



IFRS® Foundation

ISSB's proposed IFRS® Sustainability Disclosure Standards

Islamic Finance Consultative Group Meeting

Agenda Paper 2 (meeting presentation)

May 2022

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Agenda

Background to ISSB & Progress since COP26

Exposure Draft – General Requirements & Climate

How to get involved

Q&A



Background & Progress since COP26

About the IFRS Foundation

Our organisation

- Not-for-profit, public interest organisation
- Three-tier governance model
 1. Monitoring Board (oversight)
 2. Trustees (governance & strategy)
 3. IASB + ISSB (standards)
- Extensive, inclusive due process

Our mission

Develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world

IFRS Accounting Standards

Required for use by more than 140 jurisdictions around the world

Consequences of multiple standards

Myriad requirements (alphabet soup)



Costly and complex reporting

Multiple, voluntary standards



Difficult to benchmark performance, limits transparency

Different requirements by different jurisdictions



Limited global consistency or comparability

Lack of capital market rigour (not mandated, not audited, lack of digital reporting)



Diminished confidence and trust in information

COP26 / ISSB announcement



1. **Establish** International Sustainability Standards Board (ISSB)
2. **Consolidate** Climate Disclosure Standards Board and Value Reporting Foundation (IIRC and SASB)
3. **Publish** general disclosure and climate prototypes as a **precursor** to ISSB proposals (exposure drafts)

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

International Sustainability Standards Board

Full complement



Emmanuel Faber
Chair



Sue Lloyd
Vice-Chair

+ 6
members

+ 6
members

Quorum

Significant progress since COP26

COP26 announcement	Developments since COP26	Current focus
1. Establish ISSB	<ul style="list-style-type: none"> • Leadership appointments <ul style="list-style-type: none"> • Emmanuel Faber (Chair) • Sue Lloyd (Vice-Chair) • Janine Guillot (Special Advisor) • Multi-location model <ul style="list-style-type: none"> • MoU with Frankfurt, interim office in place • MOU with Montreal signed 	<ul style="list-style-type: none"> • Appointments <ul style="list-style-type: none"> • Recruiting remaining ISSB members • Multi-location model <ul style="list-style-type: none"> • Finalise arrangements for Asia-Oceania presence • Appoint advisory groups
2. Consolidate or align with other initiatives	<ul style="list-style-type: none"> • CDSB consolidation completed (Jan 2022) • GRI cooperation agreement (MoU) to ensure compatibility between standards 	<ul style="list-style-type: none"> • Preparing for VRF consolidation (June 2022)
3. Publication of prototypes	<ul style="list-style-type: none"> • Published proposals for inaugural IFRS Sustainability Disclosure Standards 	<ul style="list-style-type: none"> • Outreach and consultation

Building blocks approach

Sustainability reporting (broader multi-stakeholder focus)

Reporting on all sustainability matters that reflect significant positive or negative impacts on people, the environment and the economy

Sustainability-related financial disclosures (investor focus)

Reporting on those sustainability-related matters that may reasonably create or erode enterprise value over the short, medium and long term

ISSB

Financial reporting (investor focus)

Reflected in monetary amounts in the financial statements

IASB (140+ countries)

Other GAAP (eg FASB)

Integrated Reporting

Seeking compatibility between IFRS Sustainability Disclosure Standards and GRI Standards

Announcement of intent to collaborate

IFRS Foundation and GRI announced Memorandum of Understanding on 24 March 2022

First step

ISSB and GRI join each other's consultative bodies related to sustainability reporting activities

Future work plan

Align, where possible, terminology, standards structure and metrics, helping to reduce the reporting burden for companies

ISSB establishes working group to enhance compatibility

Press release 27th April

27 April 2022

ISSB establishes working group to enhance compatibility between global baseline and jurisdictional initiatives

The International Sustainability Standards Board (ISSB) today announced the formation of a working group of jurisdictional representatives to establish dialogue for enhanced compatibility between the ISSB's **exposure drafts that are currently open for comment** and ongoing jurisdictional initiatives on sustainability disclosures. The formation of the working group is part of an extensive programme of outreach activity designed to encourage feedback on and engagement with the ISSB's consultation from all jurisdictions and stakeholder groups.

