
Feedback on the proposed IFRS[®] Sustainability Disclosure Standards

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Agenda

Proposed Standard 1

General Sustainability-related
Disclosures 2

Climate-related Disclosures 3

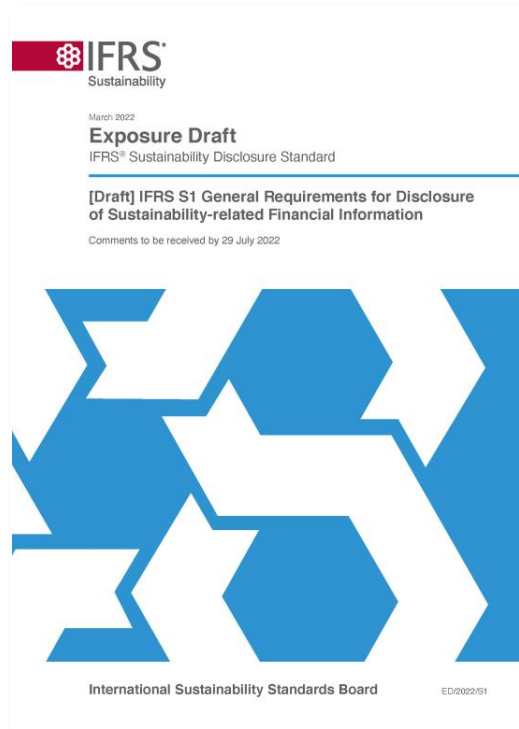
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Proposed Standards

