
ISSB meeting

Date	November 2022
Project	Climate-related Disclosures
Topic	Cover note and summary of redeliberations
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Objective

1. At this meeting we will continue redeliberating the proposals in the Exposure Draft IFRS S2 *Climate-related Disclosures* ([draft] S2) by continuing the redeliberations of the proposed requirements for an entity to disclose information on strategy and decision-making (including transition planning) and climate-related targets. The ISSB will also continue the redeliberation of the proposed disclosures on the effects of significant climate-related risks and opportunities on an entity's financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term (current and anticipated effects). These topics were initially discussed as part of [Agenda Paper 3C and 4D: General Sustainability-related Disclosures and Climate-related Disclosures—Interoperability—key matters](#).
2. We will discuss the following papers:
 - (a) Agenda Paper 4A: Strategy and decision-making and climate-related targets; and
 - (b) Agenda Paper 3A & 4B: Current and anticipated financial effects and connected information.

Next Steps

3. At future ISSB meetings, we will continue redeliberating the project proposals.

Summary of redeliberations

4. The Appendix summarises the redeliberations for this project, including the ISSB's tentative decisions. This includes the latest tentative decisions made by the ISSB with regards to climate resilience disclosures. [Agenda Paper 4: Climate-related Disclosures—Climate resilience](#) was brought to an interim ISSB meeting on 1 November 2022.

Appendix A—Tentative decisions by the ISSB

Topic and ref	Tentative decisions by the ISSB
<p>Scalability/ proportionality</p>	<p>The ISSB tentatively decided that mechanisms should be identified to enable disclosure requirements to be scalable, when relevant. In particular, the ISSB considered whether to:</p> <ul style="list-style-type: none"> (a) amend the proposed disclosure requirements so that an entity, based on specific criterion related to scalability, would not be required to provide a particular disclosure (or would be required to provide an alternative disclosure that is simpler to apply); (b) amend the proposed disclosure requirements so that an entity that meets a criterion of being unable to provide a disclosure is required to explain how it meets the criterion; (c) provide materials to assist preparers in the application of the standards, which include the ISSB providing guidance to support application; (d) provide materials to assist preparers in the application of the standards, which include referring to other sustainability-related protocols, frameworks and guidance as resources for further guidance, measurement methodologies and inputs to calculations to support application; and (e) amend the proposed disclosure requirements to differentiate the application by entities, by identifying requirements that are ‘basic’ and ‘advanced’ that could be utilised by a jurisdiction for a transition period. <p>The ISSB tentatively decided on factors to assess which scalability mechanisms are appropriate for responding to specific scalability challenges:</p> <ul style="list-style-type: none"> (a) whether the scalability challenges are temporary (in other words transitional) or more permanent (for example, due to data availability); (b) the extent to which the set of entities with a scalability challenge can be specifically identified; (c) the extent of available market guidance, methods, industry-practices and techniques; and (d) the maturity of the underlying methods and techniques that underpin the disclosure requirement.

<p>Strategy and decision-making and targets</p> <p>Proposal: [draft] S2 paragraphs 13, 23</p> <p>Feedback: Sept 22 AP4A questions 5, 10</p>	<p>In relation to emissions targets, the ISSB tentatively decided:</p> <ul style="list-style-type: none"> (a) to confirm the proposed requirement to disclose the intended use of carbon credits but to clarify that an entity's net emissions target(s) and intended use of carbon credits should be disclosed separately from the entity's gross emission reduction target(s); (b) to use the term 'carbon credit' in draft S2 in the context of offsetting emissions in the transition plan; (c) to clarify the different types of targets—in particular, that, under the proposed requirements, a climate-related target is set by an entity to address aspects of its climate-related risks and opportunities (paragraph 13(a) of draft S2) and the role of emissions targets in transitioning to a low-carbon economy (paragraph 13(b) of draft S2); and (d) to clarify that an entity would be required to disclose any emissions targets it has set (both net emission targets and gross emissions reduction targets) and those it is required to meet by local legislation.
<p>Financial position, financial performance and cash flows</p> <p>Proposal: : [draft] S2 paragraphs 12, 13</p> <p>Feedback: Sept 22 AP4A questions 4, 6</p>	<p>In relation to the proposed requirements in draft S2 about current effects, the ISSB tentatively decided to confirm:</p> <ul style="list-style-type: none"> (a) that paragraph 14 of draft S2 would require an entity to disclose information about the effects of climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period (ie the current effects); (b) that separate disclosures are not required for physical risks, transition risks and climate-related opportunities, except as set out in paragraph 21(b)–(d) of draft S2; and (c) the requirement for separate disclosures about assets subject to physical risks, transition risks and climate-related opportunities, in the form of metrics as specified in paragraph 21(b)–(d) of draft S2.
<p>Climate resilience</p> <p>Proposal: [draft] S2 paragraph 15</p> <p>Feedback: Sept 22 AP4A question 7</p>	<p>In relation to climate resilience, the ISSB tentatively decided:</p> <ul style="list-style-type: none"> (a) to confirm paragraph 15(a) of draft S2, requiring an entity to disclose the results of its analysis of climate resilience and the particular information set out in that paragraph; (b) to confirm paragraph 15(b) of draft S2, requiring an entity to describe how its climate resilience analysis has been conducted; (c) to confirm paragraph 15(b)(i)(4) of draft S2, requiring an entity to disclose whether it has used, among its scenarios, a scenario aligned with the latest international agreement on climate change, thus also confirming: that the language on the latest international agreement on

