



IFRS® Foundation

ISSB's proposed IFRS® Sustainability Disclosure Standards

April 2022

Agenda

Introducing the ISSB

Exposure Draft 1 – General Requirements

Exposure Draft 2 – Climate

How to get involved

Next steps

Audience Q&A

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

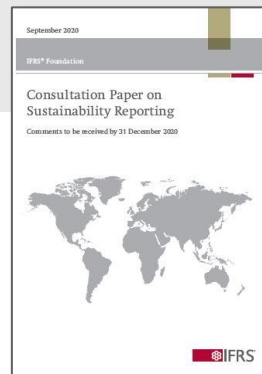
IFRS Accounting Standards

Required for use by more than 140 jurisdictions around the world

Demand-driven consultative process

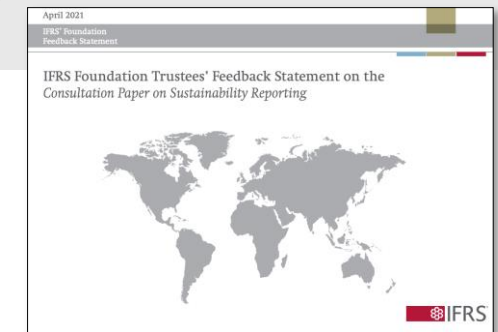
What we asked

- Is there a demand for global sustainability standards?
- Should the IFRS Foundation play a role?
- Is the solution a sustainability-focused standard-setting board within the IFRS Foundation?



What we heard

- 750+ comment letters across stakeholder groups, geographies and economic settings
- Growing and urgent demand for global standards to improve consistency and comparability
- Broad support for Foundation to play a role
- Sustainability-related financial information, starting with climate



