ISSB meeting

Date   **December 2023**

Project   **IFRS Sustainability Disclosure Taxonomy**

Topic   **Changes to the Proposed IFRS Sustainability Disclosure Taxonomy**

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Purpose of this paper

The purpose of this paper is to provide an overview of the **main changes** to the Proposed IFRS Sustainability Disclosure Taxonomy* that the staff recommends to the ISSB in response to stakeholder feedback

Questions for the ISSB

1. Does the ISSB have any questions or comments on the changes to the Proposed ISSB Taxonomy recommended by staff with regard to:
   a) narrative information (Slides 8-18);
   b) modelling of relationship between IFRS S1 and IFRS S2 (Slides 19-25);
   c) metrics and targets (Slide 26-32); and
   d) other improvements considered (Slides 33-34).
2. Is there anything else that the ISSB thinks the staff should consider before proceeding to prepare the Taxonomy for the ISSB's approval by means of a ballot?

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* For brevity, we refer to the IFRS Sustainability Disclosures Taxonomy as the
'ISSB Taxonomy' or the 'Taxonomy' in this document.

Background information

- **In March 2022, the Chair and Vice-Chair published the Exposure Drafts** IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

- **In May 2022, the IFRS Foundation published a Staff draft of the ISSB Taxonomy** representing the disclosure requirements proposed in the two Exposure Drafts. The staff draft was accompanied by a Request for Feedback soliciting public feedback on staff recommendations on fundamental matters that need to be considered early to enable the ISSB to publish the ISSB Taxonomy on a timely basis.

- **The deadline for comments on the Staff draft closed on 30 September 2022**. Stakeholder feedback was discussed by the **ISSB at its November 2022 meeting**.

- **In June 2023, the ISSB issued** IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

- **In July 2023, the ISSB published the Proposed ISSB Taxonomy** for digital reporting reflecting the disclosure requirements in IFRS S1 and IFRS S2 for public consultation.

- **The deadline for comments on the Proposed Taxonomy closed on 26 September 2023.** The ISSB discussed stakeholder feedback on the Proposed Taxonomy at its **November 2023 meeting**.