Two proposed IFRS Sustainability Disclosure Standards

1



General Requirements
Exposure Draft

2



Climate
Exposure Draft

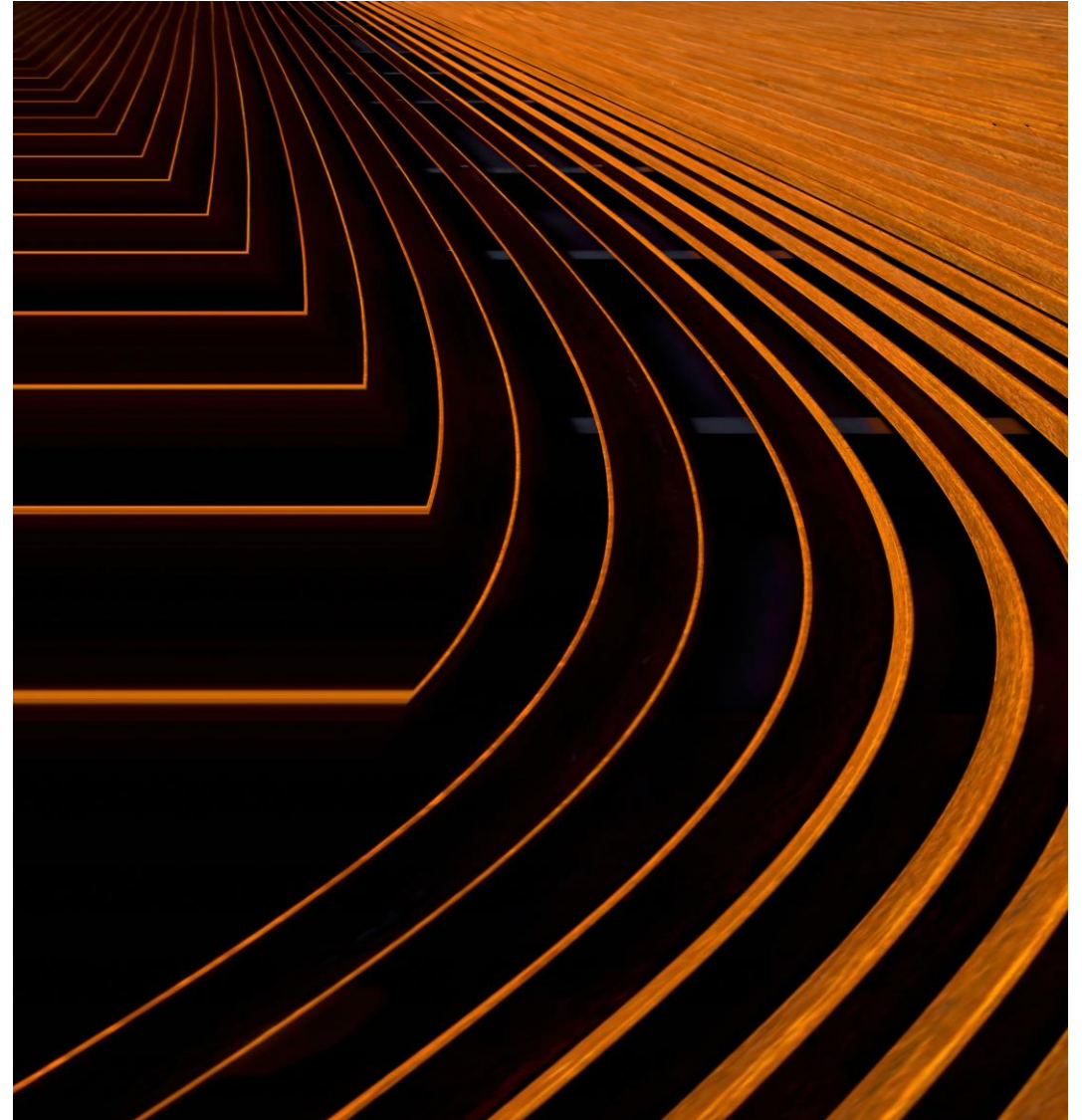
Published
31 March 2022

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29 July 2022

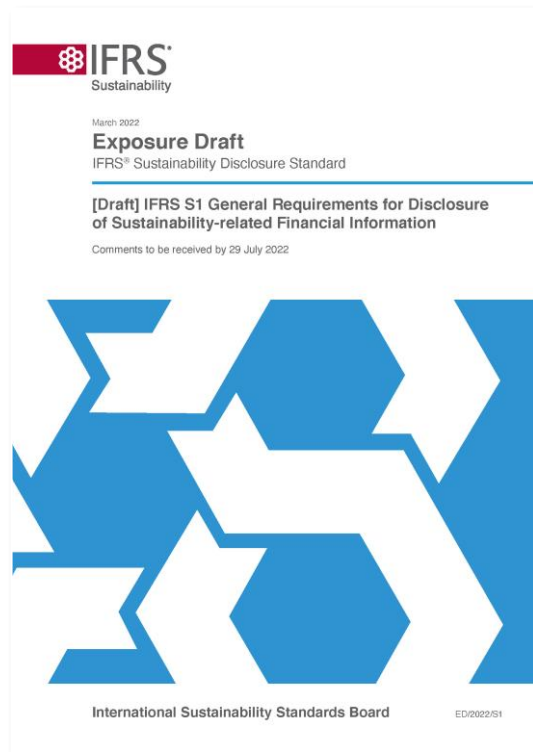
For the capital markets

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).

- **Significant** sustainability-related risks and opportunities
- Impacts of a company on people, the economy and the planet disclosed **when** it affects assessments of enterprise value
- Information that is **material**, i.e. that could reasonably be expected to influence decisions that investors would make.



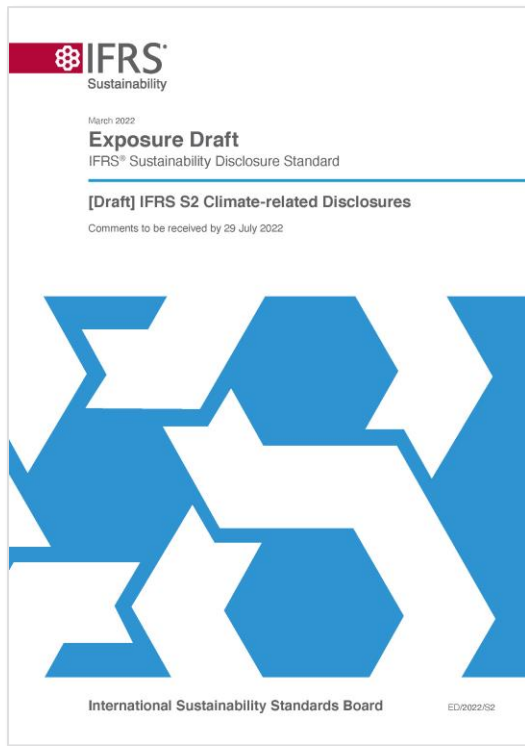
Proposed General Requirements Standard



Requires companies to provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value.

- Other IFRS Sustainability Disclosure Standards (e.g. Climate Standard) set out specific disclosures
- Points to other standards and frameworks in absence of a specific IFRS Sustainability Disclosure Standard
- Sets out general reporting requirements (e.g. location and timing of the reporting)
- Equivalent to IFRS Accounting Standards IAS 1 and IAS 8.

