



# WWF's Response to the IFRS/ISSB General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and Climate Related Disclosures (IFRS S2) Exposure Drafts

July 29th, 2022

## INTRODUCTION

1. WWF is the world's leading independent conservation organisation. Our mission is to create a world where people and wildlife can thrive together. To achieve our mission, we're finding ways to help transform the future for the world's wildlife, rivers, forests and seas; pushing for a reduction in carbon emissions that will avoid catastrophic climate change; and pressing for measures to help people live sustainably, within the means of our one planet. Our Global Finance Practice has expertise across financial regulation, risk assessment, investor engagement and green financial mechanisms.
2. As a civil society organisation working on corporate transparency, responsible business conduct and sustainable finance, we welcome all developments that seek to standardise mandatory corporate sustainability reporting. WWF welcomes the **International Sustainability Standards Board (ISSB) Exposure Drafts of the Climate Related Disclosures and the related Sustainability Disclosures**, recognising the vital role that these standards will have in establishing a global baseline in sustainability reporting and transparency. We are pleased to contribute to this inquiry and can provide additional information should it be helpful to the inquiry.
3. In this response, WWF emphasises the need for **comparable, consistent reporting, that is aligned to international best practice and the existing science. We emphasise also that these international standards need to be forward looking, encompass the impacts and dependencies on climate and nature, and recognise the significant interdependencies between the two.**
4. This submission does not seek to answer all questions of the inquiry, just those where our policy work has direct relevance. It will therefore focus on **Question 2(A) and Question 14 (A) of the IFRS-1, and Question 5(B), Question 9 (A-F), Question 13 and Question 16 of IFRS-2.**

## GENERAL MESSAGES

5. **The draft should make an explicit reference to the importance of keeping with 1.5°C aligned, science-based scenarios and targets.** The importance of ensuring that we stay within 1.5 degrees of global warming cannot be overstated. 1.5 degrees is a critical threshold, after which many of our adaptation solutions become



insufficient<sup>1</sup>. This is already reflected widely in best practice criteria for portfolio alignment and company decarbonisation, including the Science Based Targets Initiative (SBTi), Race to Zero<sup>2</sup> and Glasgow Finance Alliance on Net Zero (GFANZ)<sup>3</sup>.

- 6. There is a clear need for global standards to align to best practice, with sufficient ambition to achieve change in the real economy.** WWF welcomes the ISSB Exposure Drafts as part of a range of efforts to harness the power of finance to start to see measurable change in the real economy, including initiatives from the GFANZ, the UK Green Finance Strategy<sup>4</sup> and associated Net Zero Transition Plan Task Force<sup>5</sup>, the European Sustainability Disclosures Regulations (SFDR)<sup>6</sup>, the European Green Deal<sup>7</sup> and EFRAG's Draft European Sustainability Reporting Standards (ESRS)<sup>8</sup> as well as widespread global initiatives. Given the scale of the challenge, any single initiative will be necessary but not sufficient on its own. There is a clear need for consistent, comparable standards on sustainability and climate disclosures and the financial sectors' requirements are increasing as investors grow their understanding. WWF encourages the ISSB to refer to the ambitious baselines set by the EU ESRS, who have made significant progress as first movers in this space, in order to ensure that there is not continued fragmentation of reporting standards. The EU standards are already applicable to over 50 000 companies. It is important to avoid duplication and unnecessary resource expenditure.
- 7. Decision-useful information for investors is mission-critical if we are to decarbonise the global economy, and support the most effective risk management processes to maintain resilience against global temperature rise.** In the EU, the basis for corporate sustainability reporting obligations is connected to the impacts that companies have on the natural environment and on people's well-being, as well as to the dependencies on natural capital and the resulting risks and opportunities that companies face from sustainability issues<sup>9</sup>. In this consultation, we will define material risks as above, encompassing (1) risks to the business from dependencies on natural resources and a stable climate, (2) impacts of the business on the environment that could lead to risks to business, society and the planet. We also encourage reporting on a third aspect, (3) associated opportunities. A company's impacts on nature loss and climate change cannot easily be separated from its risks, and nature needs to be a core part of a company's climate strategy.
- 8. International reporting standards have an essential role to play in establishing a global baseline that is consistent, verifiable, transparent, science-based. For this to be accurate, the ISSB should recognise the many aspects of nature loss that drive climate change and that managing**

