
ISSB Update

CMAC meeting Agenda Paper 1b March 2023

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Update on ISSB's activities



Priorities for 2023



Appendix - Update on redeliberations of proposals in Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Information*

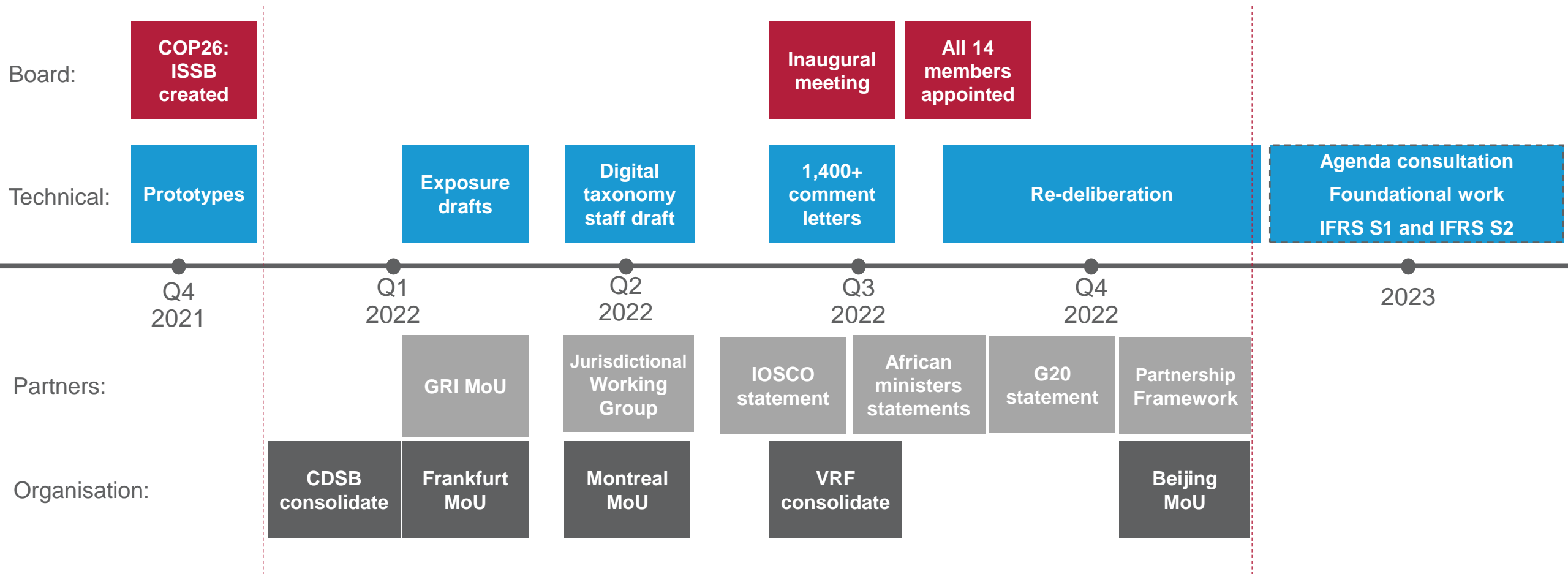


Appendix - Update on redeliberations of proposals in Exposure Draft IFRS S2 *Climate-related Disclosures*

Update on ISSB's activities



ISSB milestones



Projects in the ISSB work plan

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

IFRS S1 and IFRS S2

2023 path to issuing IFRS S1 and IFRS S2



ISSB members
took decisions
based on
consultation
feedback

Staff working to
ensure the
Standards and
guidance reflect
decisions made

‘Balloting’ – ISSB
members confirm
the Standards are
written accurately

Final editing,
translating,
digital tagging

**IFRS S1,
IFRS S2
issued
toward end
of Q2 2023**

When will companies start to provide the disclosures in IFRS S1 and IFRS 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**

Why 2024?

- Responding to investor demand
- Build on well-established standards and frameworks
- Transition reliefs available
- Use information that is reasonable and supportable and is available without undue cost or effort
- Many companies will collect data as required for IFRS S2 to disclose on the CDP platform for the 2024 financial year

When will companies report sustainability-related financial disclosures?