Proposed Climate-related Disclosures Standard



Disclosure of material information about significant climate-related risks and opportunities.

- Incorporates TCFD Recommendations
- Includes SASB Standards climate-related industry-based requirements
- Requires disclosure of information about
 - Physical risks (e.g. flood risk)
 - Transition risks (e.g. regulatory change)
 - Climate-related opportunities (e.g. new technology).

Widespread interest



1,400+ responses overall



400+ outreach events during consultation period



Feedback from wide range of stakeholder groups



Wide geographic spread

Summary of feedback



High level of interest and market engagement globally



Meeting the timeline to publish the exposure drafts by end of Q1 was positively received



Positive reception that the ISSB is **building upon** the existing body of sustainability-related financial reporting initiatives

Strong support for the ISSB's overall aim

- To develop a comprehensive global baseline of sustainability-related financial disclosures for capital markets

Continue to move at pace to issue the first standards

- Whilst emphasising the importance of timeliness and quality

Scalability of the proposals

- Questions about the application by smaller companies and those in emerging markets. Actively seeking feedback on this

Continue to work with jurisdictions

- To address differences in concepts, terminologies and definitions with jurisdictional proposals

Industry-based requirements

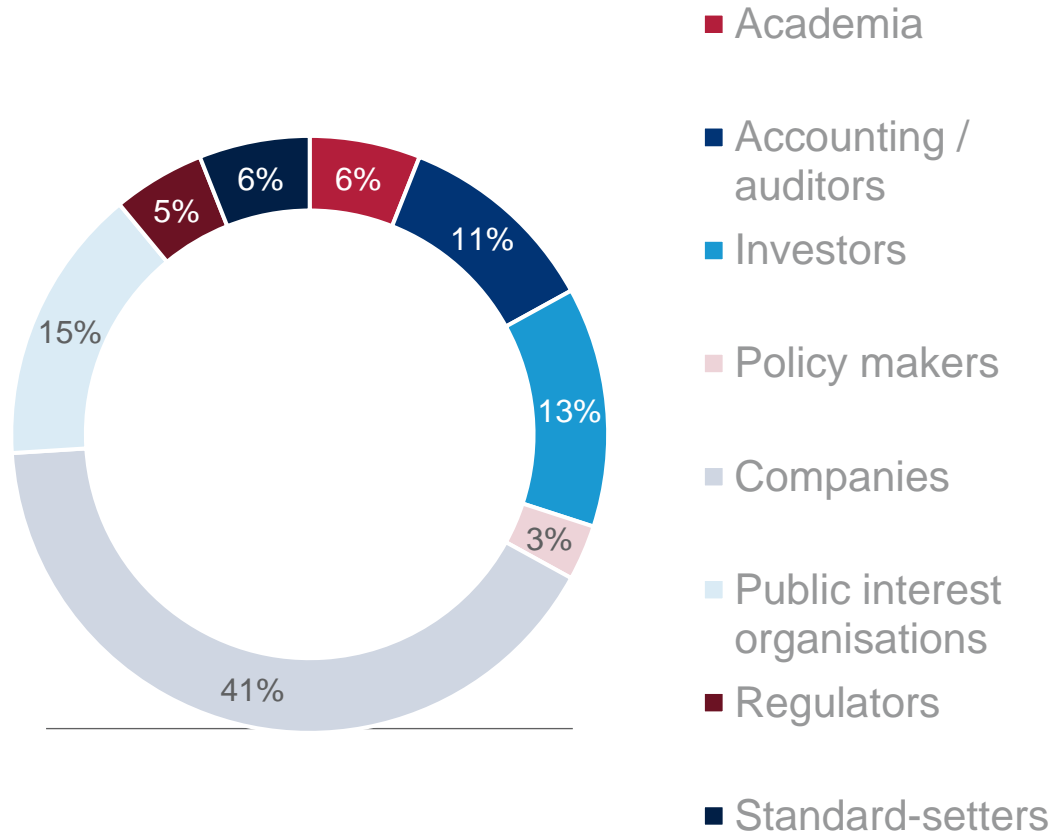
- Difference of opinions regarding the industry-based requirements

