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## IFRS Taxonomy Consultative Group (ITCG) meeting

Date        **28 February 2023**

Project     **IFRS Sustainability Disclosure Taxonomy**

Topic       **General update**

Contacts    **Owen Jones** ([ojones@ifrs.org](mailto:ojones@ifrs.org))

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# IFRS Sustainability Disclosure Taxonomy update

## Changes driven by feedback:

- Removal of by-core content layout (4)
- Reflection of relationship between S1 and S2 (6-14)
- Review of narrative detail (16-18)

Questions 1-3 to ITCG members (19)

## Changes driven by redeliberations:

- Status of industry-based climate metrics (21-22)

Question 4 to ITCG members (23)

## Agenda paper 5 for this ITCG meeting

Facilitating use in jurisdictions that do not permit extensions.

## Next steps

- Next steps and planned timeline (25-26)

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## Changes driven by feedback



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# Removal of ‘by core content’ layout

Feedback, and our targeted market outreach, indicated that

- Few people felt that having two presentation layouts was particularly helpful
- The layout which followed the order of the standards was (much more) useful

Consequently, we have removed the additional, duplicative, ‘by core content’ groups.

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- [-] [200000] General Requirements for Disclosure of Sustainability-related Financial Information
  - [-] General requirements for disclosure of sustainability-related financial Information [Abstract]
    - [+] Governance [Abstract]
    - [+] Strategy [Abstract]
    - [+] Risk management [Abstract]
    - [+] Metrics and targets [Abstract]
    - [+] General features [Abstract]
- [-] [210000] Climate-related disclosures
  - [-] Climate-related disclosures [Abstract]
    - [+] Governance [Abstract]
    - [+] Strategy [Abstract]
    - [+] Risk management [Abstract]
    - [+] Metrics and targets [Abstract]
    - [+] Appendices [Abstract]
- ~~[-] [700000] Governance~~
- ~~[-] [710000] Strategy~~
- ~~[-] [720000] Risk management~~
- ~~[-] [730000] Metrics and targets~~
- [+] [805100] Industry Metrics - Consumer Goods - Apparel, Accessories & Footwear (CG-AA)
- [+] [805200] Industry Metrics - Consumer Goods - Appliance Manufacturing (CG-AM)
- [+] [805300] Industry Metrics - Consumer Goods - Building Products & Furnishings (CG-BF)
- [+] [805400] Industry Metrics - Consumer Goods - E-Commerce (CG-EC)
- [+] [805500] Industry Metrics - Consumer Goods - Household & Personal Products (CG-HP)
- [+] [805600] Industry Metrics - Consumer Goods - Multiline and Specialty Retailers & Distributors (CG-MR)

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# Relationship between S1 and S2

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## Relationship between S1 and S2

IFRS S1 asks for the disclosure of material information about **sustainability**-related financial risks and opportunities and sets out general reporting requirements, while **IFRS S2 is an application of IFRS S1 but specific to climate**, and consists of additional **specific** disclosures to supplement this by asking for material information specifically on **climate**-related financial disclosures (as per *Paragraph 2*).

Next steps include reinforcing this relationship between IFRS S1 and S2 and reflecting this through the ISSB Taxonomy Exposure Draft appropriately.



# Advantages / disadvantages of redesigning the relationship between S1 and S2





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Reflecting the relationship  
between S1 and S2