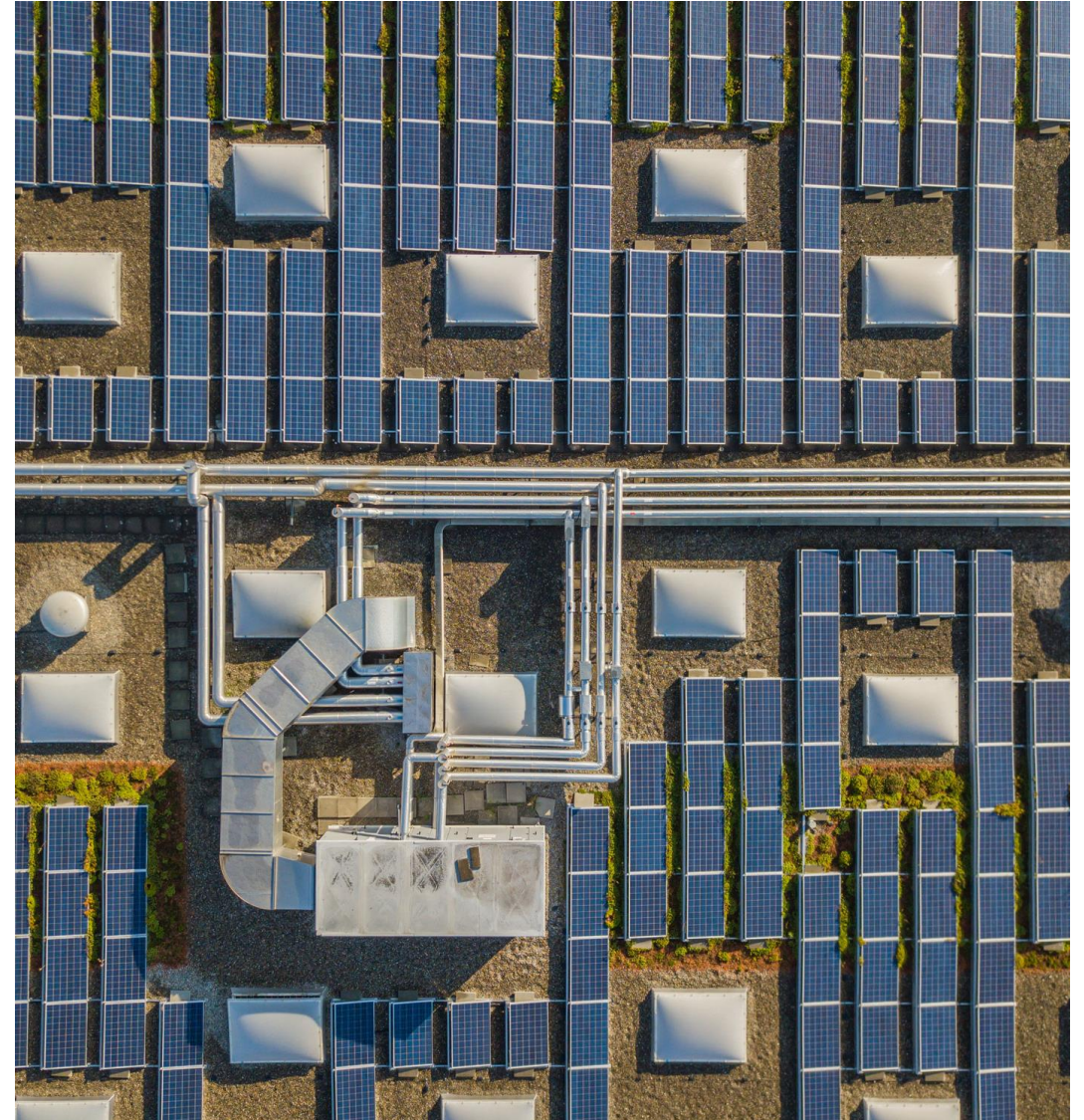
- At the same time as related financial statements
- However, a **transition relief available** for the first year of reporting

Company type*	Sustainability-related financial disclosures to be provided...	For example (assuming calendar year reporting)
Companies required to provide H1/Q2 earnings reporting	... at the same time as the next H1/Q2 earnings reporting	July 2025 (release of H1/Q2 earnings reporting)
Companies that voluntary provide H1/Q2 earnings reporting	... at the same time as the next H1/Q2 earnings reporting, but no later than nine months after the end of the annual reporting period	30 September 2025 at the latest (in connection with release of H1/Q2 earnings reporting)
Companies that do not provide H1/Q2 earnings reporting	... no later than nine months after the end of the annual reporting period	30 September 2025 at the latest