General Sustainability- related Disclosures

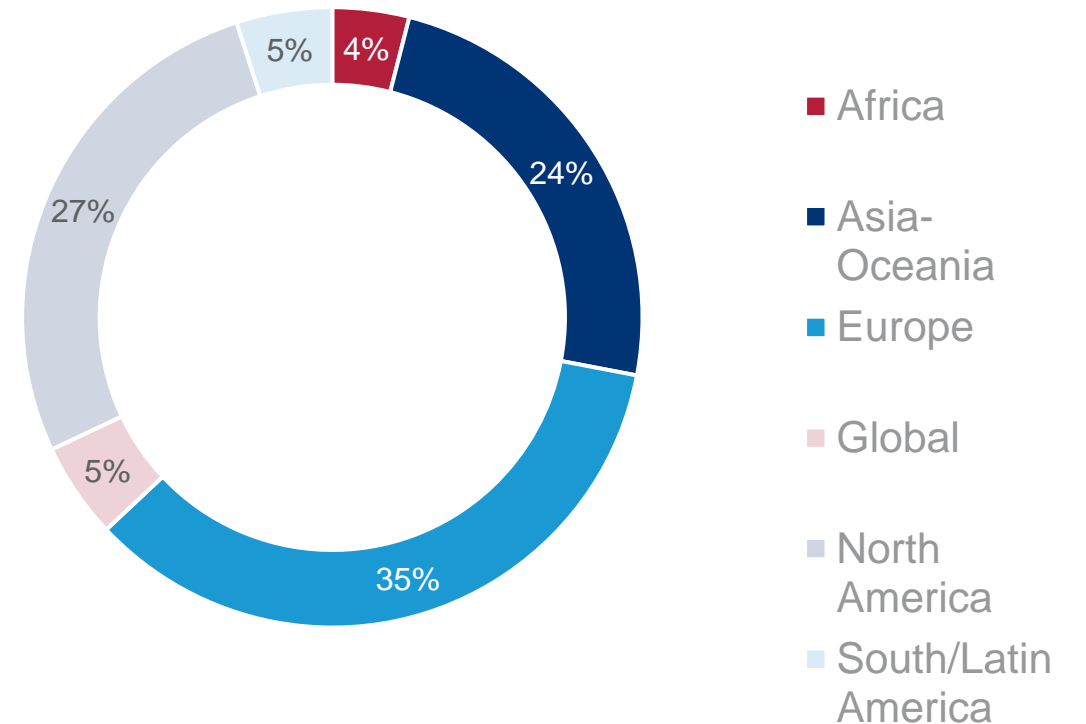
General Requirements ED responses

 720

Stakeholder group



Geographic spread



High-level messages



Strong support for the **timely publication** of the [draft] S1 and encouragement to continue to move at pace



Support for the [draft] S1 as the overarching standard which sets out the general requirements designed to apply across the IFRS Sustainability Disclosure Standards



Most feedback relates to request for **greater clarity, guidance and examples** to enable effective application of the proposals



Emphasis on **the importance for connected standard-setting** to facilitate a package of financial and sustainability-related financial reporting that can be assurable

Respondents across stakeholder groups and jurisdictions broadly agreed with...

Scope

The scope of [draft] S1 and that this could be used by entities applying IFRS Accounting Standards or other GAAP.

Core content

The requirements structured around four core content areas based on TCFD recommendations.

Reporting entity

Sustainability-related financial information being required for the same reporting entity as the related financial statements.

Fair presentation

Proposals on fair presentation (consistent with IFRS Accounting Standards).
Questions raised on the requirements on identifying sustainability-risks and opportunities and disclosures.

Statement of compliance

The proposed requirement for an explicit and unqualified statement on compliance with all of the requirements of applicable IFRS Sustainability Disclosure Standards.

Respondents broadly agreed, but raised matters for additional consideration about.....



Overall approach and objective



Current and anticipated financial effects



Timing of reporting

Overall approach and objective

Respondents broadly agreed with the proposed objective of the [draft] S1 in the context of the ISSB's mission

Respondents requested greater clarity on:

- Key concepts including 'significant' (the word and its application), enterprise value and value chain, as well as sustainability in the context of sustainability-related financial information
- Assessments of materiality in the context of sustainability-related financial information



Current and anticipated financial effects

Respondents raised concerns about the requirements to disclose the current and anticipated financial effects of sustainability-related and climate-related financial risks and opportunities

Comments included:

- how to quantify given measurement uncertainties, assumptions and estimates associated with risks and opportunities over time
- how to attribute particular financial effects to specific risks/opportunities when effects often arise from a combination of risks and opportunities



Timing of reporting

Respondents agreed with the proposal that sustainability-related financial disclosures should be provided at the same time as the financial statements

Respondents raised concerns in doing so in practice in the first years of application due to:

- the potential reporting burden
- the need to establish processes for sustainability-related financial disclosures
- the potential incompatibility with existing jurisdictional requirements, particularly on GHG emissions reporting.