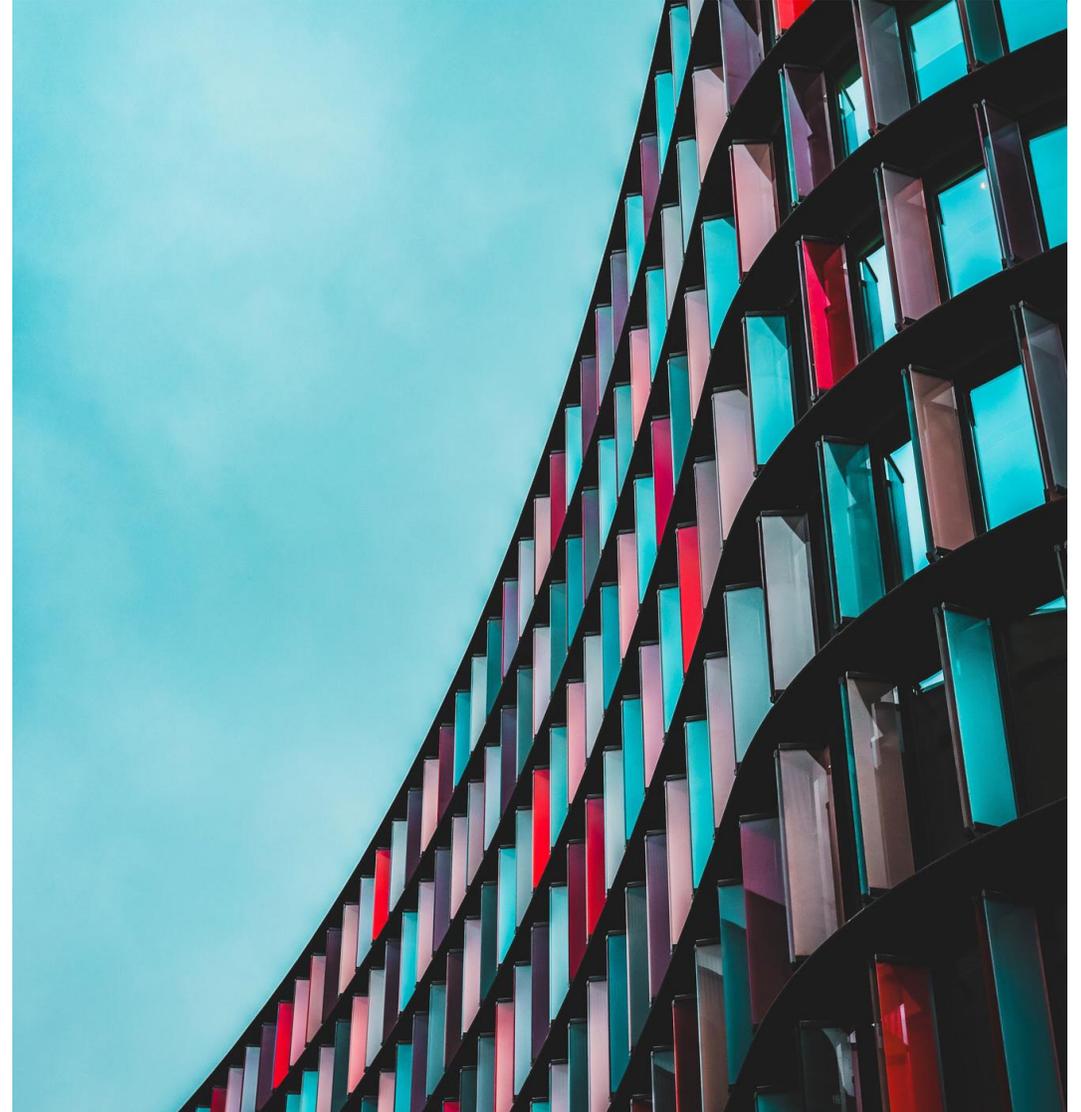# Topics

Summary of the staff recommendation

Summary of the staff recommendation

			Slides no.
A. Narrative information	**Confirm** the **principle for creating elements for narrative information** expected to be both separately understandable to investors* and readily identifiable for tagging.	**Make targeted amendments** to the modelling of specific taxonomy elements to **refine and enhance the Taxonomy** as well as **minimising the gap in how similar requirements in IFRS S2 and ESRS E1 are modelled**. Specifically with regards to **granularity** and **data type**.	*8–18*
B. Modelling of relationship between IFRS S1 and IFRS S2	**Confirm** the proposals to create: • **A single set of elements** to reflect the corresponding requirements; and • **A dimensional model** to reflect disaggregation by risks and opportunities.	**Introduce a mechanism** to enable investors to identify the **sustainability topic(s)** of a risk or opportunity when such information is provided and tagged. Specifically, adding an **extensible enumeration** reflecting the topic of 'Climate'.	*19–25*
C. Metrics and targets	**Make targeted improvements** to the modelling of **entity-defined metrics and targets** and **the link between metrics and targets** to make it easier for investors to analyse the resulting data.		*26–32*
D. Other improvements	• **Refine the list of categorical elements** proposed and **clarify the guidance** for using the categorical elements. • **Make targeted editorial changes** to **shorten verbose standard labels** to improve the functionality of the labels in the Taxonomy		*33–34*

* For brevity, we refer to 'primary users of general purpose financial reports' as 'investors' in this document

Recommended changes by topic

A. Narrative information – Background

- **Narrative information** often requires more context to be understood and useful. In considering the appropriate approach for tagging narrative information, the ISSB proposed creating a taxonomy structure that is designed to:

  - Provide **investors** with blocks of narrative information that are useful for analysis (and which also support the use of AI tools such as large language models);

  - Minimise the need for **preparers** to multiple tag the same information; and

  - Support **global implementation and consistent application** of the Taxonomy by limiting hierarchical structure which could result in inconsistency in tagging practice among preparers or jurisdictions.

- The ISSB proposed a principle for creating taxonomy elements for narrative information at the finest level of detail expected to be both **separately understandable and useful to investors** and **readily identifiable for tagging**.

  - The ISSB proposed this principle to strike the right balance between creating taxonomy elements that would result in information tagged being either too broad (information processing will be difficult) or too narrow (information context will be lost). Applying this principle, the ISSB proposed approximately **100 elements to tag blocks of narrative information.**

  - The ISSB proposed creating taxonomy elements reflecting **a single level of disclosure requirements** to the extent possible, **limiting hierarchical structure** in its Taxonomy. For example, when an element is created to reflect a requirement in the sub-paragraph in the Standards, the ISSB generally did not propose creating elements reflecting a requirement in a level lower (or higher level) than sub-paragraphs

A. Narrative information – Feedback

Generally, stakeholders supported the aim of a **Taxonomy** designed to tag all information usefully while minimising the need for **multiple tagging** of the same information, because it will support the **global implementation and consistent application** of the Taxonomy.
Some respondents thought the proposals struck the right balance between providing useful information for investors and limiting burden on preparers. Some stakeholders supported the ISSB's intention to review emerging reporting practice and subsequently refine and enhance the Taxonomy, if necessary (for example, more granular elements could be introduced subsequently).