The ISSB's mission is to deliver a high-quality global baseline of sustainability disclosures, which includes an initial focus on detailed climate requirements. The global baseline addresses the needs of capital market participants around the world and can be directly used on a voluntary basis by market participants or incorporated into jurisdictional mandatory requirements (which might also serve broader public policy or multistakeholder needs). The ISSB will operate in an inclusive manner in this mission.

Related information

[International Sustainability Standards Board](#)

Followable tags

Sustainability disclosure standards

“The working group will discuss compatibility of those initiatives to establish how the global baseline can contribute to optimising reporting efficiency for companies in those jurisdictions and how those jurisdictions can build upon the global baseline according to their needs.”

Members of the working group are:

- the Chinese Ministry of Finance
- the European Commission
- the European Financial Reporting Advisory Group
- the Japanese Financial Services Authority
- the Sustainability Standards Board of Japan Preparation Committee
- the United Kingdom Financial Conduct Authority
- the US Securities and Exchange Commission



Exposure Drafts

Recognised due process

- ISSB's due process aligned with IASB
 - Limited exception for initial documents with oversight by DPOC
 - Will consider any necessary adjustments in due course

- Process built on three principles



Transparency

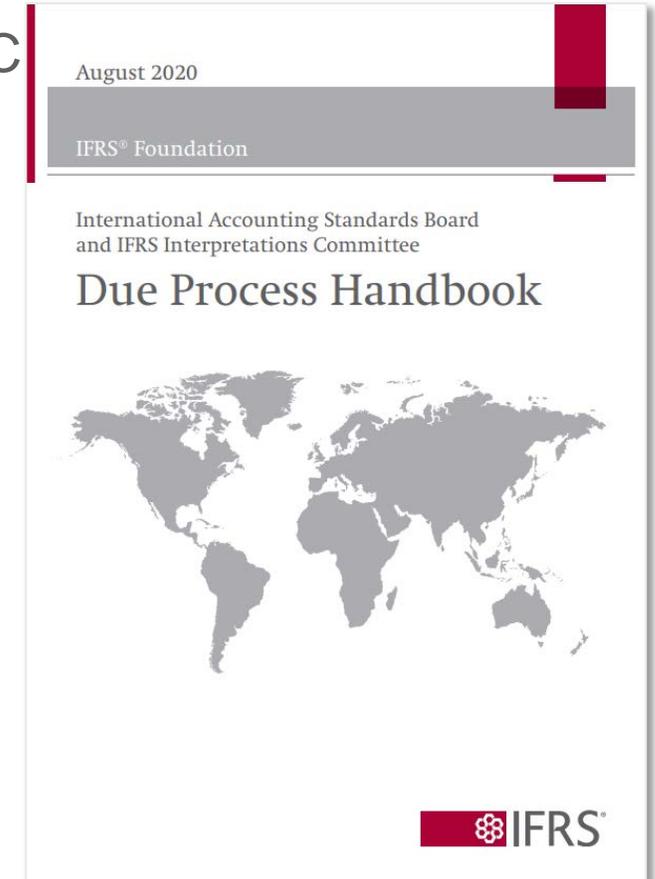


Full and fair consultation



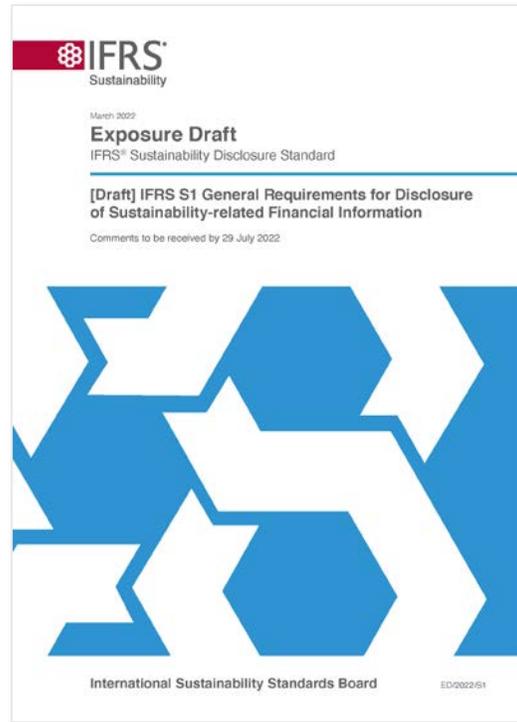
Accountability

- Process overseen by IFRS Foundation Trustees



Two proposed IFRS Sustainability Disclosure Standards

1



General Requirements
Exposure Draft

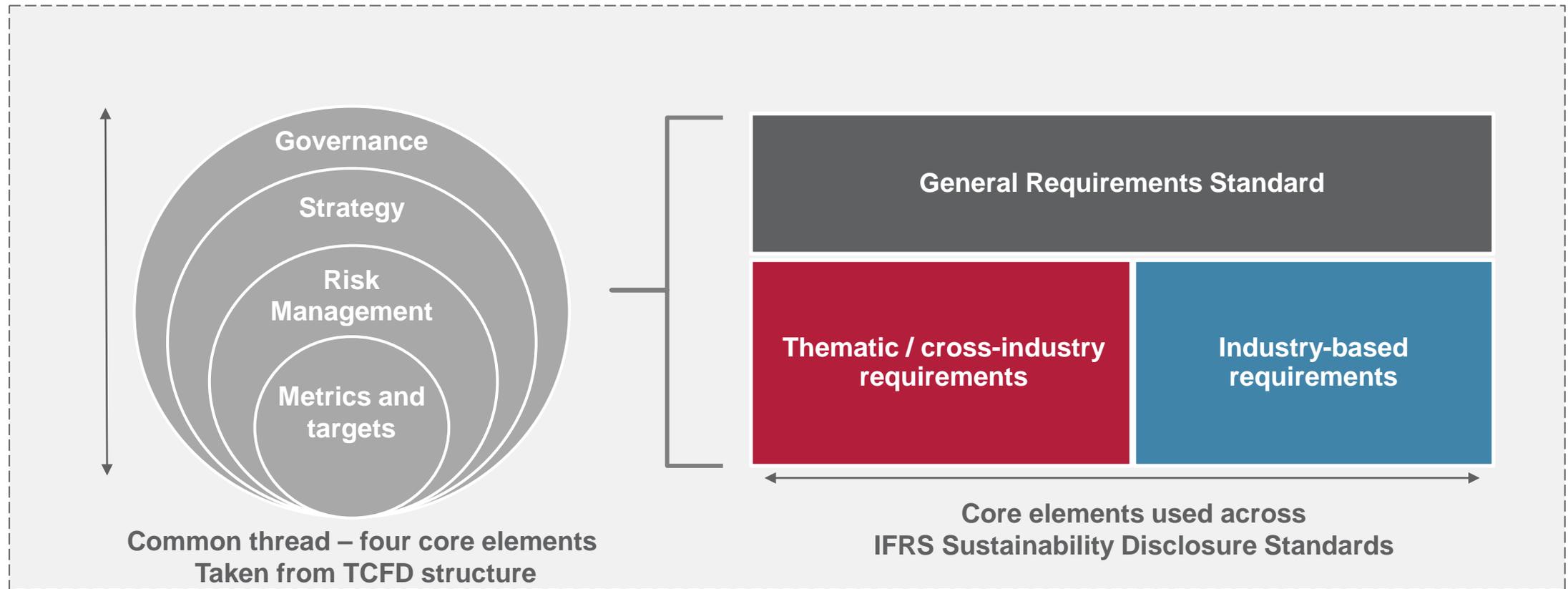
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Climate
Exposure Draft