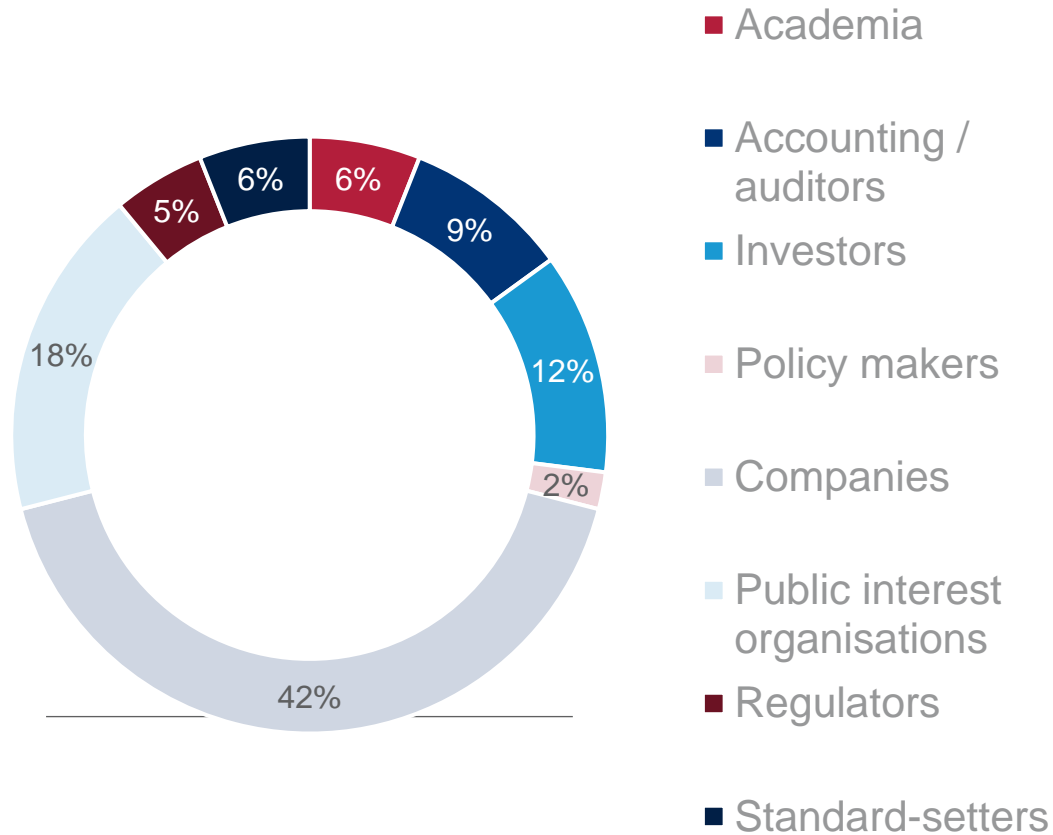
Climate-related Disclosures

Climate ED responses

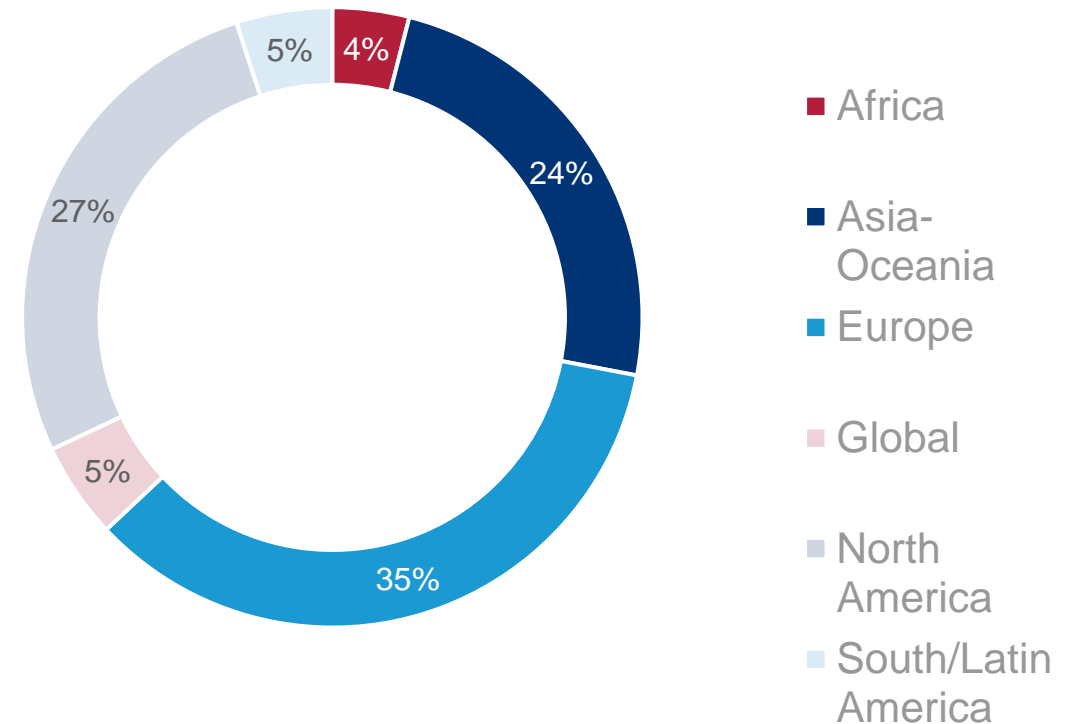


690

Stakeholder group



Geographic spread



High-level messages



The proposals in [draft] S2 were **well-received** by respondents to the consultation; in particular by investors



Respondents emphasise **the need for urgency**, citing significant risks that climate change presents to individual entities as well as to financial stability



Many respondents also asked for **greater support, guidance, and examples** to enable effective application of the proposals



Preparers emphasise the challenges with some specific proposed requirements, and the importance of **proportionate reporting requirements** for smaller companies and in emerging economies

Respondents across stakeholder groups and jurisdictions broadly agreed with...

Objective

The objective, the objective focus and that the disclosures would meet the objective. Questions were raised about the use of the term ‘significant

Governance

The proposed governance and risk management disclosure requirements; noting the overlap with [draft] S1

Strategy: Climate-related risks and opportunities

The proposed strategy requirement to identify and describe significant climate-related risks and opportunities

Risk management

The proposed requirement to disclose the risk management processes that an entity use to identify, assess and manage climate-related risks and opportunities

Cross-industry metrics

The seven proposed cross-industry metric categories, including their applicability across industries and business models

Respondents broadly agreed, but raised matters for consideration about...



Climate resilience

Scenario analysis



GHG emissions

Measurement method and Scope 3 emissions



Industry-based requirements

Climate resilience

Respondents broadly agreed with the proposed requirement on climate resilience, including the requirement that an entity use climate-related scenario analysis (when it is able to do so).

Key matters raised by respondents as part of the consultation:

- significant burden on entities to use climate-related scenario analysis, in particular for entities with less experience in climate-related disclosures or for smaller entities
- additional guidance and more time might be needed



Cross-industry metric categories: GHG emissions

Respondents broadly agreed with the proposed requirement that an entity disclose its absolute gross Scope 1, Scope 2 and Scope 3 GHG emissions in accordance with the GHG Corporate Standard

Key matters raised by respondents as part of the consultation:

- other measurement methodologies, such as the ISO 14064, and national schemes, should be permitted as alternatives for entities to use
- aspects of the proposed Scope 3 GHG requirement, including concerns about data availability and data quality



Industry-based requirements

Respondents agreed that industry-based requirements are necessary information for users of general purpose financial reporting to enable their assessment of an entity's enterprise value

Key matters raised as part of the consultation:

- international applicability of Appendix B
- disagreement with specific disclosure requirements
- certain industry-based requirements may duplicate content in other parts of Climate Exposure Draft



Call to action and next steps

Next steps



Complete discussions on consultation feedback around end of 2022



Issue final Standards as early as possible in 2023



Consult on proposed digital taxonomy once Standards are issued

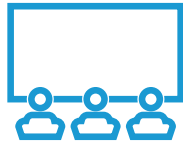


Consult on future priorities early 2023

Get involved



Download proposed IFRS Standards and supporting materials



Watch ISSB meetings



Respond to live consultations



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Discover which IFRS Foundation services can support you, including membership and education.

Observe ISSB's meetings



20-23 September (Frankfurt)
Complete. Recording available online



w/c 17 October (Montreal)



w/c 14 November (Frankfurt)



w/c 12 December (Montreal)

Observe online:

[ifrs.org/news-and-events/calendar](https://www.ifrs.org/news-and-events/calendar)

- papers published a week in advance
- summary published within a week

Questions?

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