Common themes of stakeholder feedback:
- Some stakeholders (including a few respondents and some ITCG members) emphasised the importance of considering **interoperability with other taxonomies (including the forthcoming ESRS XBRL Taxonomy) in determining appropriate level of granularity** useful for investors to compare information with other sustainability-related standards; and
- Some data aggregators and regulators thought providing elements reflecting different levels of requirements in the Standard (other than sub-paragraph) **could provide more data for investors which could be grouped and analysed in different ways**.
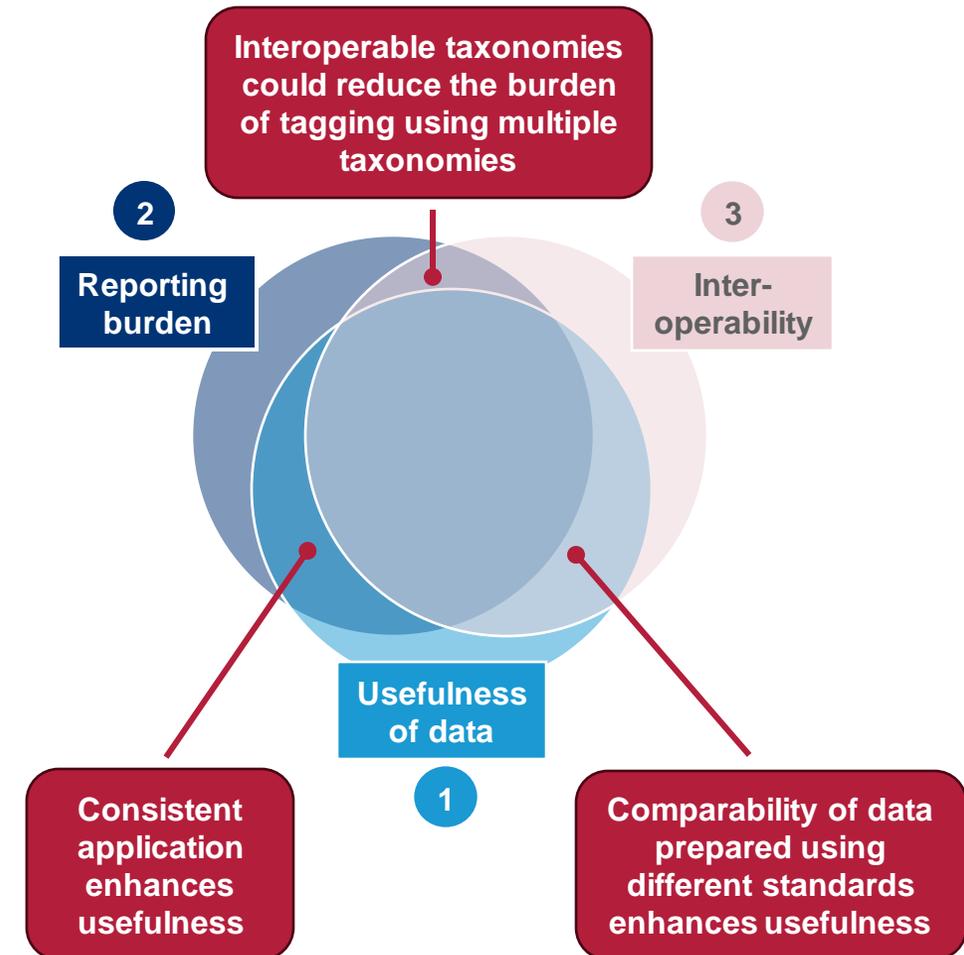
A. Narrative information – Staff analysis on granularity (1)

Stakeholder feedback on the proposal relating to granularity is **mixed**. Some stakeholders said that more granularity is useful while some others said that more granularity is less useful. The staff observes **three objectives** underlying the stakeholders' views:

1. Concern about the **usefulness of narrative data for analysis** (including in facilitating the use of AI tools);

2. Concern about the **reporting burden** of tagging narrative disclosure using too granular elements which may result in multiple tagging and inconsistent use of the taxonomy elements; and

3. Concern about the proposed approach to granularity limiting the **interoperability** of the ISSB Taxonomy with other sustainability-related taxonomies.