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<sup>1</sup> IPCC, 2022: [Climate Change 2022: Impacts, Adaptation and Vulnerability | Climate Change 2022: Impacts, Adaptation and Vulnerability \(ipcc.ch\)](https://www.ipcc.ch/report/ar6/wg2/)

<sup>2</sup> WWF, 2021:

[https://wwfint.awsassets.panda.org/downloads/wwf\\_criteria\\_for\\_credible\\_net\\_zero\\_commitments\\_by\\_financial\\_institutions\\_elisa\\_vacherand.pdf](https://wwfint.awsassets.panda.org/downloads/wwf_criteria_for_credible_net_zero_commitments_by_financial_institutions_elisa_vacherand.pdf)

<sup>3</sup> <https://www.gfanzero.com/>

<sup>4</sup> [Update to Green Finance Strategy: call for evidence \(accessible webpage\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/90422/green-finance-strategy-call-for-evidence.pdf)

<sup>5</sup> [Transition Plan Taskforce | Setting a robust standard \(transitiontaskforce.net\)](https://www.transitiontaskforce.net/)

<sup>6</sup> [SFDR - EUROSIF](https://www.efrag.org/sfdr)

<sup>7</sup> [A European Green Deal | European Commission \(europa.eu\)](https://ec.europa.eu/euro-press-portal/100000)

<sup>8</sup> [Sustainability reporting standards interim draft - EFRAG](https://www.efrag.org/esrs)

<sup>9</sup> As linked to the European Commission, 2019.

[https://ec.europa.eu/info/sites/default/files/business\\_economy\\_euro/company\\_reporting\\_and\\_auditing/documents/190618-climate-related-information-reporting-guidelines-overview\\_en.pdf](https://ec.europa.eu/info/sites/default/files/business_economy_euro/company_reporting_and_auditing/documents/190618-climate-related-information-reporting-guidelines-overview_en.pdf);

[https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines\\_en.pdf](https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf)

**nature loss is critical to achieving net zero<sup>10</sup>. A synergised reporting framework can achieve this, recognising nature's contribution to mitigation and adaptation, and pre-empting how this will change in decades to come. This is also required so that decarbonisation trajectories manage further impacts on nature.**

9. The IPCC Scenarios<sup>11</sup> that limit global warming to 1.5 degrees rely heavily on cost-effective natural solutions to sequester carbon and maintain resilience, as is reflected in over 84% of revised Nationally Determined Contributions submitted in 2021<sup>12</sup>, which mention the need for nature based solutions to climate change. We need to move towards an economy that operates within planetary boundaries in order to achieve our net zero goals, and requirements on disclosures need to reflect nature's contributions to climate mitigation, future resilience and risk management. There is overlap between the IFRS-1 and IFRS-2 reporting standards already, and this integration is likely to be needed further as nature continues its fast decline alongside rising global temperatures.
10. The link between the impacts of human activities on nature, and climate change is recognised by multiple central banks, and global initiatives. The IPCC and IPBES have both emphasised climate change and nature loss's impacts on food security and ecosystem services<sup>13</sup>. Moreover, this link is reflected in the G7 2030 Nature Compact<sup>14</sup>, the Leaders Pledge for Nature<sup>15</sup>, the Conference of Parties on Biodiversity (CDB15)<sup>16</sup>, at COP26<sup>17</sup> and the Dasgupta Review on the Economics of Biodiversity<sup>18</sup>. The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) highlighted the risks of biodiversity and ecosystem loss to financial stability<sup>19</sup>. Central banks like De Nederlandsche Bank (DNB), Banque de France and Bank Negara Malaysia, have already published studies on their market's dependency and impact on nature, with all of them identifying the climate and nature link. Integrating relevant disclosures under a synergised framework for decarbonisation can better manage trade-offs, ensure long-term resilience and ensure that decarbonisation planning is more holistic.
11. **On carbon offsetting, it is important to explicitly state that entities must follow a mitigation hierarchy, using carbon credits for residual emissions alone and reporting these separately.** Voluntary carbon markets are not well regulated and as such, a set of criteria on credible carbon markets should be published

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<sup>10</sup> Finance For Biodiversity, [F4B The Climate-Nature Nexus: Implications for the Financial Sector](#)

<sup>11</sup> IPCC [Special report Global Warming of 1.5 °C](#)

<sup>12</sup> Nature-Based Solutions Initiative, 2022: [Nature-Based Solutions Initiative | Revised climate pledges show enhanced ambition for nature-based solutions \(naturebasedsolutionsinitiative.org\)](#)