# Representation of S1 and S2 in the Staff Draft

S1 General requirements	
<b>IFRS S1</b>	<b>Governance [Abstract]</b>
IFRS S1.13(a)	Identity of body or individual within body responsible for oversight of <b>sustainability</b> -related risks and
IFRS S1.13(b)	Disclosure of how responsible body's responsibilities for <b>sustainability</b> -related risks and opportunities are
IFRS S1.13(c)	Disclosure of how responsible body ensures that appropriate skills and competencies are available to oversee
	...
	<b>Strategy and decision-making [Abstract]</b>
IFRS S1.21(a)	Disclosure of how entity is responding to significant sustainability-related risks and opportunities
IFRS S1.21(b)	Disclosure of quantitative and qualitative information about progress of plans disclosed in prior reporting
S2 Climate	
<b>IFRS S2</b>	<b>Governance [Abstract]</b>
IFRS S2.5(a)	Identity of body or individual within body responsible for oversight of <b>climate</b> -related risks and opportunities
IFRS S2.5(b)	Disclosure of how responsible body's responsibilities for <b>climate</b> -related risks and opportunities are reflected
IFRS S2.5(c)	Disclosure of how responsible body ensures that appropriate skills and competencies are available to oversee
	<b>Strategy and decision-making [Abstract]</b>
IFRS S2.13(a)	Disclosure of how entity is responding to significant <b>climate</b> -related risks and opportunities
IFRS S2.13(b)	Disclosure of information regarding climate-related targets
IFRS S2.13(b)(ii)	Amount of emission target to be achieved through emission reductions within value chain
IFRS S2.13(b)(iii)(1)	Disclosure of extent to which climate-related targets rely on use of carbon offsets [table]
IFRS S2.13(b)(iii)(3)	Carbon offset [Axis]
IFRS S2.13(b)(iii)(3)	Carbon offset [Domain]
	Line items
IFRS S2.13(b)(iii)(2)	Carbon offset will be subject to third-party offset verification or certification scheme [true false]
IFRS S2.13(b)(iii)(2)	Description of verification or certification scheme(s) to which carbon offset will be subject
IFRS S2.13(b)(iii)(3)	Description of type of carbon offset
IFRS S2.13(b)(iii)(3)	Carbon offset will be nature-based or based on technological carbon removals
IFRS S2.13(b)(iii)(3)	Amount intended to be achieved is through carbon removal or emission avoidance
IFRS S2.13(c)	Disclosure of progress of plans for responding to significant <b>climate</b> -related risks and opportunities

## IFRS S2 is an application of IFRS S1 but specific to climate

The staff draft taxonomy included:

- lots of separate, but parallel headings (yellow rows) and elements (white rows), largely text blocks, for 'Sustainability' and 'Climate' disclosures
- some elements for disclosures that are only in the climate section (blue rows)

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## Integration of **common** disclosure elements

In the staff draft, we explored either modelling these disclosures

- as separate line items for climate and sustainability; or
- as combined line items and using a dimension to distinguish ‘climate’ from ‘sustainability’ versions.

Both options would require separate tagging of ‘climate’ and ‘sustainability’ versions of each disclosure.

For a preparer who provided closely integrated disclosures, this could lead to a need to ‘double tag’ (or triple/quadruple etc. in future) pieces of text.

Emphasising **IFRS S2 is an application of IFRS S1 but specific to climate**, rather than as a repetition of S2 on the topic of climate, leads to a third option.

We are considering providing only the ‘sustainability’ line items, with no mechanism for/expectation of distinguishing ‘climate’ disclosures.

For a preparer who provides closely integrated disclosures (ie one chunk of text covering ‘sustainability’ and ‘climate’ together), they would simply tag that chunk once.

Preparers who provide separate disclosure on general ‘sustainability’ and ‘climate’ specifically would tag the two parts together using the one element (via an XBRL continuation).

# Integration of disclosures elements - example

Parallel text blocks for 'Sustainability' and 'Climate'

S1 General requirements	
<b>IFRS S1</b>	<b>Governance [Abstract]</b>
IFRS S1.13(a)	Identity of body or individual within body responsible for oversight of <b>sustainability</b> -related risks and
IFRS S1.13(b)	Disclosure of how responsible body's responsibilities for <b>sustainability</b> -related risks and opportunities are
IFRS S1.13(c)	Disclosure of how responsible body ensures that appropriate skills and competencies are available to oversee
	...
	<b>Strategy and decision-making [Abstract]</b>
IFRS S1.21(a)	Disclosure of how entity is responding to significant sustainability-related risks and opportunities
IFRS S1.21(b)	Disclosure of quantitative and qualitative information about progress of plans disclosed in prior reporting
S2 Climate	
<b>IFRS S2</b>	<b>Governance [Abstract]</b>
IFRS S2.5(a)	Identity of body or individual within body responsible for oversight of <b>climate</b> -related risks and opportunities
IFRS S2.5(b)	Disclosure of how responsible body's responsibilities for <b>climate</b> -related risks and opportunities are reflected
IFRS S2.5(c)	Disclosure of how responsible body ensures that appropriate skills and competencies are available to oversee
	<b>Strategy and decision-making [Abstract]</b>
IFRS S2.13(a)	Disclosure of how entity is responding to significant <b>climate</b> -related risks and opportunities
IFRS S2.13(b)	Disclosure of information regarding climate-related targets
IFRS S2.13(b)(ii)	Amount of emission target to be achieved through emission reductions within value chain
IFRS S2.13(b)(iii)(1)	Disclosure of extent to which climate-related targets rely on use of carbon offsets [table]
IFRS S2.13(b)(iii)(3)	Carbon offset [Axis]
IFRS S2.13(b)(iii)(3)	Carbon offset [Domain]
	Line items
IFRS S2.13(b)(iii)(2)	Carbon offset will be subject to third-party offset verification or certification scheme [true false]
IFRS S2.13(b)(iii)(2)	Description of verification or certification scheme(s) to which carbon offset will be subject
IFRS S2.13(b)(iii)(3)	Description of type of carbon offset
IFRS S2.13(b)(iii)(3)	Carbon offset will be nature-based or based on technological carbon removals
IFRS S2.13(b)(iii)(3)	Amount intended to be achieved is through carbon removal or emission avoidance
IFRS S2.13(c)	Disclosure of progress of plans for responding to significant <b>climate</b> -related risks and opportunities