* requirements relating to earnings reporting vary by jurisdiction

Key ISSB's tentative decisions on IFRS S1

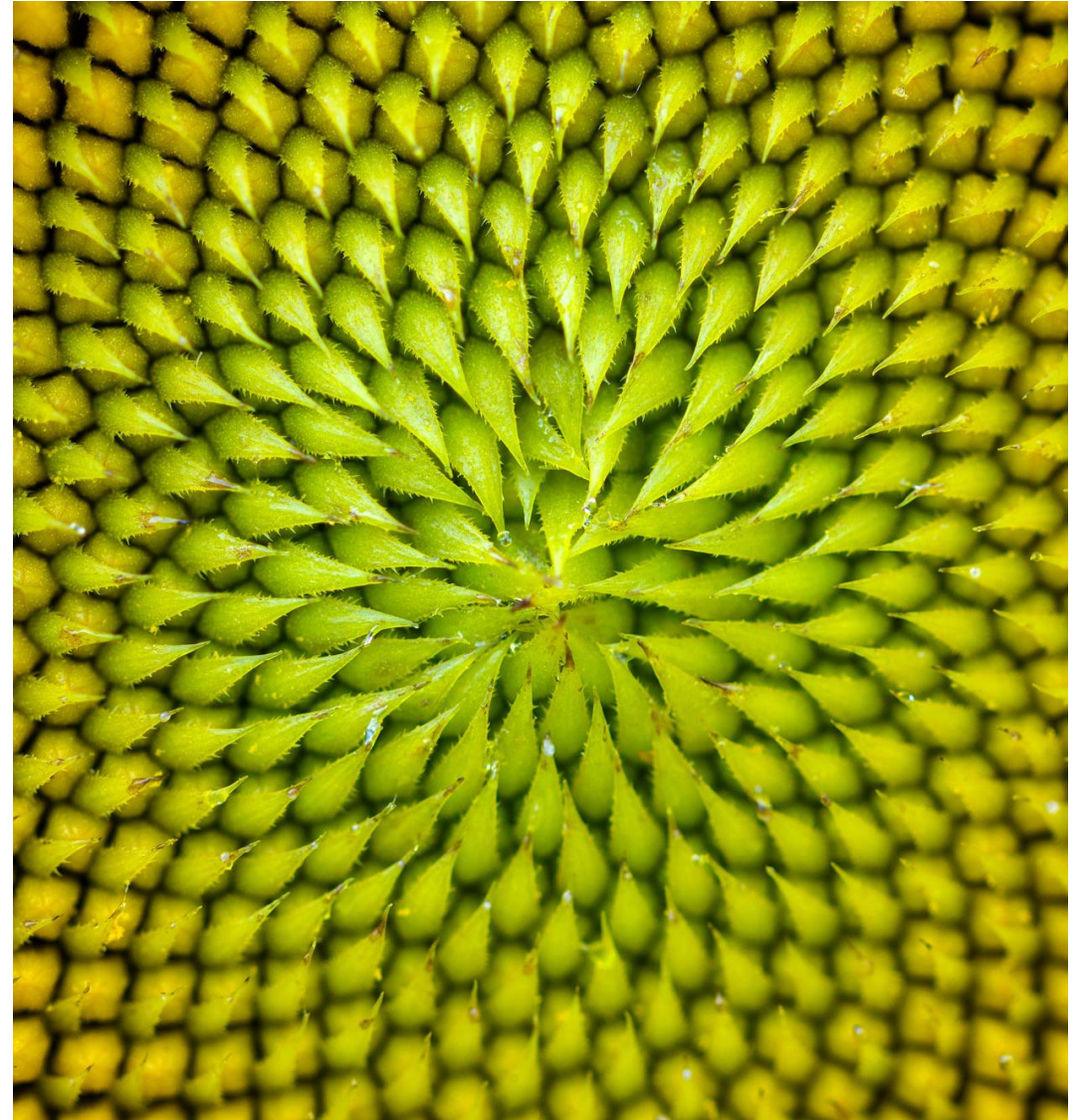
- **Description of sustainability** – It builds on concepts from the Integrated Reporting Framework and enables a company explain how sustainability-related impacts, risks and opportunities can affect its performance and prospects (see slide 21)
- **Sources of guidance** for a company to use to identify sustainability-related risks and opportunities and disclosures in the absence of a specific IFRS Sustainability Disclosure Standard (see slide 23)
- **Alignment of timing of reporting** – Financial statements and sustainability disclosures published at the same time, but with transitional relief (see slide 9)
- **Consistent assumptions** – When sustainability-related financial disclosures incorporate financial data and assumptions, use financial data and assumptions consistent with those in the financial statements



Key ISSB's tentative decisions on IFRS S2

- **Scope 1-3 emissions** – Disclosure of GHG emissions in accordance with the GHG Protocol Corporate Standard, with some reliefs (see slide 28)
- **Scenario analysis** – Describe use of climate-related scenario analysis to assess risks and opportunities, must use for resilience analysis and disclose whether a scenario aligned with the latest international agreement on climate change has been used
- **Financed emissions** – Disclosure of GHG emissions that assets managers and custodians, commercial banks and insurers finance through their loans and information on lending¹
- **Industry-based climate disclosure** – Illustrative guidance drawing on SASB Standards will accompany IFRS S2 (see slide 14)

¹ The ISSB tentatively decided to remove the proposed requirement for a company operating in the Investment Banking & Brokerage industry to disclose its facilitated emissions, considering the lack of a widely accepted calculation methodology