<sup>13</sup> [IPBES, IPCC](#)

<sup>14</sup> G7 Nature Compact: [G7 2030 Nature Compact \(PDF, 120KB 4 pages\) \(europa.eu\)](#)

<sup>15</sup> [Leaders Pledge for Nature:](#)

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/957292/Dasgupta\\_Review\\_-\\_Abridged\\_Version.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957292/Dasgupta_Review_-_Abridged_Version.pdf)

<sup>16</sup> A Global Goal for Nature, 2022: [Nature Positive](#)

<sup>17</sup> UK Government Leader's Pledge, 2021: [Over 100 leaders make landmark pledge to end deforestation at COP26 - GOV.UK \(www.gov.uk\)](#)

<sup>18</sup> Dasgupta Review, 2021:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/957292/Dasgupta\\_Review\\_-\\_Abridged\\_Version.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957292/Dasgupta_Review_-_Abridged_Version.pdf)

<sup>19</sup> NGFS, 2022,

[https://www.ngfs.net/sites/default/files/medias/documents/statement\\_on\\_nature\\_related\\_financial\\_risks\\_-\\_final.pdf](https://www.ngfs.net/sites/default/files/medias/documents/statement_on_nature_related_financial_risks_-_final.pdf)

to provide guidance to the international community, such as those already being developed through the Voluntary Carbon Markets Initiative<sup>20</sup>.

12. **WWF emphasises the need for disclosures to be reviewed and audited by entities with sustainability expertise.** It is suggested that the ISSB identify which verification, certification or audit mechanisms are trusted and preferred.

## SPECIFIC ANSWERS TO IFRS-S1 AND IFRS-S2

**IFRS-1 Sustainability Related Disclosures –Question 2(A) and Question 14 (A) relating to the definitions of sustainability-related financial disclosures. This links to the IFRS-2 Climate Related Disclosures, Question (16) relating to use of standards to develop a Global Baseline.**

13. **WWF recommends that the ISSB specify the inclusion of impact and dependency-related information in addition to material risks to the enterprise in its definitions of sustainability-related information and demonstrate the overlaps between environmental and climate reporting clearly.** The definition of sustainability-related financial disclosures by the IFRS fails to consider the importance of the impacts of an entity on the environment and society, by focusing solely on material risks to enterprise value. This omits the link between nature restoration and climate change, and fails to pre-empt the global movement towards integrated reporting. Amending this definition will serve to prevent fragmentation, and ensure that investors are provided with consistent and comparable information to identify best practice, and ensure entities are looking at managing long-term risks.
14. **Risk reporting is a future-proofing exercise.** What is not considered a risk now can and will quickly escalate to become one in the future, leading to inevitable policy interventions to protect declining resources. The anticipation of future (and we argue, inevitable) risks that may arise from today's impacts on the environment and climate is important in proactive, rather than reactive, planning and is most useful for investors. Failing to adopt an integrated approach will prolong issues already well documented in the climate and environmental reporting space – fragmentation, lack of cohesion and lack of comparability. It will also prevent the many entities with dependencies on natural resources from having to provide multiple sustainability reports at once.
15. This recommendation is in line with the global reporting trajectory, including those of the Global Resources Initiative (GRI), the EU-ESRS, EU Sustainable Finance Disclosure Regulation (SFDR) and the Task Force on Nature-related Financial Disclosure (TNFD)<sup>21</sup>. **Corporates can set up targets** using methodologies developed respectively by the Science Based Targets initiative (SBTi) and the Science Based Targets Network (SBTN)<sup>22</sup>.
16. Furthermore, an assessment by Re-Generation<sup>23</sup> noted that of the 577 comment letters submitted to the IFRS Consultation Paper in 2020, a large majority explicitly called for such a perspective on risk—a fact which seems to be absent from the feedback letter released by the IFRS as a summary of the comment letters.

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<sup>20</sup> [VCM Claims Code of Practice Consultation](#)

<sup>21</sup> [TNFD – Taskforce on Nature-related Financial Disclosures](#)

<sup>22</sup> [Science Based Targets Network](#)

<sup>23</sup> [Re-generation](#)

17. **A global baseline needs to be comparable and verifiable, forward looking and integrated.** The IFRS Standards must serve to create this global baseline for users to comparably assess their financial choices, and link the entity's impacts in terms of carbon emissions and broader impacts on nature to its materials risks.