Single, shared, elements used for both

IFRS S1	Requirement	IFRS S2
	<b>Governance [Abstract]</b>	
IFRS S1.13(a)	Identity of body or individual within body responsible for oversight of <b>sustainability</b> -related risks and opportunities	IFRS S2.5(a)
IFRS S1.13(b)	Disclosure of how responsible body's responsibilities for <b>sustainability</b> -related risks and opportunities are reflected in entity's terms of reference, board mandates and other related policies	IFRS S2.5(b)
IFRS S1.13(c)	Disclosure of how responsible body ensures that appropriate skills and competencies are available to oversee strategies designed to respond to <b>sustainability</b> -related risks and opportunities	IFRS S2.5(c)
	<b>Strategy and decision-making [Abstract]</b>	
IFRS S1.21(a)	Disclosure of how entity is responding to significant <b>sustainability</b> -related risks and opportunities	IFRS S2.13(a)
	Disclosure of information regarding climate-related targets	IFRS S2.13(b)
	Amount of emission target to be achieved through emission reductions within value chain	IFRS S2.13(b)(ii)
	Disclosure of extent to which climate-related targets rely on use of carbon offsets [table]	IFRS S2.13(b)(iii)(1)
	Carbon offset [Axis]	IFRS S2.13(b)(iii)(3)
	Carbon offset [Domain]	IFRS S2.13(b)(iii)(3)
	Line items	
	Carbon offset will be subject to third-party offset verification or certification scheme [true false]	IFRS S2.13(b)(iii)(2)
	Description of verification or certification scheme(s) to which carbon offset will be subject	IFRS S2.13(b)(iii)(2)
	Description of type of carbon offset	IFRS S2.13(b)(iii)(3)
	Carbon offset will be nature-based or based on technological carbon removals	IFRS S2.13(b)(iii)(3)
	Amount intended to be achieved is through carbon removal or emission avoidance	IFRS S2.13(b)(iii)(3)
IFRS S1.21(b)	Disclosure of quantitative and qualitative information about progress of plans disclosed in prior reporting periods	IFRS S2.13(c)



Climate specific 'top-up' disclosure elements retained

## Effects of integration of **common** disclosure elements



Eases tagging of integrated disclosures (1 tag across general sustainability and all 'top-up' topics)



Eliminates confusion between very similarly named elements



Complicates identification of specific subject disclosure  
(no signal/searchability for e.g. **climate** governance vs **biodiversity** governance)

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# Integration of risk and opportunity breakdowns

Similarly, noting climate-related risks and opportunities as just the climate-related subset of sustainability risks and opportunities suggests another simplification.

The staff draft had two separate breakdown axes:

- Sustainability-related risk or opportunity [Axis]
- Climate-related risk or opportunity [Axis]

If all climate-related risks and opportunities are also sustainability-related risks and opportunities, the second axis is unnecessary.