Other ISSB's projects

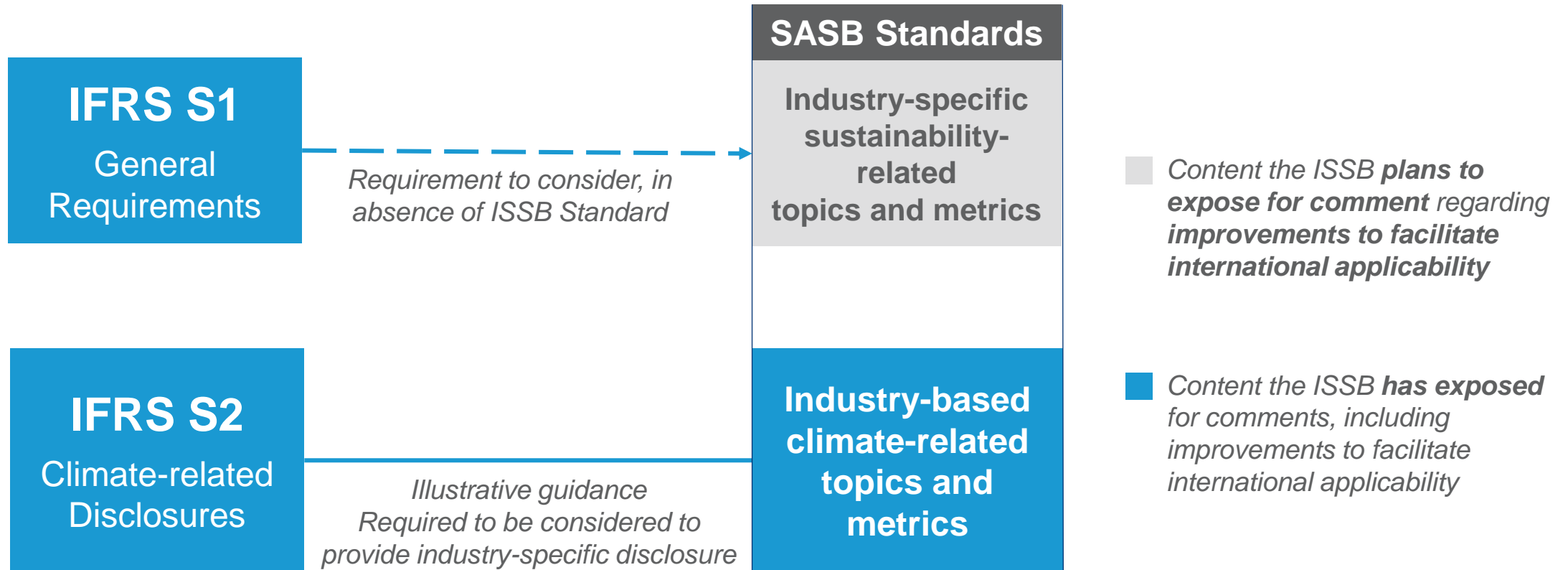
Agenda consultation in Q2

ISSB to hold public consultation on four projects to **further understand** standard-setting priorities:

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- connected reporting



SASB Standards: the path forward



Priorities for 2023



Priorities

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
- connect climate and nature by researching incremental enhancements to disclosures required by IFRS S2

Focus on:

- connectivity with financial statements
- interoperability with GRI Standards

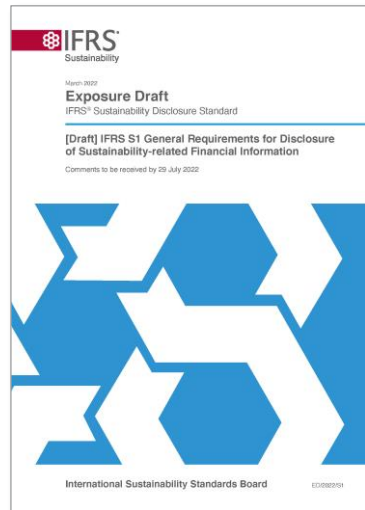


Appendix

IFRS S1: General requirements



Key concepts in IFRS S1



- Asks for disclosure of material information about sustainability-related risks and opportunities to meet investor information needs
- Sets out *general* reporting requirements; other ISSB Standards set out *specific* disclosures on particular matters (eg IFRS S2 *Climate-related Disclosures*)
- Refers to other standards and frameworks in absence of a specific ISSB Standard
- GAAP agnostic and therefore applicable across jurisdictions



Emphasises need for **consistency and connections** between financial statements and sustainability disclosures



Financial statements and sustainability disclosures published **at the same time**, but with transitional relief



Does **not specify a location** for disclosure within general purpose financial reporting and **allows for additional information**, to facilitate application in different jurisdictions

Structure



Governance

Governance processes, controls and procedures a company uses to monitor sustainability-related risks and opportunities



Strategy

How a company's strategy addresses significant sustainability-related risks and opportunities



Risk management

How a company assesses, identifies, manages and mitigates its sustainability-related risks