**IFRS-2 Climate Related Disclosures –Question 5 (A) and (B) relating to Transition Plans and Carbon Offsetting, Question 9 (A-F) relating to cross-industry metric categories and greenhouse gas emissions and Question 13 relating to Strategy and decision-making**

18. **A science-based approach should be emphasised in requirements on process, applying a mitigation hierarchy and aligning to 1.5 degrees.** Short-term targets in line with the objective to halve emissions by 2030 should be included, together with interim measurements and re-assessments to ensure the plan is executed adequately.
19. The **choice of scenarios should be made explicit** (low/ no overshoot according to IPCC), as well as the choice of model applied (IEA, One Earth Climate Model (OECM), other), and outlining of rationale for choice and for the implied assessment. This could be extended to biodiversity linked scenarios (fresh water, infrastructure, land use etc.).
20. **Scope 3 coverage.** WWF welcomes the integration of scope 3 emissions in the disclosure requirements. The ISSB Exposure Drafts require the disclosure of Scope 1 and Scope 2 GhG emissions information, but Scope 3 emissions could be omitted if the reason for the omission is explained. We expect that the most impactful effects on climate should be described explicitly, referring to scope 3 emissions.
21. **Applying a mitigation hierarchy is essential as carbon offsetting is not a substitute for emissions reduction.** The IPCC has demonstrated that failure to actually reduce emissions in the real economy will have dramatic impacts on our society and planet, leading to irreversible impact on our way of life. At 1.5 degrees, we are already reaching the limits of adaptation in many of our natural ecosystems, reducing the viability of many of the solutions we may invest in now. This is why a reduction-first approach is necessary, limiting the expansion or new financing of fossil fuel projects, which are incompatible with IEA evidence on achieving net zero<sup>24</sup>, and then applying high quality carbon offsetting sparingly after reductions are achieved.
22. The mitigation hierarchy is a clear requirement of established standards, including the SBTi guidance<sup>25</sup>. Carbon offsets should specifically only apply to residual emissions, they are not a substitute for emissions reduction. The proposed language in Question 13 (B) iii) “the intended use of carbon offsets in achieving emissions targets” could be (mis)interpreted in a way where there are essentially no limitations to using carbon offsets to achieve emissions targets. This could set a dangerous precedent and that masks real progress. Carbon offsets and avoided emissions should be explicitly disclosed, but separately from the transition plan.
23. WWF supports the framework's requirements that climate reduction targets be disclosed as absolute values first and, if deemed meaningful, as intensity values (relative intensity values). Anthropogenic global warming is a direct function of the absolute tonnage of GHGs emitted into the atmosphere, not of the proportion of their

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<sup>24</sup> [IEA Net Zero by 2050 - A Roadmap for the Global Energy Sector](#)

<sup>25</sup> SBTi, 2021. [How-to guide for setting near term targets.](#) SBTi

activities that emit GHGs. Decarbonisation plans should not mask real progress, companies must demonstrate proof that actions meet their stated commitments. That means using third parties for accountability and verifiability. WWF therefore suggests that the audit and review process be done by those with relevant expertise.

24. **Transition plans should include Disclosures on Engagement-** The UK's Net Zero Transition Plan Task Force's Call to Evidence<sup>26</sup> recommends that an entity engage its entire value chain, peers, internal and the public, addressing its influence throughout the supply chain when setting out a decarbonisation strategy. The benefits of such disclosures will enable entities to see how stakeholders have benefitted, but also allow for information on barriers and challenges to be relayed to government. Governments have a critical role in creating the environment for decarbonisation and such disclosure processes can be a mechanism for this.

## Concluding remarks

The recommendations above are based on the notion that sustainability without a more holistic view is not true sustainability - and will compromise our fundamental priority which is effective decarbonisation and a transition to an economy that operates within the planetary boundaries. A more holistic approach to dependencies and impacts, allowing entities to better address risks has been supported widely, builds off already existing precedent and standards, and will provide more effective and comparable information for investors. Moreover, because this is already being done by thousands of companies globally, diverging from some of these practices is more likely to result in administrative burdens.

As the only true global standard setters, the IFRS has a responsibility to ensure that what is proposed is forward looking, and will not need reformulating later, at additional cost and effort. This can be done in a phased approach to manage diverging expectations and initial capacity.

Once again, WWF supports the efforts to standardise climate and sustainability disclosures and is encouraged by current Exposure Drafts.

Best regards,

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<b>Date</b>	July 29th, 2022

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<sup>26</sup> [Transition Plan Taskforce Call for evidence](#)