We also received feedback that the naming of these axes was confusing (bringing to mind more a split between risk vs opportunity rather than the intended list of risks and opportunities)

So we suggest combining into one

**Sustainability-related risks and opportunities [Axis]**

# Integration of risk and opportunities breakdowns

Distinct entity-specific lists of ‘Sustainability’ and ‘Climate’ risks and opportunities

IFRS S1	
IFRS S1.22	Disclosure of financial effects for reporting period of significant <b>sustainability</b> -related risks and opportunities [table]
	<b>Sustainability</b> -related risk or opportunity [Axis]
	<b>Sustainability</b> -related risk or opportunity [Domain]
	line items
IFRS S1.22(a)	Disclosure of how significant <b>sustainability</b> -related risks and opportunities have affected entity's most recently reported financial position, financial performance and cash flows
IFRS S1.22(b)	Disclosure about <b>sustainability</b> -related risks and opportunities for which there is significant risk that there will be material adjustment to carrying amounts of assets and liabilities reported in financial statements within next financial year
IFRS S2	
IFRS S2.14	Disclosure of financial effects for reporting period of significant <b>climate</b> -related risks and opportunities [table]
	<b>Climate</b> -related risk or opportunity [Axis]
	<b>Climate</b> -related risk or opportunity [Domain]
	line items
IFRS S2.14(a)	Disclosure of how significant <b>climate</b> -related risks and opportunities have affected entity's most recently reported financial position, financial performance and cash flows
IFRS S2.14(b)	Disclosure about <b>climate</b> -related risks and opportunities for which there is significant risk that there will be material adjustment to carrying amounts of assets and liabilities reported in financial statements within next financial year

Single combined list for both

IFRS S1		IFRS S2
IFRS S1.22	Disclosure of financial effects for reporting period of significant sustainability-related risks and opportunities [table]	IFRS S2.14
	<b>Sustainability</b> -related risks and opportunities [Axis]	
	<b>Sustainability</b> -related risks and opportunities [Domain]	
	Line items	
IFRS S1.22(a)	Disclosure of how significant sustainability-related risks and opportunities have affected entity's most recently reported financial position, financial performance and cash flows	IFRS S2.14(a)
IFRS S1.22(b)	Disclosure about sustainability-related risks and opportunities for which there is significant risk that there will be material adjustment to carrying amounts of assets and liabilities reported in financial statements within next financial year	IFRS S2.14(b)



- Clarifies the overlap between S2 and S1: S2 as top-up
- Should we include (abstract) members for a skeleton topic tree structure on this axis (Sustainability as parent of Climate/Social/Biodiversity etc.) for entities to insert their entity specific members under?

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# Review of narrative detail

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# Review of narrative detail/granularity: Background

- The IFRS Taxonomy Team published the Staff Draft of the IFRS Sustainability Disclosure Taxonomy in May 2022.
  - One of the recommendations was to include elements for narrative information that were expected to be:
    - Separately understandable to users; and
    - Easily identified for tagging.
  - This resulted in 109 Text Block elements in the Staff Draft:
    - 53 for General disclosures
    - 56 for Climate-related disclosures
  - Most stakeholders agreed that the recommended granularity is a good starting point, however a few were concerned about the cost and complexity of tagging narrative information
  - Staff have thus undertaken an exercise on considering reducing the number of text blocks in the IFRS Sustainability Disclosure Taxonomy modelling.
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# Review of narrative detail/granularity: Methodology

1. Removing text blocks for overall disclosure objectives which are covered by sub-paragraphs, for example: IFRS S1.12 / IFRS S2.4, IFRS S1.14 / IFRS S2.7, IFRS S1.16 / IFRS S2.13, IFRS S1.21, IFRS S1.25 / IFRS S2.16, IFRS S1.27 / IFRS S2.19, IFRS S2.15

- *Example:*

IFRS S1	General requirements for disclosure of sustainability-related financial Information [Abstract]
IFRS S1	Governance [Abstract]
IFRS S1.12	<del>Disclosure of governance processes, controls and procedures used to monitor and manage sustainability-related risks and opportunities</del>
IFRS S1.13(a)	Identity of body or individual within body responsible for oversight of sustainability-related risks and opportunities
IFRS S1.13(b)	Disclosure of how responsible body's responsibilities for sustainability-related risks and opportunities are reflected in entity's terms of reference, board mandates and other related policies

- *Rationale: Removes text blocks at a very high level (such as “governance”) – considered likely to both cover far too large chunks of a report to be useful to users, and to add an unnecessary layer of double-tagging as all content will likely be tagged at more detailed level as well.*

2. Linking disclosures on time horizons with their related risks in one table.

# Review of narrative detail/granularity: Methodology

3. Removing sub-sub-level paragraphs. For example, removed IFRS S1.22(c)(iii) as this is covered by IFRS S1.22(c) – in order to disclose how financial position will change over time, it follows that this disclosure will include planned sources of funding

