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Comparison

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [draft] IFRS S2 Climate-related Disclosure with the Technical Readiness Working Group prototypes

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The following tables compare the Exposure Drafts recently published by the International Sustainability Standards Board (ISSB)—*General Requirements for Disclosure of Sustainability-related Financial Information* (General Requirements Exposure Draft) and *Climate-related Disclosures* (Climate-related Disclosures Exposure Draft)—and the prototypes previously published by the Technical Readiness Working Group (TRWG).

These tables aim to identify the substantive changes from the TRWG’s prototypes, rather than provide an exhaustive list of all changes. In addition to the substantive changes listed below, some wording changes have been made throughout the Exposure Drafts. Those wording changes were not intended to change the substance of the proposals compared to the prototypes but instead, for example, were intended to improve clarity and consistency between the two Exposure Drafts.

General Requirements Exposure Draft and Climate-related Disclosures Exposure Draft	
Invitation to Comment and Basis for Conclusions	These sections were added to both Exposure Drafts consistent with the style for exposure drafts of IFRS Accounting Standards.
Signposting	<p>More ‘signposting’ was used in both Exposure Drafts. For example:</p> <ul style="list-style-type: none"> • In the General Requirements Exposure Draft, greater signposting was introduced to direct entities to consult industry-based disclosure topics related to their activities when identifying sustainability-related risks and opportunities (see paragraph 51 of the Exposure Draft). • In the Climate-related Disclosures Exposure Draft, enhanced linkage was added between the disclosure topics in the industry-based requirements and the identification of climate-related risks and opportunities, and between cross-industry metric categories and industry-based metrics (see paragraphs 10–11, 22 and 24 of the Exposure Draft).

General Requirements Exposure Draft

Definitions and terminology	<p>Enterprise value Definition was sharpened. Aspects of the definition in the TRWG’s General Requirements prototype have been relocated and are now included in the Exposure Draft’s Objectives.</p>
	<p>Reporting boundary ‘Reporting boundary’ was changed to ‘Reporting entity’. The definition of reporting entity in the Exposure Draft is now aligned with the definition in IFRS Accounting Standards. While not intending to change the concept that was included in the TRWG’s General Requirements prototype, the words have been changed to improve clarity. A reporting entity would be required to disclose sustainability-related risks and opportunities (including in the value chain) that affect primary users’ assessments of its enterprise value.</p>
	<p>Connectivity ‘Connectivity’ was changed to ‘Connected information’ to reinforce the objective that entities must present clear and understandable, decision-useful sustainability-related information, which would enable users of general purpose financial reporting to assess connections between different sustainability-related risks and opportunities and information in the general purpose financial statements.</p>
	<p>Reporting channel ‘Reporting channel’ was changed to ‘Location of information’ to remove ambiguity without changing the concept of proposals relative to the TRWG’s General Requirements prototype. The Exposure Draft refers to ‘general purpose financial reporting’, which, while not a specific report, includes financial statements and management commentary.</p>
Hierarchy	<p>Guidance was provided on how to identify relevant sustainability-related risks and opportunities in addition to those addressed by IFRS Sustainability Disclosure Standards.</p> <p>Additionally, more specific guidance was provided on how entities would develop disclosures in the absence of a specific IFRS Sustainability Disclosure Standard. Specifically, entities would consider other materials including disclosure topics in the SASB Standards, ISSB non-mandatory materials (such as the CDSB Framework application guidance), industry practice and materials from other standard setters that focus on meeting the needs of primary users of general purpose financial reporting. (See paragraphs 50–55 of the Exposure Draft)</p>

<p>Core content—Metrics and targets</p>	<p>Categories of metrics were simplified to cover the following:</p> <ul style="list-style-type: none"> • those required by an IFRS Sustainability Disclosure Standard (cross-industry and industry-specific); • those identified through the hierarchy (described above); and • others used by an entity.
<p>General features—Fair presentation</p>	<p>Requirements were added so that an entity must disclose the industry or industries specified in the relevant IFRS Sustainability Disclosure Standard or industry-based SASB Standards that it used when identifying disclosures about a significant sustainability-related risk or opportunity.</p>
<p>Illustrative Guidance</p>	<p>Examples have been added to illustrate the application of the hierarchy. Those examples show how an entity could use the SASB Standards and the CDSB Framework to identify significant sustainability-related risks and opportunities and to develop disclosures.</p>

Climate-related Disclosures Exposure Draft

<p>Transition plans and carbon offsetting</p>	<p>Requirements were added to improve the specificity and clarity of the information needed to meet the disclosure objective for transition plans, including:</p> <ul style="list-style-type: none"> • the extent to which the entity’s emission target relies on the use of carbon offsets; • whether the offsets are subject to third-party offset verification or a certification scheme; and • the type of carbon offsets used (including distinguishing between nature-based and technological solutions and whether the carbon offset is based on removal or avoidance).
<p>Climate resilience and scenario analysis</p>	<p>Requirements were added to clarify that an entity must use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. The requirements also clarify what the resulting disclosures should enable users of general purpose financial reporting to understand.</p> <p>Additionally, clearer guidelines were added on the alternative methods or techniques that an entity may use to assess its climate resilience (eg single-point forecasts, sensitivity analysis or qualitative analysis), when the entity is unable to perform climate-related scenario analysis.</p>
<p>Financial impacts and anticipated effects</p>	<p>Requirements were updated associated with the financial impacts of climate-related risks and opportunities on an entity’s financial position, financial performance and cash flows. The entity would provide quantitative information, which may be expressed as a single amount or a range, unless it is unable to do so, in which case it would provide qualitative information.</p>
<p>Risk management</p>	<p>Requirements were updated to explicitly include climate-related opportunities in the scope of the requirements related to an entity’s risk management process.</p>

<p>Cross-industry metrics</p>	<p>Requirements were updated to describe ‘cross-industry metric categories and related information’ in line with the Task Force for Climate-related Disclosure (TCFD) Recommendations. The categories—such as ‘transition risks: the amount and percentage of assets or business activities vulnerable to physical risks’—allow the entity to tailor its disclosures to reflect its circumstances.</p> <p>These updated requirements were supplemented by illustrations of metrics based on the TCFD Recommendations. Those illustrations have been included as Illustrative Guidance.</p> <p>Requirements were expanded on the disclosure of GHG emissions. An entity would disclose:</p> <ul style="list-style-type: none"> • Scope 1 and Scope 2 emissions separately for: (a) the consolidated accounting group (the parent and its subsidiaries) and (b) associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; • the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (eg the equity share or operational control method in the GHG Protocol Corporate Standard) and the reasons for that choice; and • Scope 3 categories it includes in its measurement and an explanation of the basis of measurement for entities in the value chain included in the scope.
<p>Industry-based metrics (Appendix B)</p>	<p>Some metrics—eg those that referred to specific jurisdictional context or instruments—were internationalised, and disclosure topics and associated metrics on financed and facilitated emissions were introduced. Additionally, guidance was added in Appendix B to explain how the industry-based disclosure requirements are intended to supplement and complement the general and cross-industry requirements.</p> <p>Appendix B is based on the SASB Standards. Proposed changes to the existing SASB Standards are marked up for ease of reference.</p>