Metrics and targets

Information used to measure, manage and monitor sustainability-related risks and opportunities; and metrics required through IFRS Sustainability Disclosure Standards

Value and sustainability

Sustainability described as

- the ability for a company to sustainably **maintain and access resources and relationships** (such as financial, human, and natural), and **manage its dependencies and impacts** within its whole business ecosystem over the short, medium and long term

This description

- enables a company explain to investors **how sustainability-related impacts, risks and opportunities can affect** its performance and prospects
- builds on concepts from the **Integrated Reporting Framework**

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

...
Stakeholders
it works with
and serves



...
Society
it operates
in



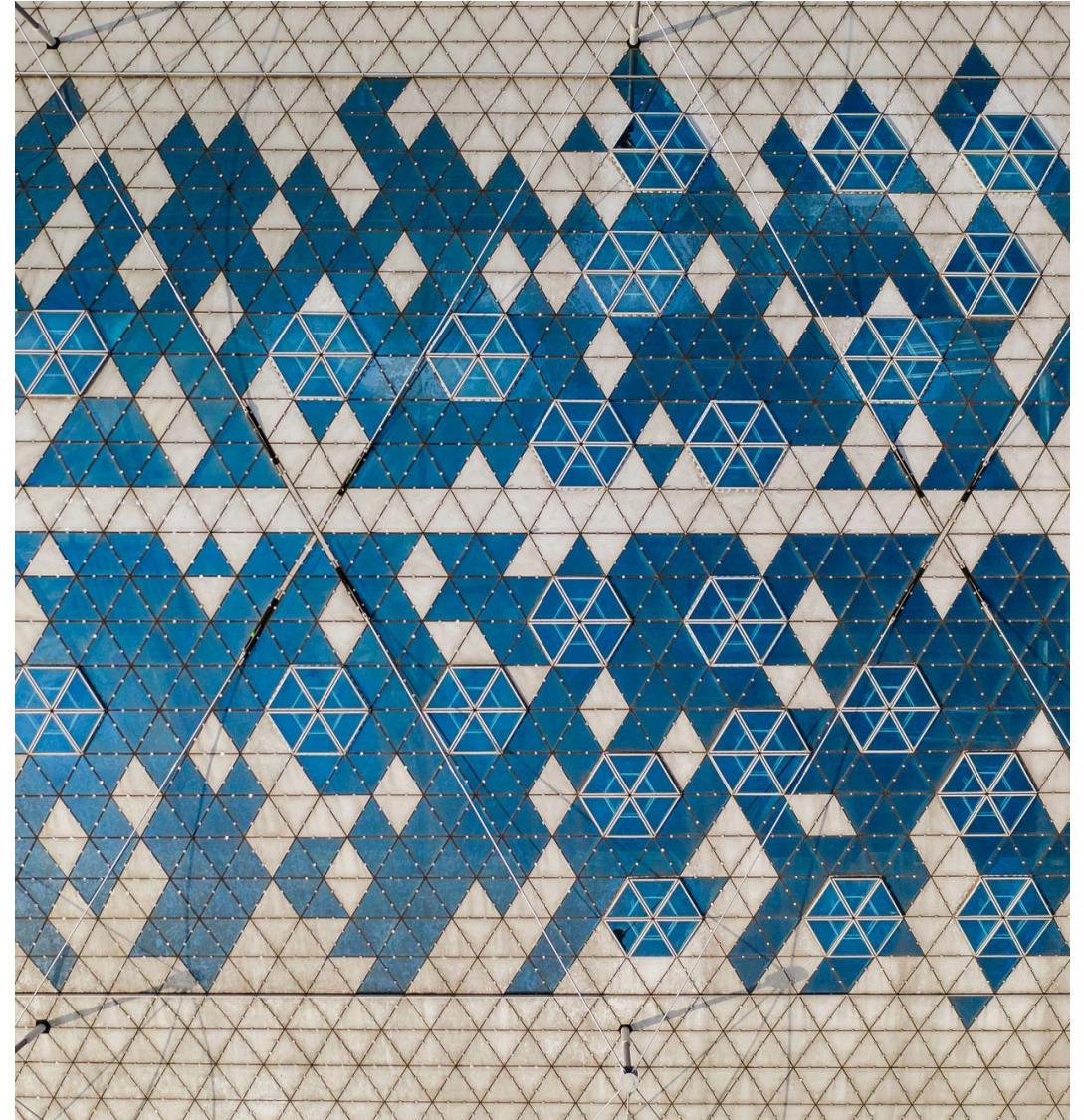
...
Natural resources
it draws on



Determining materiality: meeting investor needs

IFRS Sustainability Disclosure Standards use the same definition of material as IFRS Accounting Standards to ensure investors understand sustainability risks and opportunities:

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



Sources of guidance for companies to use



To identify **what to report on** a company

- uses IFRS Sustainability Disclosure Standards *and*
- **shall consider:**
 - SASB Standards
- **may consider:**
 - CDSB Framework application guidance
 - industry practice
 - materials of investor-focused standard setters