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

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

Jurisdictional initiatives
and/or GRI

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

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

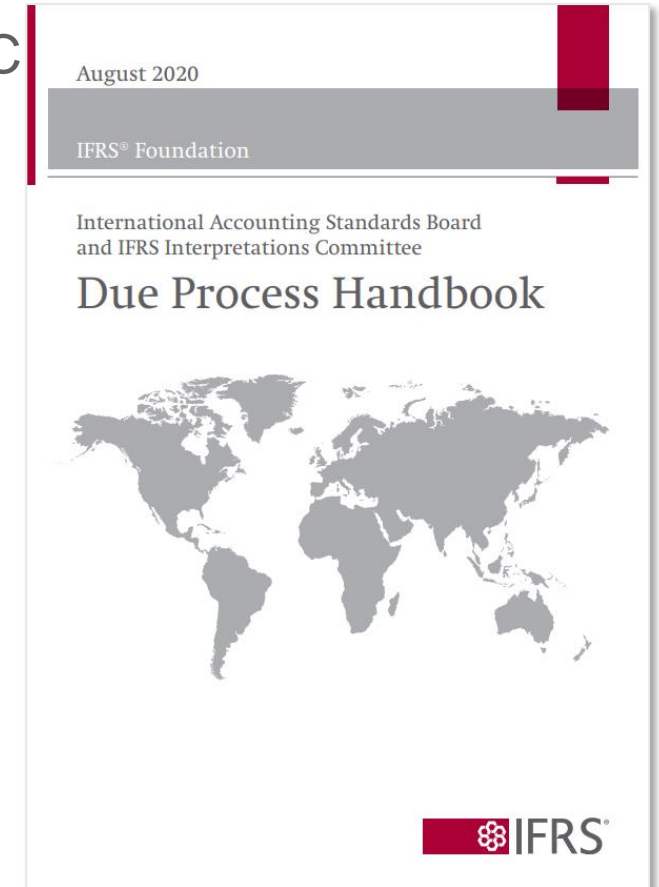


Full and fair consultation



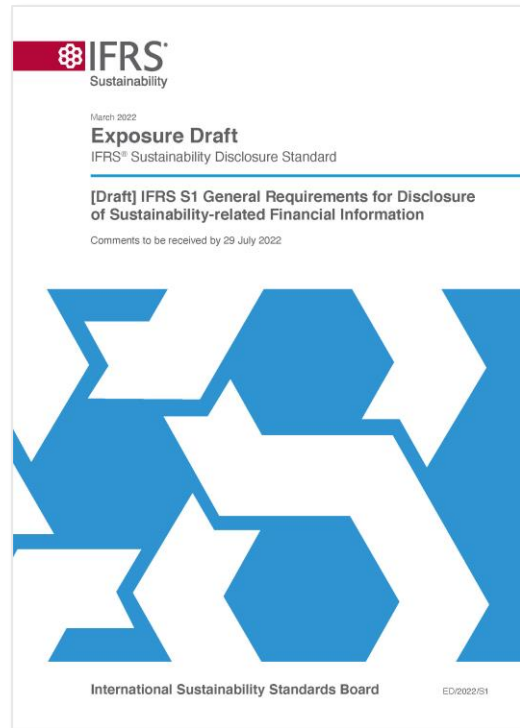
Accountability

- Process overseen by IFRS Foundation Trustees



Two proposed IFRS Sustainability Disclosure Standards

1



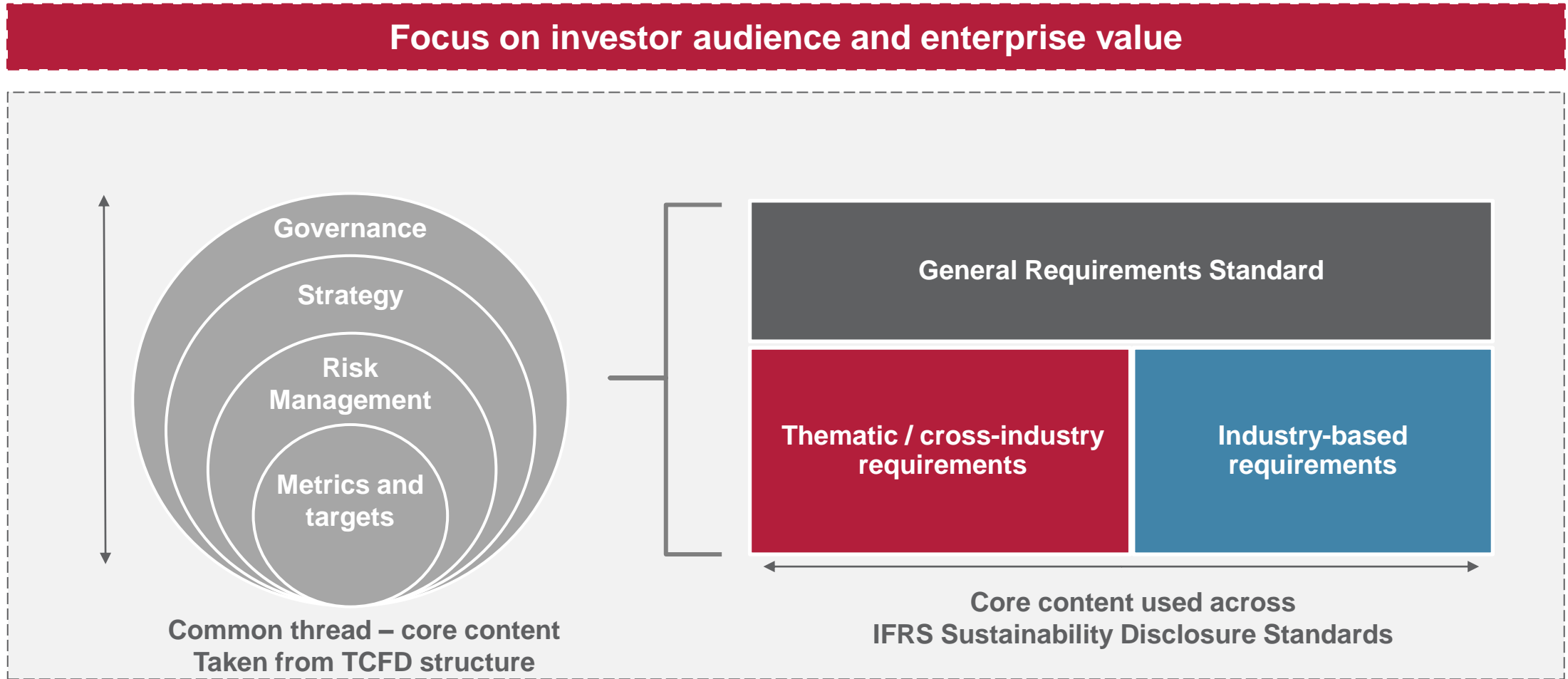
General Requirements
Exposure Draft

2



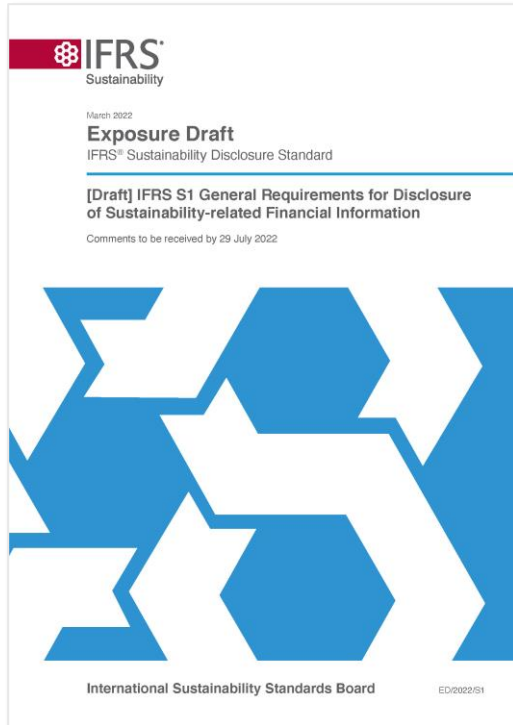
Climate
Exposure Draft

Standards architecture



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.

