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
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.

**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.

**Financial reporting (investor focus)**
Reflected in monetary amounts in the financial statements.

**Jurisdictional initiatives and/or GRI**

**ISSB**

**Integrated Reporting**

**IASB (140+ countries)**

**Other GAAP (eg FASB)**
# Seeking compatibility between IFRS Sustainability Disclosure Standards and GRI Standards

<table>
<thead>
<tr>
<th>Announcement of intent to collaborate</th>
<th>First step</th>
<th>Future work plan</th>
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<tbody>
<tr>
<td>IFRS Foundation and GRI announced Memorandum of Understanding on 24 March 2022</td>
<td>ISSB and GRI join each other’s consultative bodies related to sustainability reporting activities</td>
<td>Align, where possible, terminology, standards structure and metrics, helping to reduce the reporting burden for companies</td>
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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

Focus on investor audience and enterprise value

Governance
Strategy
Risk Management
Metrics and targets

General Requirements Standard
Thematic / cross-industry requirements
Industry-based requirements

Common thread – core content
Taken from TCFD structure

Core content used across
IFRS Sustainability Disclosure Standards
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

<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk management</th>
<th>Metrics and targets</th>
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<tbody>
<tr>
<td>The governance processes, controls and procedures a reporting entity uses to monitor sustainability-related risks and opportunities.</td>
<td>How an entity’s strategy addresses significant sustainability-related risks and opportunities.</td>
<td>How sustainability-related risks are identified, assessed, managed and mitigated.</td>
<td>Information used to manage and monitor the entity’s performance in relation to sustainability-related risks and opportunities over time.</td>
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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:

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

**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
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
- Comment letter

Deadline: 29 July 2022

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

Comments are published on ifrs.org
## Other technical priorities

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<th>Taxonomy</th>
<th>SASB Standards</th>
<th>Work plan</th>
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<tr>
<td>Publish Taxonomy proposals to facilitate electronic tagging and presentation of disclosures</td>
<td>Improve international applicability of the SASB Standards</td>
<td>Public consultation on future agenda, including</td>
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<td></td>
<td>Assume responsibility for SASB standards on consolidation of VRF</td>
<td>• Sustainability-related risks and opportunities the ISSB should prioritise</td>
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<td>• Delivery plan for current SASB Standards projects</td>
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