- *Example:*

S1.22c	Disclosure of how entity expects its financial position to change over time given its strategy to address significant sustainability-related risks and opportunities
S1.22c.ii	<del>Disclosure of planned sources of funding to implement entity's strategy to address significant sustainability-related risks and opportunities</del>
S1.22d	Disclosure of how entity expects its financial performance to change over time given its strategy to address significant sustainability-related risks and opportunities

- *Rationale: Simple text blocks within wider scoped text blocks necessarily imply nested tagging of text, which preparers indicated was awkward, and seem unlikely to add much user-value.*

4. Removing text blocks for climate-related disclosures that are identical to general sustainability-related disclosures (Covered as part of relationship between S1 and S2).

- **These changes would result in 68 text blocks (45 general and 23 climate)**

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# Questions



Question 1 (slide 4)—Do you support the removal of the ‘by core content’ layouts?



Question 2 (slides 6-14)—

- a) Do you support the direction of providing common elements for use for both S1 and S2 disclosures where these overlap?
- b) Do you have any thoughts, comments or considerations on this topic that the Taxonomy team should bear in mind?



Question 3 (slides 16-18)—

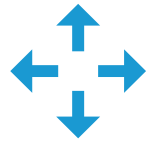
- a) Do you support the aim of reducing the number of narrative elements in the taxonomy? (16-17)
- b) Do you have any comments or suggestions on the proposed approaches to do so?

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## Changes driven by redeliberations



## S2: Relocation of climate industry-based disclosures



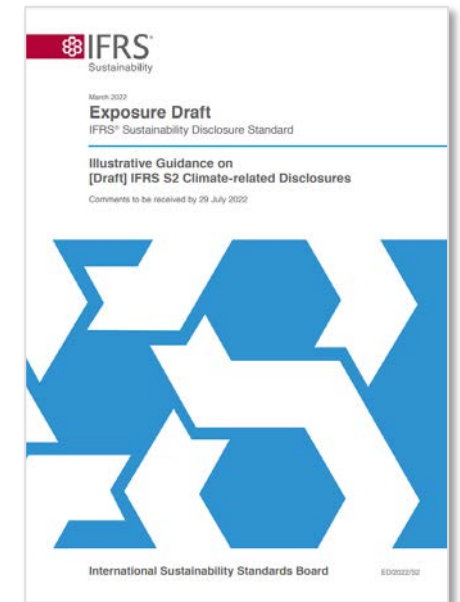
The climate industry-based disclosures will no longer be required to be provided. Entities will be required to provide industry-specific disclosures. These materials will become illustrative examples that an entity **SHALL REFER TO AND CONSIDER** in applying S2.



Whilst the industry-based disclosures will no longer be mandatory following the publication of IFRS S2, the ISSB is exploring ways to make these mandatory in the future to ensure consistent and comprehensive disclosure of climate-related financial information.



*The SASB industry-based requirements will be relocated from IFRS S2 Appendix B to Illustrative Guidance.*