How to report on all risks and opportunities

General Requirements [Standard]

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



Climate [Standard]

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



If no specific IFRS Sustainability Disclosure requirements, a company must consider:

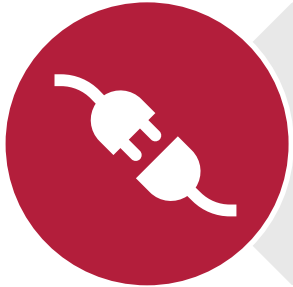
SASB Standards	CDSB Framework and application guidance	Other standards	Other resources
Industry-based disclosure topics	ISSB's non-mandatory guidance – eg social, water and biodiversity	Those that meet investors' information needs	Peer company practices (similar industry / geography)

Illustrative Guidance: how to use **SASB Standards** and **CDSB Framework application guidance** to do this

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 economy and the planet **when** they affect assessments of enterprise value
- requires information that is **material** for a company, ie 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



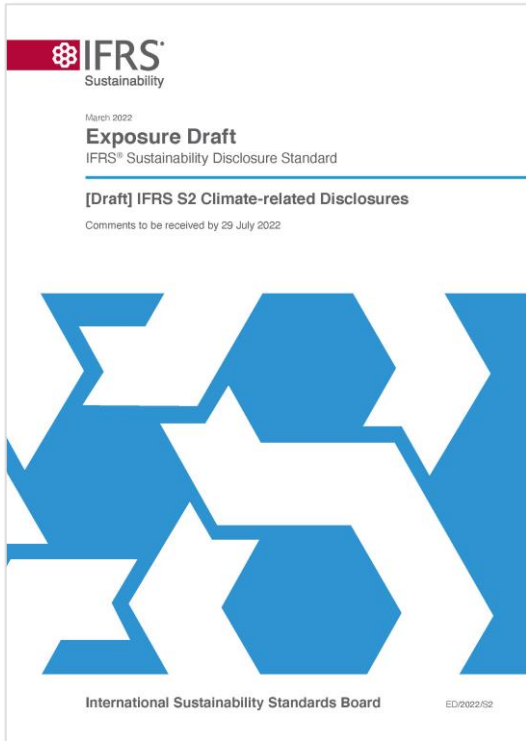
Requires financial statements and sustainability disclosures to be published at the same time



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)

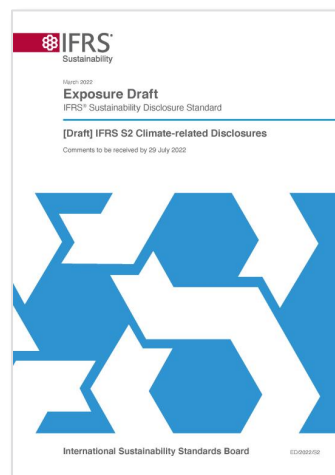
Requires information that enables investors to...

- 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



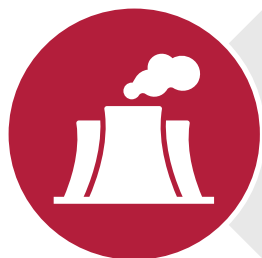
Transition planning

Emissions targets and use of carbon offsets



Climate resilience

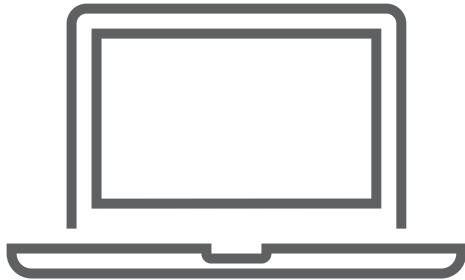
Resilience of business strategy in multiple scenarios



Scope 1-3 emissions

Requirement to disclose GHG emissions

How to comment on the proposals?



Survey

or



Comment letter

Deadline:
29 July 2022

Visit:
ifrs.org/projects/open-for-comment/

Comments are published on ifrs.org

Other technical priorities

Taxonomy

Publish Taxonomy proposals to facilitate electronic tagging and presentation of disclosures

SASB Standards

Improve international applicability of the SASB Standards

Assume responsibility for SASB standards on consolidation of VRF

Work plan

Public consultation on future agenda, including

- Sustainability-related risks and opportunities the ISSB should prioritise
- Delivery plan for current SASB Standards projects



Q&A

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International Accounting Standards Board



International Sustainability Standards Board