The staff observes **these objectives are often overlapping,** therefore the ISSB will need to find the right balance and take into account all these considerations.

Interoperable taxonomies could reduce the burden of tagging using multiple taxonomies

2

Reporting burden

3

Inter-operability

Usefulness of data

1

Consistent application enhances usefulness

Comparability of data prepared using different standards enhances usefulness

A. Narrative information – Staff analysis on granularity (2)

- We received limited feedback on the specific taxonomy elements proposed. Instead, stakeholders emphasised the importance of the ISSB carefully considering **interoperability with other sustainability-related taxonomies** in developing the ISSB Taxonomy. The staff is aware of the following developments:
    - **EFRAG** is developing the ESRS XBRL Taxonomy designed for digital tagging of information prepared applying ESRS (see ITCG October 2023 meeting)*;
    - **US SEC** proposed digital reporting requirement as part of its proposed Climate Disclosure Rule; and
    - **GRI** plans to update its digital taxonomy in 2024 (see GRI's presentation at the ISSB October 2023 meeting).

- The staff notes that the above interoperability considerations have arisen as a result of these reporting requirements being developed before or simultaneously with the ISSB Standards. A benefit of jurisdictions building on IFRS S1 and IFRS S2 is that this would facilitate the direct application of the ISSB Taxonomy. To the extent a jurisdiction adds additional disclosure requirements, elements for those disclosures could be provided by the jurisdiction in addition to the base ISSB Taxonomy elements as needed.

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* The proposed ESRS XBRL Taxonomy is expected to be published in January 2024 for public consultation (see EFRAG SR TEG 20 November paper).

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A. Narrative information – Staff analysis on granularity (3)

- The staff notes that interoperability of the Standards is a **pre-requisite** for taxonomies to be interoperable as the taxonomies capture the disclosure requirements.

  - The ISSB, the European Commission and EFRAG have confirmed high-degree of alignment between IFRS S2 and ESRS E1. It has also been highlighted that digital taxonomy is anticipated to assist in building on this interoperability.

  - We are discussing the ESRS XBRL Taxonomy with EFRAG as part of our **ongoing collaboration.**

- The staff notes that **ESMA is the authoritative body** that regulates digital reporting in EU. EFRAG will hand over the ESRS XBRL Taxonomy, once finalised, to ESMA who will then set out the regulation for the implementation of the digital tagging of sustainability reports in EU (consistent with the digital reporting regulation for financial reporting in EU).

  - ESMA will ultimately determine what is tagged in EU – they may not require all tags that are included in the ESRS XBRL Taxonomy

