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

Common thread – four core elements
Taken from TCFD structure

Governance
Strategy
Risk Management
Metrics and targets

General Requirements Standard

Thematic / cross-industry requirements
Industry-based requirements

Core elements used across IFRS Sustainability Disclosure Standards
Requires companies to provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value

- Other IFRS Sustainability Disclosure Standards (e.g., 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

<table>
<thead>
<tr>
<th>Exposure drafts</th>
<th>CDSB</th>
<th>SASB</th>
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<tbody>
<tr>
<td>General</td>
<td>• 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</td>
<td>• SASB Standards disclosure topics used to identify sustainability-related risks and opportunities</td>
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<tr>
<td>Requirements</td>
<td>• Illustrative guidance booklet illustrates use CDSB materials</td>
<td>• SASB Standards used to select metrics in the absence of specific IFRS requirements</td>
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<tr>
<td>Exposure Draft</td>
<td>• ‘Connected information’ and ‘location of information’ built from the CDSB Framework’s guiding principles</td>
<td>• Illustrative Guidance shows use of SASB Standards</td>
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<td>• Proposed disclosure of which SASB industry classification(s) a company has used</td>
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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, i.e., that could reasonably be expected to influence decisions that investors would make (in this case, when assessing enterprise value)
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 (e.g., flood risk)
  - transition risks (e.g., regulatory change)
  - climate-related opportunities (e.g., 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
Call to action and next steps
## Consultation package & communication materials

<table>
<thead>
<tr>
<th>General Requirements Exposure Draft</th>
<th>Climate Exposure Draft</th>
<th>Other materials</th>
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<tbody>
<tr>
<td>• Draft Standard</td>
<td>• Draft Standard</td>
<td>• Press release</td>
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<tr>
<td>- including Appendix B industry-</td>
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<td>based disclosure requirements</td>
<td>B industry-based</td>
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<tr>
<td>• Basis for Conclusions</td>
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<td>• Snapshot (high-level summary)</td>
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<td>• Illustrative Guidance</td>
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<td>• Comparison of Climate ED &amp; TCFD</td>
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<td>• Comparison of TRWG prototypes and Exposure Drafts</td>
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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

- **31 Mar**: Proposals published
- **Apr-Jul**: Consultation and outreach
- **29 Jul**: Consultation closes
- **Aug-Dec**: Consultation feedback analysis
- **End 2022**: Issue Standards *

- ISSB deliberations
- Refine and finalise Standards

* Dependent on feedback from the consultation
## Other technical priorities

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<th>Taxonomy</th>
<th>SASB Standards</th>
<th>Work plan</th>
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| Publish Taxonomy proposals to facilitate electronic tagging and presentation of disclosures | Improve international applicability of the SASB Standards  
Assume responsibility for SASB standards on consolidation of VRF | 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
- Sign up for alerts – ifrs.org/dashboard