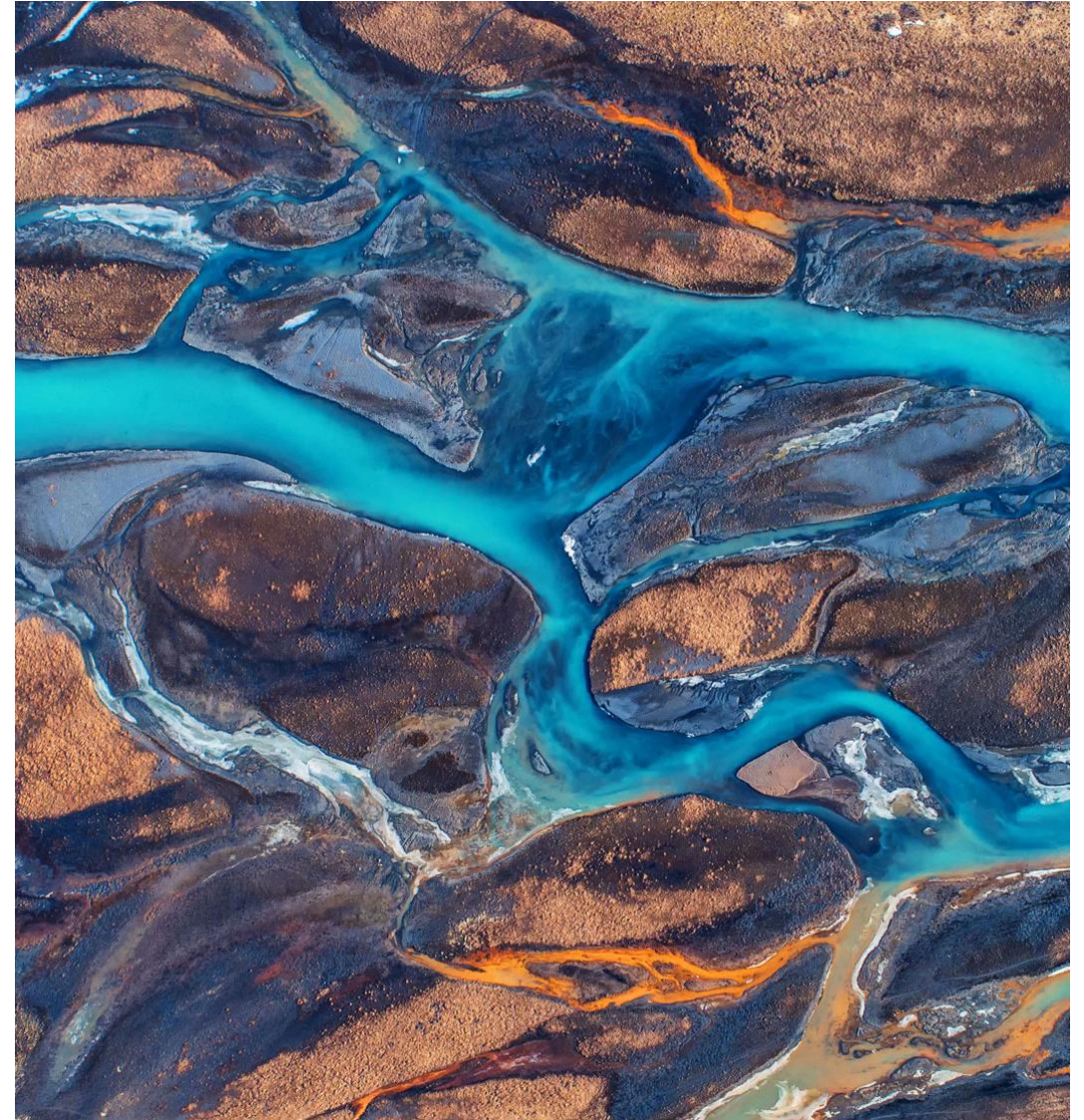
In the absence of an IFRS Sustainability Disclosure Standard, to determine **what to disclose** a company

- **shall consider:**
 - SASB Standards
- **may consider** to the extent meets investor information needs:
 - CDSB Framework application guidance
 - industry practice
 - materials of investor-focused standard setters
 - GRI Standards
 - European ESRS

Focused on supporting application: IFRS S1

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

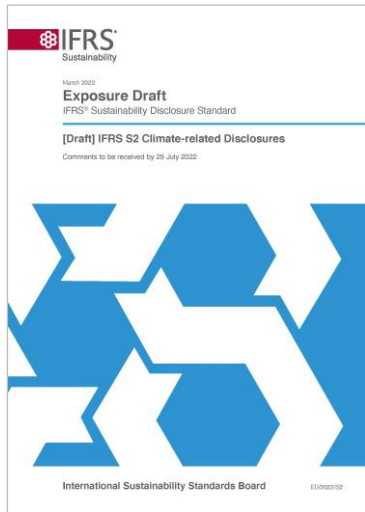
- Implement materiality judgements and identify sustainability-related risks and opportunities
- Disclose industry-specific metrics if a company spans multiple industries
- Disclose current and anticipated financial effects
- Revise comparative information to reflect updated estimates
- Disclose judgements,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