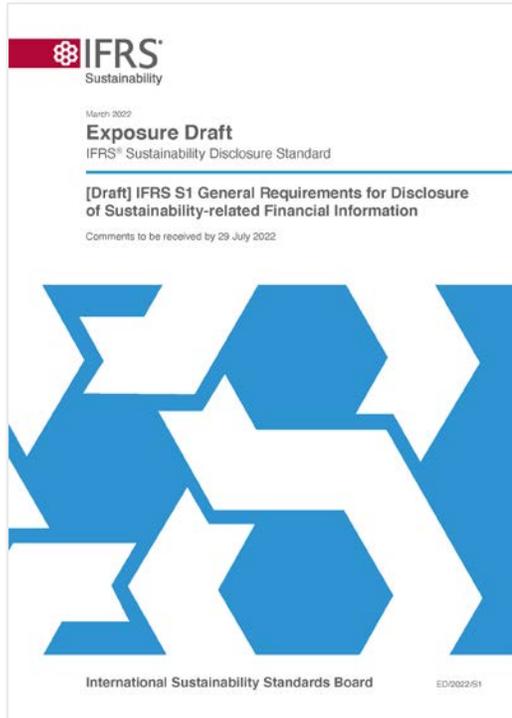
Standards architecture

Focus on investor audience and enterprise value



1

General Requirements Exposure Draft



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

- Equivalent to IFRS Accounting Standards IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Core content - consistent with TCFD recommendations

Governance

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

Strategy

How an entity's strategy addresses significant sustainability-related risks and opportunities.

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.

Identifying sustainability-related risks and opportunities and disclosures

General Requirements [Standard]

A company would be required to disclose material information about all significant sustainability-related risks and opportunities



Climate [Standard]

A company would apply the relevant IFRS Sustainability Disclosure Standards to identify climate-related risks and opportunities and disclosures



In lieu of a specific IFRS Sustainability Disclosure Standards, when identifying sustainability-related risks and opportunities and disclosures consider:

SASB Standards	CDSB Framework, CDSB Framework application guidance	Other standards	Other sources
Industry-based disclosure topics identified in SASB Standards	ISSB's non-mandatory guidance, e.g. CDSB Framework and CDSB Framework application guidance for social, water- and biodiversity-related disclosures	Other standards, provided that they are designed to meet the information needs of investors	Practices of peer companies in the same industries or geographies

Illustrative Guidance is provided to illustrate how a company can use the **SASB Standards** and the **CDSB Framework application guidance** to identify disclosures about significant sustainability-related risks and opportunities that are relevant to investor decision making, faithfully represent the company's risks and opportunities, and are neutral

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 **when** 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)

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



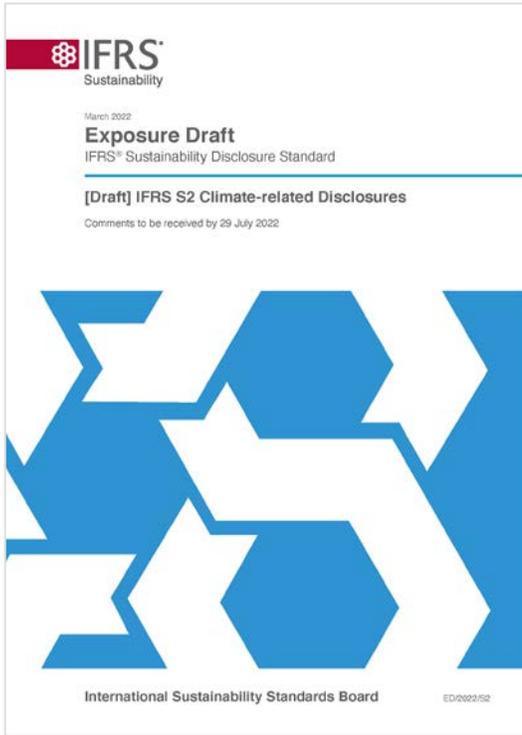
Requires financial statements and sustainability disclosures to be published at the same time



Facilitates application in different jurisdictions by

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

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)

IFRS Climate Exposure Draft relationship 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