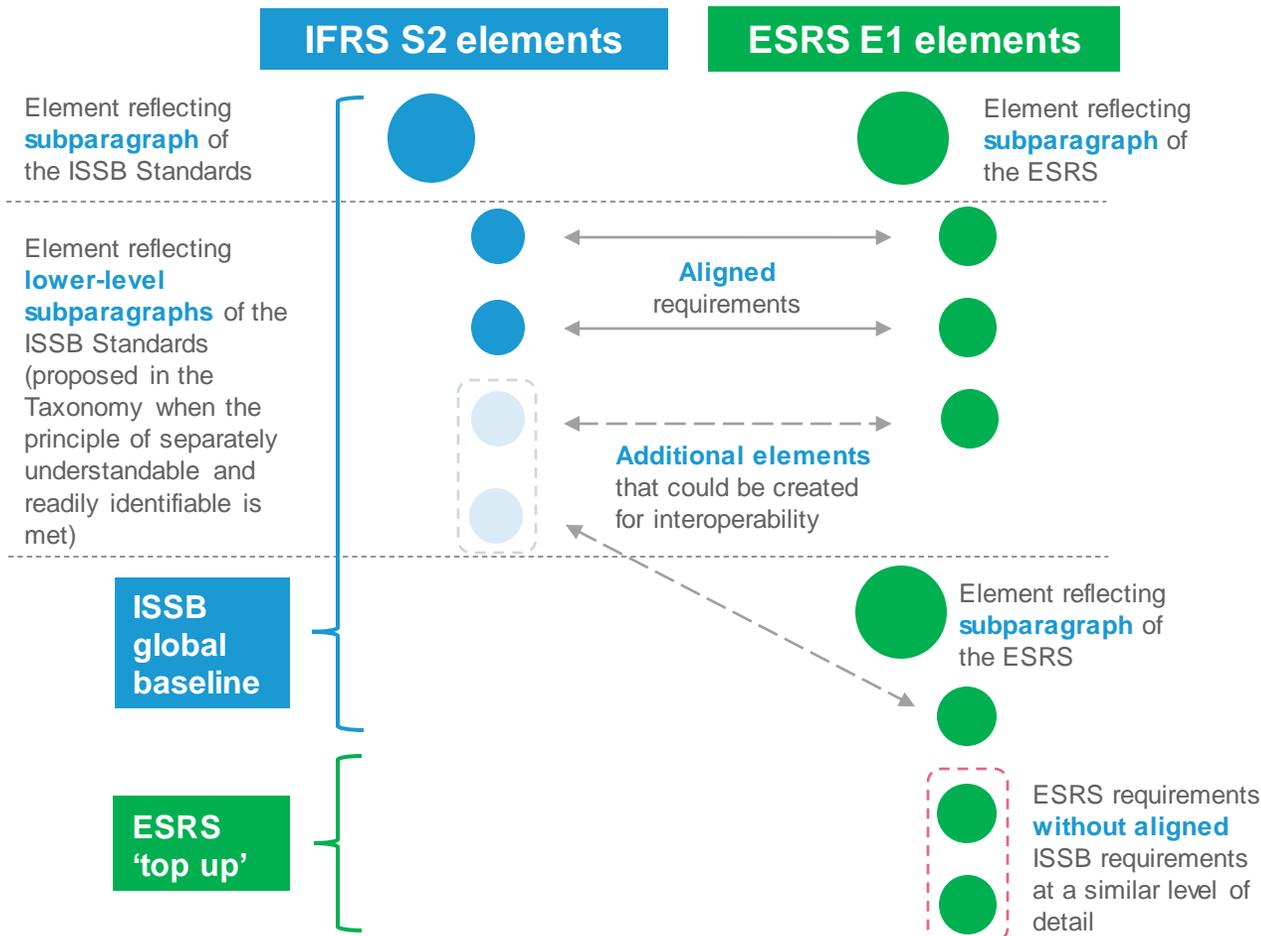# A. Narrative information – Staff analysis on granularity (4)

- The ISSB proposed an approach to tagging narrative information that is intended to support the global implementation and consistent application of the Taxonomy (see Slide 8).

- However this approach may **limit the interoperability** when the level of tagging is such that tagged items are in part 'aligned' and in part 'unaligned'. For example, tagging at the level of sub-paragraph X(a) would not facilitate interoperability in this case but tagging at the subparagraph X(a)(i) level would.

	ISSB Standards	**Other standard**
Subparagraph X(a)		
Subpara. X(a)(i)	Aligned	Aligned
Subpara. X(a)(ii)	Unaligned	Unaligned

- The staff has conducted line-by-line comparison of the elements reflecting requirements in IFRS S2 in the Proposed ISSB Taxonomy with those reflecting ESRS E1 in the working draft ESRS XBRL Taxonomy. We identify **approximately 75%** of the aligned requirements are modelled **at the same level of granularity** in both the proposed ISSB Taxonomy and working draft ESRS XBRL Taxonomy.*

- We have identified the **difference in granularity** is almost equally split in which:
  - Elements in the Proposed ISSB Taxonomy reflect less granular aspects of the requirements; and
  - Elements in the working draft ESRS XBRL Taxonomy reflect less granular aspects of the requirements.

* This assessment might have to be updated based on final version of the ESRS XBRL Taxonomy

A. Narrative information – Staff analysis on granularity (5)

IFRS S2 elements

ESRS E1 elements

Element reflecting **subparagraph** of the ISSB Standards

Element reflecting **subparagraph** of the ESRS

Element reflecting **lower-level subparagraphs** of the ISSB Standards (proposed in the Taxonomy when the principle of separately understandable and readily identifiable is met)

Aligned requirements

Additional elements that could be created for interoperability

ISSB global baseline

Element reflecting **subparagraph** of the ESRS

ESRS 'top up'

ESRS requirements **without aligned** ISSB requirements at a similar level of detail

- Creating additional elements when those in the Proposed ISSB Taxonomy are less granular could be useful to help ensure information provided in accordance with **aligned requirements in IFRS S2 and ESRS E1 could be tagged separately**.