IFRS S2: Climate



Climate-related Disclosures Standard: IFRS S2



- Used in accordance with IFRS S1
- Disclosure of material information about climate-related risks and opportunities
- Incorporates TCFD Recommendations and guidance
- Includes requirement to provide industry-specific disclosures
- Industry-specific metrics included as illustrative guidance, taken from SASB Standards
- Requires material disclosure of information about physical risks, transition risks and climate-related opportunities



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 in accordance with the GHG Protocol Corporate Standard

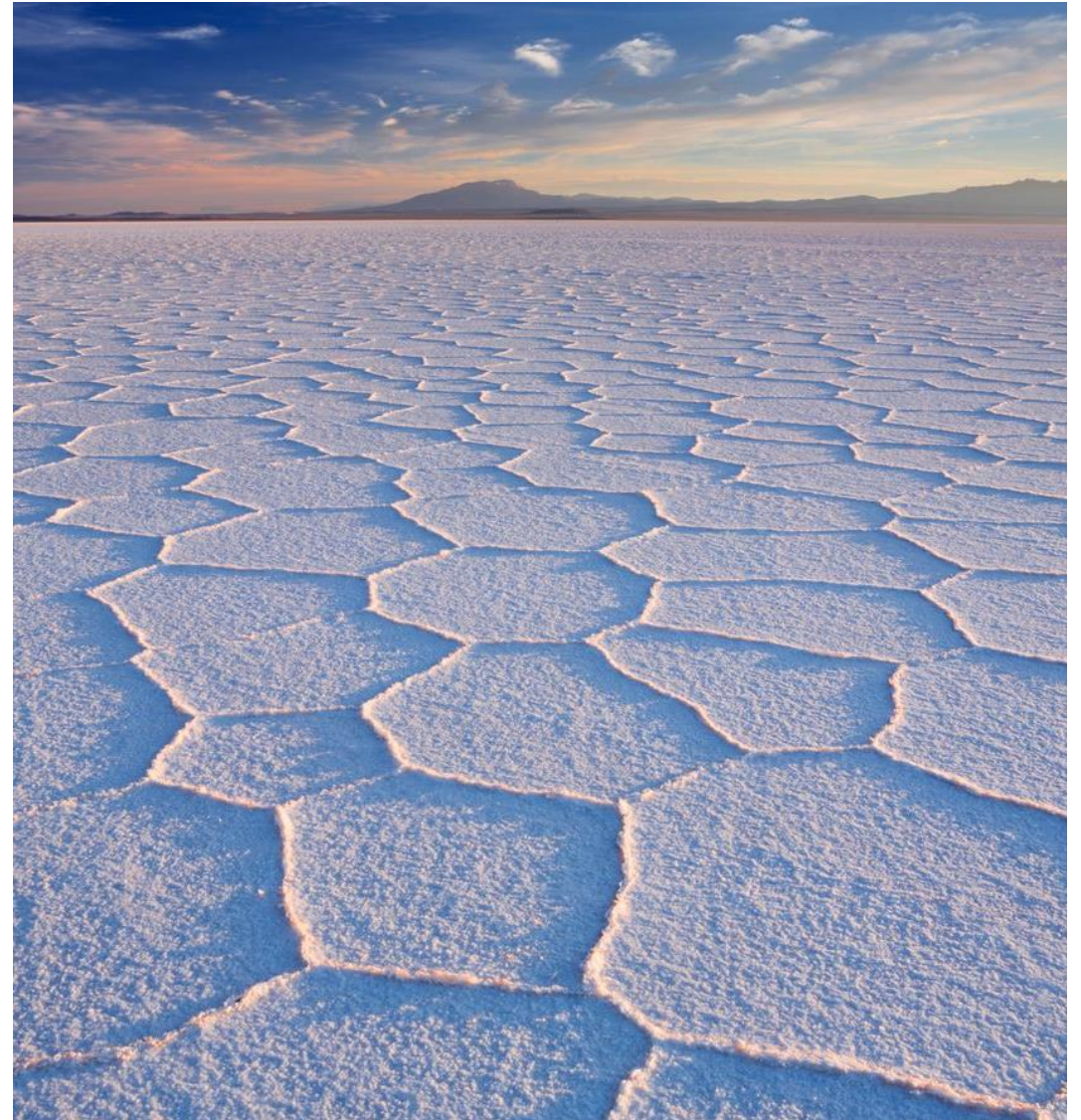
Material climate-related information that enables investors to:

- Determine the effects of climate-related risks and opportunities on the company's performance and prospects
- 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



Scope 3 GHG emissions

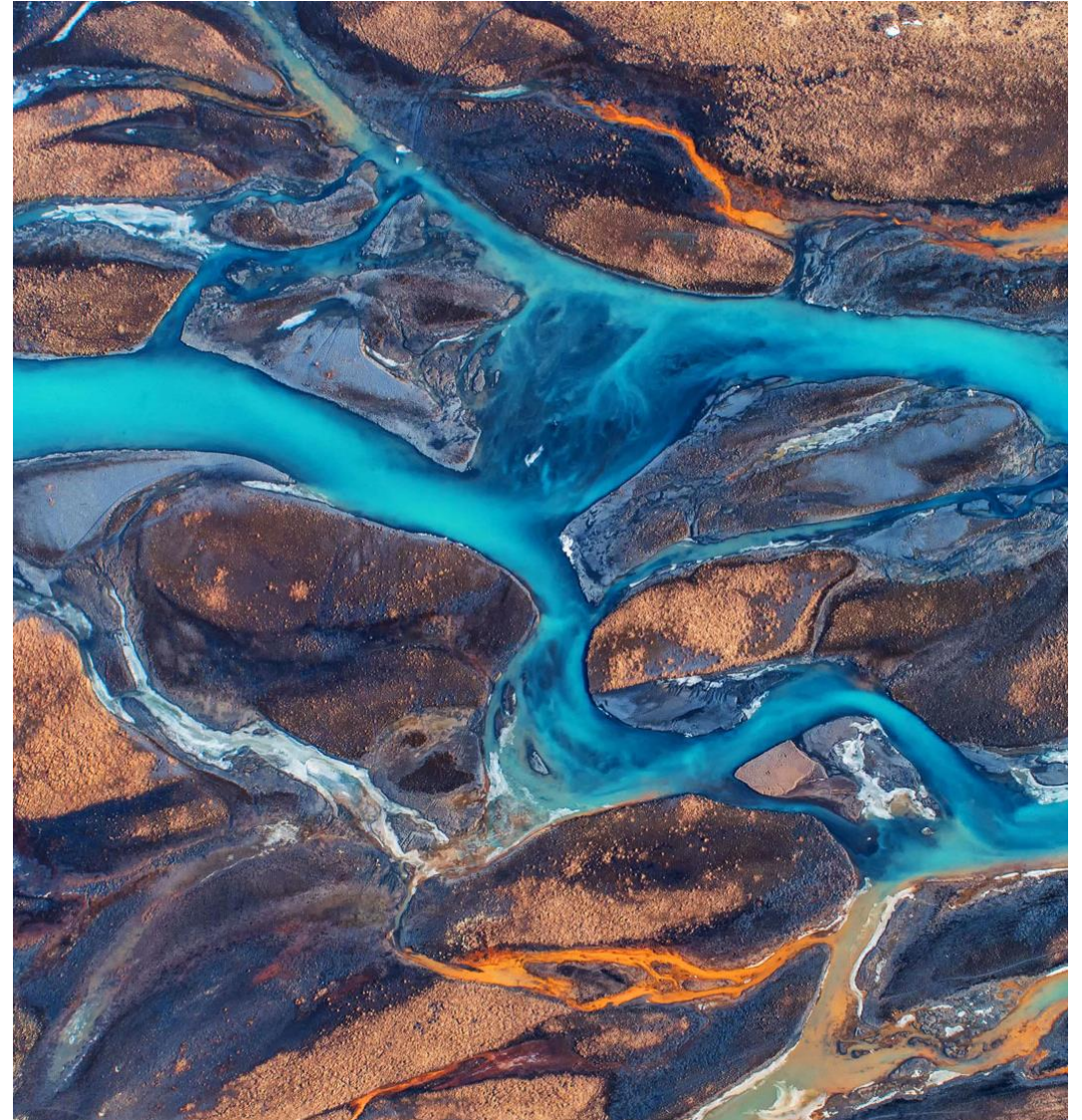
- Investors called for Scope 1, 2 and 3 emissions disclosure to **understand transition risk**
- ISSB will help companies **embed and improve their processes for measurement and disclosure** of Scope 3 through:
 - **Guidance:** a framework for Scope 3 measurement that requires use of reasonable and supportable information that is available without undue cost or effort and incorporates use of estimation
 - **Relief:** temporary exemption from this disclosure for one year
 - **Relief:** possibility to include information obtained from companies in the value chain with a different reporting cycle



Focused on supporting application: IFRS S2

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
- 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)
- Potential disaggregation of financed emissions by companies in the Asset Management & Custody Activities industry
- How to identify relevant sustainability-related risks and opportunities in the value chain, using Scope 3 GHG emissions as an example



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