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ISSB Update
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The ISSB Standards can deliver

- **For investors:** access to more consistent, comparable, verifiable and comprehensive disclosures.
- **For companies:** positive effects on areas such as governance, strategy, access to capital, cost of capital, reputation, and employee and stakeholder engagement.
- **For financial markets:** improved transparency about sustainability-related risks is expected to contribute to long-term financial stability.
Achieving efficient reporting through interoperability

- Ongoing dialogue with **jurisdictions** to ensure consistency across reporting requirements, e.g. the European Commission
- Adopted the **TCFD structure** to align with existing reporting and regulation
- **CDP** to align platform to IFRS S2
- Work with **GRI** to further harmonise the sustainability reporting landscape
Making ISSB Standards the global baseline

ISSB
provide comprehensive global baseline through Standards

IOSCO
endorses ISSB Standards recommending adoption

Audit standard-setters
enhance and develop assurance standards

Jurisdictions
require by adopting the Standards

Market participants
voluntarily opt to apply the Standards
Key milestones in delivering truly global baseline

• ISSB issues IFRS S1 and IFRS S2, 26 June
• Financial Stability Board announce work of the TCFD now completed due to ISSB Standards and transfers responsibilities for monitoring progress on climate-related disclosures, 6 July
• IOSCO endorse ISSB Standards following a comprehensive review, 25 July
• European Commission, EFRAG and ISSB confirm ‘high degree of alignment’ in climate-related disclosure requirements, 31 July
IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** with the financial statements, to meet investor information needs
- Applies **TCFD architecture** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (IFRS S2) refers to **sources to help companies** identify sustainability-related risks and opportunities and information
- Can be used in conjunction with **any accounting requirements (GAAP)**
How companies identify material sustainability information

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

This is based on the IFRS Accounting Standards definition of ‘material’
Guidance for developing sustainability disclosures

Which risks & opportunities?
To identify relevant risks and opportunities, a company uses ISSB Standards and shall consider:
• SASB Standards

A company may also consider:
• CDSB Framework Application Guidance
• industry practice
• materials of investor-focused standard setters

Which information?
To identify what information to disclose, a company uses ISSB Standards, and for matters other than climate, shall consider:
• SASB Standards

A company may also consider, to the extent it meets investor information needs:
• CDSB Framework Application Guidance
• industry practice
• materials of investor-focused standard setters
• GRI Standards
• European Sustainability Reporting Standards
IFRS S2: Climate-related Disclosures
IFRS S2: Climate-related Disclosures

- Incorporates the TCFD recommendations
- To meet investor information needs, IFRS S2:
  - is used in accordance with IFRS S1
  - requires disclosure of material information about climate-related risks and opportunities, including physical and transition risks
  - requires industry-specific disclosures, which are supported by accompanying guidance built on SASB Standards
Key disclosures

Strategy
- Strategy and decision-making
- Current and anticipated financial effects
- Climate resilience

Metrics and targets
- Scope 1-3 GHG emissions
- Industry-based disclosures
- Climate-related targets
IFRS S2 guidance

Application Guidance

• Applying scenario analysis to assess climate resilience
• Measuring Scope 1-3, plus a framework for measuring Scope 3
• Disclosing information:
  • relevant to financed emissions
  • relevant to cross-industry metric categories
  • about climate-related targets

Accompanying Guidance

• Metrics that could be disclosed relevant to cross-industry metric categories
• Examples of disclosing GHG emissions information applying the principles in IFRS S1 for aggregation and disaggregation
• Industry-based guidance on identifying appropriate disclosures associated with common business models and activities in a particular industry
Mechanisms that support application

- Use of well-known **terminology and concepts**
- Proportionate:
  - the instruction to **use reasonable and supportable** information available without **undue cost or effort**
  - consideration of **skills, capabilities and resources**
- Help through:
  - **guidance** within the Standards and educational materials
  - **sources of guidance** to identify sustainability-related risks and opportunities, and metrics
  - other clarifications, such as permitting **qualitative** scenario analysis and qualitative information on financial effects
- Transitional **reliefs**
Reliefs for first year of application

• can limit disclosures to climate-related information
• later reporting allowed - annual information can be provided with half year reporting
• Scope 3 disclosure not required
• do not need to apply Greenhouse Gas Protocol if already using a different measurement approach
• do not need to provide comparative information*

*companies that limit disclosures to climate-related information in the first year do not need to provide comparative information about their sustainability-related risks and opportunities beyond climate in their second year.
When to start to apply 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**

**Considerations**

- Responding to investor demand
- Built on well-established standards and frameworks
- Transition reliefs
- Use of information that is reasonable and supportable and is available without undue cost or effort
- Committed to capacity building and providing guidance
- 18,000+ companies will collect data required by IFRS S2 to disclose on the CDP platform in 2024
Next steps
Implementation support and education

**Capacity building initiative**
- Development of general educational materials for all stakeholders (including investors)
- Development of specific educational materials for stakeholders in emerging and developing economies as well as smaller companies

**Support implementation by companies**
- Transition Implementation Group - a public forum for stakeholders to follow the discussion of questions raised on implementation by those applying the Standards
Transition Implementation Group - objective

- Will provide a public forum for any stakeholder to share implementation questions with the ISSB and to follow the discussion of those questions.
- Consistent with previous IASB (and FASB) groups, will not issue any authoritative guidance, but the IFRS Foundation will publish summaries and recordings from the meetings on its website.
- Discussions will help the ISSB determine what, if any, action will be needed to address the implementation questions (e.g., providing webinars, case studies, and other educational material).

Any stakeholder can submit a potential implementation question, if the question:
- is related to the implementation of IFRS S1 or IFRS S2
- indicates that IFRS S1 or IFRS S2 can be applied in different ways resulting in diversity in practice
- is expected to be pervasive

A submission log, including a summary of the questions received and their status, will be provided periodically.

Submission guidelines are available on the IFRS Foundation website.
Transition Implementation Group - composition

- 17 members, of which 13 preparers and 4 assurance providers
- 3 official observers
- Representation from: Australia, Belgium, Brazil, Canada, China, Germany, Finland, Hong Kong SAR, Japan, Malaysia, Nigeria, South Africa, South Korea, UK and US
- Meetings will be chaired by the ISSB Vice-Chair – a total of 5 ISSB members will officially participate in the meetings
- Current plan is to hold the first meeting in Frankfurt in November 2023
Looking ahead

**Commitment to:**

- connections with financial statements
- interoperability with jurisdictional and voluntary initiatives

**Supporting implementation of IFRS S1 and IFRS S2**

- digital taxonomy
- awareness raising and capacity building
- regulatory adoption and voluntary application

**Work to:**

- enhance and maintain the SASB Standards
- develop educational materials for nature and social aspects of climate-related risks and opportunities

**Future priorities:**

- Analysing feedback to ISSB agenda consultation
Agenda consultation

Public consultation on four projects to further understand standard-setting priorities:

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- integration in reporting

Comment period ended on 1 September with over 400 submissions provided.
Visit ifrs.org to find out more

- Access the Standards and supporting materials
- Listen to the monthly podcast
- Respond to live consultations
- Sign up for news alerts
- Discover services that can support you
- Observe ISSB meetings
- Join the team