	<p>climate change (ie the Paris Agreement) is not 'hard coded' into the requirements; and that entities are not required to use a specific scenario related to the latest international agreement on climate change or a 1.5C° scenario; and</p> <p>(d) to require an entity to disclose how it uses climate-related scenario analysis to inform its identification of climate-related risks and opportunities.</p> <p>Building on these decisions, the ISSB tentatively decided:</p> <p>(a) to require an entity to assess its climate resilience using a method of climate-related scenario analysis commensurate with the entity's circumstances. The ISSB will do further work to clarify the criteria for an entity to select a method of analysis.</p> <p>(b) to remove references to 'alternative methods' of assessing resilience from paragraph 15.</p> <p>(c) to develop application guidance for paragraph 15 based on guidance from the Task Force on Climate-Related Financial Disclosures.</p> <p>(d) to amend the definition of 'climate resilience' in Appendix A to draft S2 to clarify that, in relation to uncertainties associated with climate change, an entity's climate resilience includes its strategic and operational resilience.</p> <p>(e) to clarify that an entity would be required to disclose annually the information on climate resilience described in paragraph 15—even if the entity does not use scenario analysis annually.</p> <p>(f) to amend the terminology in paragraph 15 to clarify that 'analysis' describes the tool (scenario analysis) that an entity is required to use in order to assess its climate resilience; and also to clarify that 'assessment' in that paragraph describes the entity's objective when it uses scenario analysis to assess its climate resilience.</p> <p>(g) to explore developing guidance based on third-party materials to help an entity choose relevant scenarios for assessing and preparing disclosures on climate resilience.</p>
<p>GHG emissions</p> <p>Proposal: [draft] S2 paragraph 21a</p>	<p>In relation to Scope 1 and 2 greenhouse gas emissions, the ISSB tentatively decided to proceed with the proposed requirement for an entity to disclose:</p> <p>(a) its absolute gross GHG emissions generated during the reporting period, expressed as metric tonnes of CO2 equivalent, for its Scope 1 and Scope 2 GHG emissions;</p>

Feedback: [Sept 22 AP4A](#) question 9(c)-(f)

- (b) the approach it used to include its Scope 1 and Scope 2 GHG emissions for the unconsolidated investees (ie associates, joint ventures, unconsolidated subsidiaries or affiliates not included in paragraph 21(a)(iii)(1) of draft S2); and
- (c) the reason, or reasons, for the entity's choice of approach required by paragraph 21(a)(iv) of draft S2, and how that relates to the disclosure objective in paragraph 19 of draft S2.
- (d) Furthermore, the ISSB tentatively decided to proceed with, but clarify, the proposed requirements for an entity to disclose its Scope 1 and Scope 2 GHG emissions disaggregated separately for:
 - (i) the consolidated accounting group (ie the entity's parent and its subsidiaries); and
 - (ii) the unconsolidated investees.

In relation to Scope 3 greenhouse gas emissions, the ISSB tentatively decided:

- (a) to proceed with its proposal to require an entity to disclose its Scope 3 GHG emissions, subject to relief that would address the data availability and data quality challenges raised by respondents in the consultation; and
- (b) to confirm that such a disclosure would include information about which of the 15 Scope 3 GHG emissions categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard are included within the entity's measure of Scope 3 emissions.

In relation to greenhouse gas emissions measurement methods, the ISSB tentatively decided:

- (a) to amend its proposals so that an entity would be required to apply the GHG Protocol Standards subject to relief in specific circumstances; and
- (b) to specify that an entity is required to apply the version of the GHG Protocol Standards in force on the date that draft S2 was exposed for comment (31 March 2022). For the GHG Protocol Corporate Standard this is, therefore, the 2004 version, and for the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard this is the 2011 version.

<p>Industry-based requirements: Appendix B</p> <p>Proposal: [draft] S2 Appendix B</p> <p>Feedback: Sept 22 AP4A question 11</p>	<p>In relation to the industry-based requirements set out in Appendix B to draft S2, the ISSB tentatively agreed to:</p> <ul style="list-style-type: none"> (a) maintain the requirement that entities provide industry-specific disclosures; and (b) classify the content in Appendix B as illustrative examples, while stating its intention to make Appendix B mandatory in the future, subject to further consultation.
<p>Financed and facilitated emissions</p> <p>Proposal: [draft] S2 Appendix B</p> <p>Feedback: Sept 22 AP4A question 11(d)-(i)</p>	<p>Initial redeliberation began September 2022; no decisions made by the ISSB yet.</p>