- Key considerations:
  - Adding too many elements may make it **more difficult** for preparers to use the Taxonomy and for investors to obtain data at a level that is most useful for analysis.
  - Adding elements reflecting lower-levels may result in **adding hierarchical structure.**

- The ISSB limited hierarchical structure in the proposed Taxonomy to **minimise the risks of inconsistent application of the Taxonomy.**
  - Regulators might only mandate the use of some parts of the ISSB Taxonomy (eg the highest-level element). However, they may wish to ensure that interoperability is supported.

A. Narrative information – Staff recommendation on granularity

- The staff recommends the ISSB **confirms** the principle for creating elements for narrative information expected to be both **separately understandable to investors** and **readily identifiable for tagging.**

- The staff recommends the ISSB **makes targeted amendments to the modelling** of some of the proposed taxonomy elements to refine and enhance their modelling (based on stakeholder feedback) and minimise the gap in how similar requirements in IFRS S2 and ESRS E1 are modelled in the ISSB Taxonomy and the forthcoming ESRS XBRL Taxonomy.
  - Specifically, by **adding elements reflecting more granular aspects of requirements** when they are expected to help facilitate interoperability (see Slides 39-41 which illustrate the addition of these elements).

- The staff notes that we have identified some areas where the taxonomy elements in the working draft of **the ESRS XBRL Taxonomy are less granular**, consequently EFRAG would need to create more granular elements to facilitate interoperability. There are also areas where **the requirements are aligned at a level lower than the proposed tags**, consequently to facilitate interoperability the ISSB and EFRAG both would need to create more granular elements. We will continue working closely with EFRAG in identifying these gaps.

A. Narrative information – Staff analysis on data type (1)

- Based on the comparison with the working draft ESRS XBRL Taxonomy, the staff also identified differences in the **data type** that is proposed in the ISSB Taxonomy for requirements reflecting **cross-industry metric categories of climate-related transition risks** (paragraph 29(b) of IFRS S2) and **climate-related physical risks** (paragraph 29(c) of IFRS S2).
    - The taxonomy elements proposed for these metric categories are 'text block' element type to accommodate the diversity of metrics that an entity could disclose in relation to its climate-related transition or physical risks (see the many examples provided in paragraph IG1 of IFRS S2 Accompanying Guidance).
    - ESRS E1 contain similar, but more prescriptive, requirements and these are modelled in the working draft of the ESRS XBRL Taxonomy using **'monetary'** and **'percentage'** element types.
    - Additionally in the feedback to the proposed Taxonomy, a few respondents suggested the ISSB considers explicitly modelling the cross-industry metric categories that refer to 'amount' and/or 'percentage' using numeric elements, to aid investors' use of the numerical data.

A. Narrative information – Staff analysis on data type (2)

- The staff considered using 'monetary' and 'percentage' type for elements reflecting the cross-industry metric categories of climate-related transition risks and physical risks. However, these element types could not be used for tagging **contextual information about the type of metrics disclosed** (eg 'volume of real estate collaterals highly exposed to transition risk') which would otherwise be tagged using the 'text block' element type proposed.

  - **Retaining the 'text block' element while adding example 'monetary' and 'percentage' element types** would enable investors to identify the type of metrics disclosed and use the numerical data more easily where suitable metrics are disclosed.

- Additionally, the staff thinks the modelling of the elements reflecting the other **cross-industry metric categories for climate-related opportunities** (paragraph 29(d) of IFRS S2) and **capital deployment** (paragraph 29(e) of IFRS S2) could be improved by adding similar 'monetary' or 'percentage' element types or both (these metrics are not required by ESRS E1).

A. Narrative information – Staff recommendation on data type

- The staff recommends the ISSB **makes targeted amendments to the modelling** of some of the proposed taxonomy elements to refine and enhance their modelling (based on stakeholder feedback) and minimise the gap in how similar requirements in IFRS S2 and ESRS E1 are modelled in the ISSB Taxonomy and the forthcoming ESRS XBRL Taxonomy.
    - Specifically, by **adding 'monetary' or 'percentage' examples or both** to some cross-industry metric categories in IFRS S2 (see Slides 42-43 which illustrate the addition of these elements)
    - **Guidance** could be provided in the Taxonomy to help preparers appropriately use these additional elements for tagging.

B. Modelling of relationship between IFRS S1 and IFRS S2 – