with TCFD**
- Governance
 - Strategy
 - Risk management
 - Cross-industry metrics and targets
 - Illustrative guidance



- Builds on SASB Standards**
- Industry-based disclosures in Appendix B derived from SASB Standards
 - Proposed changes to:
 - Internationalise metrics
 - Add financed emissions disclosures

Key features



Transition planning

Emissions targets and use of carbon offsets




Climate resilience

Resilience of business strategy in multiple scenarios



Scope 1-3 emissions

Requirement to disclose GHG emissions

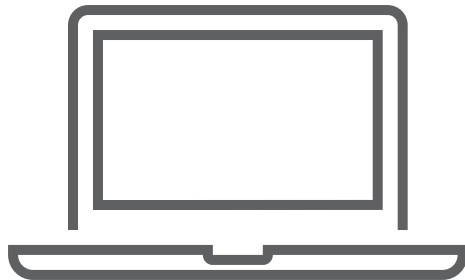
A grayscale world map is the background for the slide. Overlaid on the map are several thick, curved, light-gray lines that sweep across the continents. Additionally, there are several dotted lines that form a grid-like pattern across the map, intersecting the curved lines.

Call to action and next steps

Consultation package & communication materials

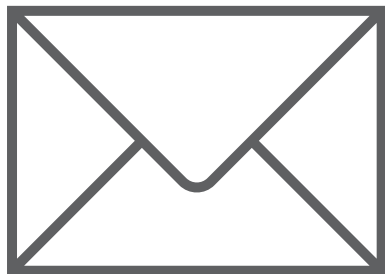
General Requirements Exposure Draft	Climate Exposure Draft	Other materials
<ul style="list-style-type: none"> • Draft Standard 	<ul style="list-style-type: none"> • Draft Standard <ul style="list-style-type: none"> - including Appendix B industry-based disclosure requirements 	<ul style="list-style-type: none"> • Press release
<ul style="list-style-type: none"> • Basis for Conclusions 	<ul style="list-style-type: none"> • Basis for Conclusions 	<ul style="list-style-type: none"> • Snapshot (high-level summary)
<ul style="list-style-type: none"> • Illustrative Guidance 	<ul style="list-style-type: none"> • Illustrative Guidance 	<ul style="list-style-type: none"> • Video
		<ul style="list-style-type: none"> • Comparison of Climate ED & TCFD
		<ul style="list-style-type: none"> • Comparison of TRWG prototypes and Exposure Drafts

How to comment on the proposals?



Survey

or



Comment letter

Visit:
ifrs.org/projects/open-for-comment/

Comments are published on ifrs.org

Next steps for the Exposure Drafts



* Dependent on feedback from the consultation

Other technical priorities

Taxonomy

Publish Taxonomy proposals to facilitate electronic tagging and presentation of disclosures

SASB Standards

Improve international applicability of the SASB Standards

Assume responsibility for SASB standards on consolidation of VRF

Work plan

Public consultation on future agenda, including

- Sustainability-related risks and opportunities the ISSB should prioritise
- Delivery plan for current SASB Standards projects

Call to action



Continue applying existing standards and frameworks



Respond to the ISSB's consultation and build capacity to engage in the ISSB's development of standards on an ongoing basis



Engage with relevant jurisdictions' consultations



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International Accounting Standards Board



International Sustainability Standards Board