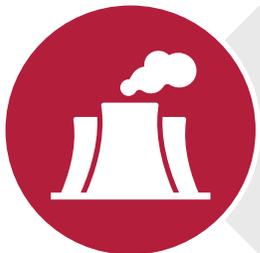
Transition planning

Emissions targets and use of carbon offsets



Climate resilience

Resilience of business strategy in multiple scenarios



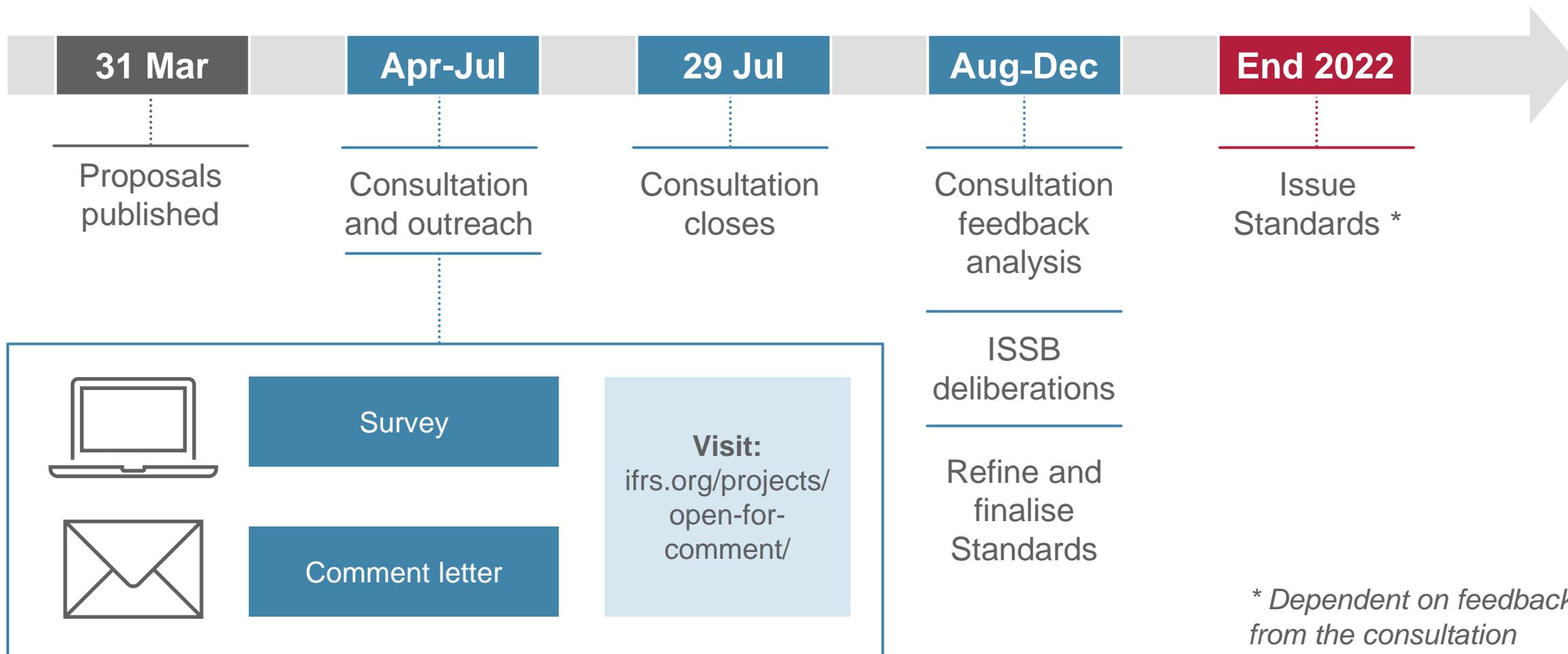
Scope 1-3 emissions

Requirement to disclose GHG emissions

A grayscale world map is the background. Overlaid on the left side are several concentric, curved lines that sweep across the map. Some of these lines are solid, while others are dotted. The overall aesthetic is clean and modern, suggesting global connectivity and technology.

How to get involved?

Next steps for the Exposure Drafts



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International Accounting Standards Board



International Sustainability Standards Board



Questions?