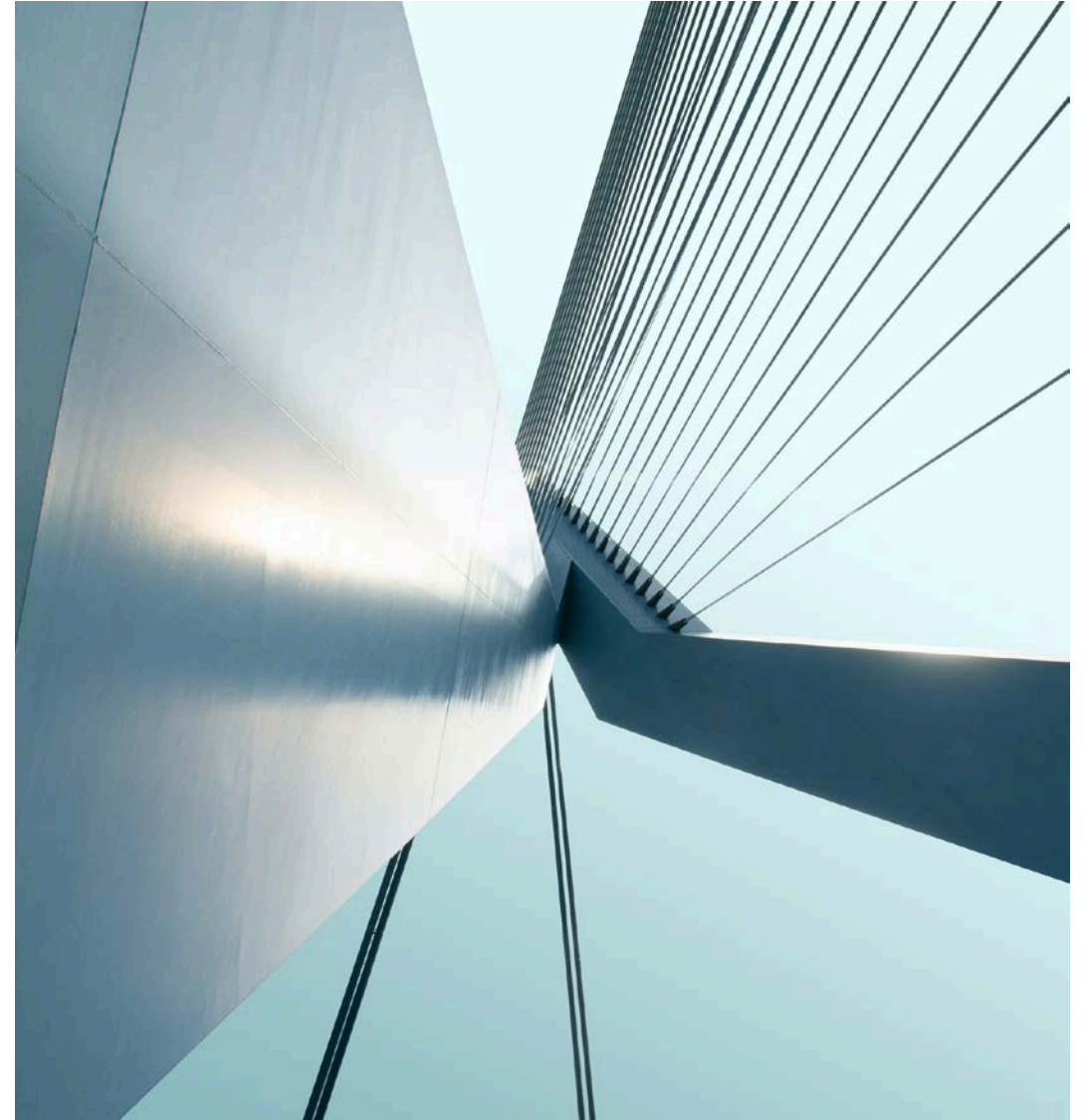
# Changes to industry metrics in Taxonomy



Largely a case of switching all references on the climate industry-based disclosures (old Appendix B) to ‘example’ from ‘disclosure’ roles. The disclosures will still be included in the IFRS Sustainability Disclosure Taxonomy in the same dedicated presentation groups because they will still be included in S2 (but now as illustrative examples) .



The financed emissions requirements, however, will be split out from the rest of the industry metrics **and included in the body of S2 as part of the required disclosures.** Therefore, these will retain ‘disclosure’ references and be located in new presentation groups.



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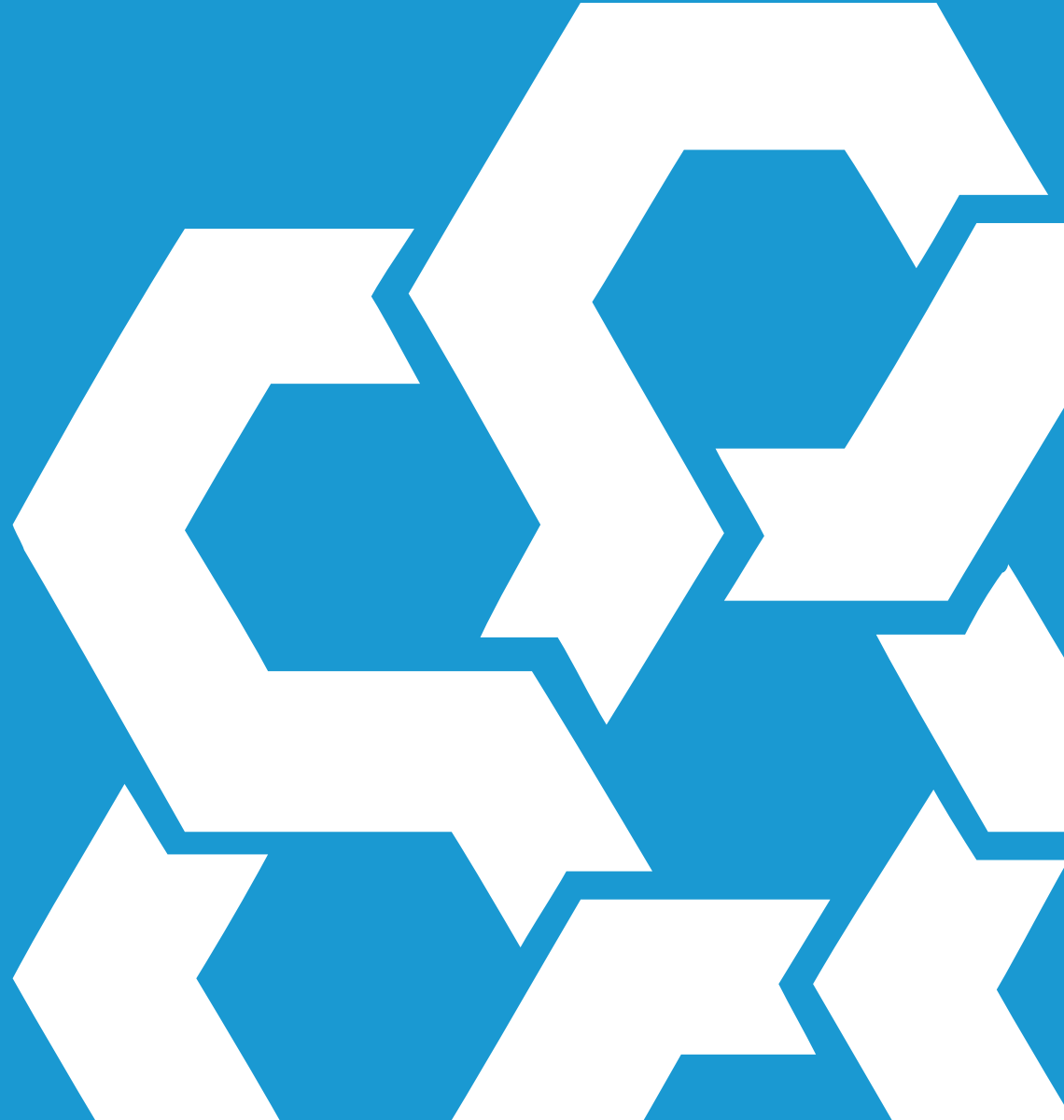
## Question



Question 4 (slides 21-22)—Do you have any thoughts, comments or considerations in on this topic that the Taxonomy team should bear in mind?

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## Next steps

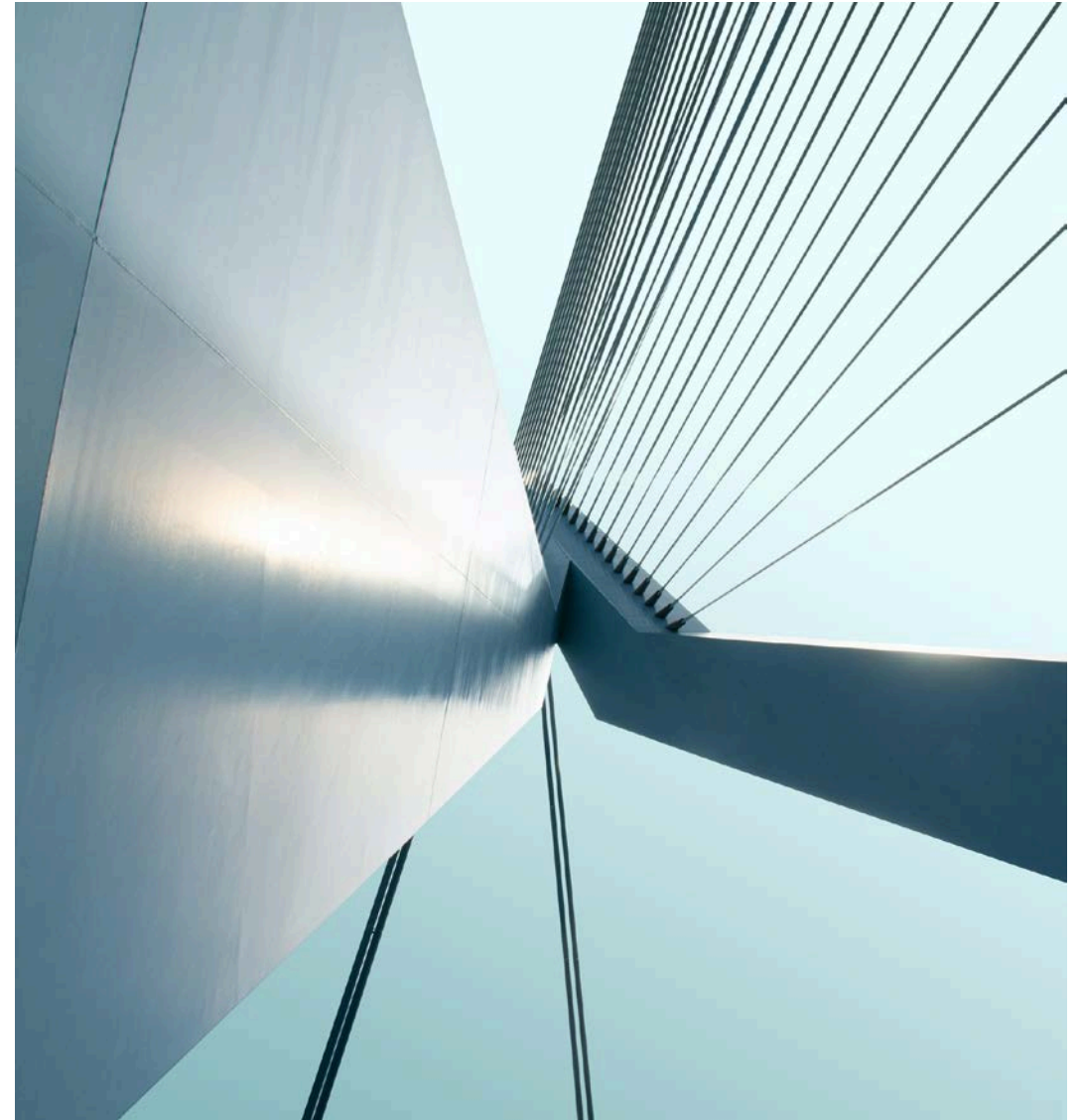




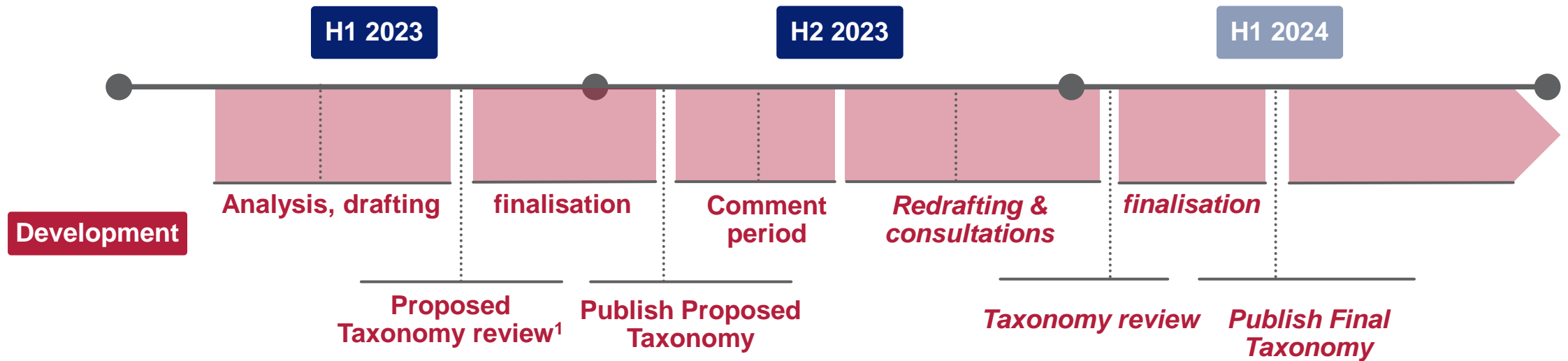
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# Priorities

- Targeting towards the end of Q2 to issue S1 and S2
- **Agenda consultation** on new areas of work in H1 2023
- **ISSB Taxonomy Exposure Draft (Proposed IFRS Sustainability Disclosures Taxonomy)** in H2 2023 [see next slide]



# Sustainability Disclosure Taxonomy – timeline



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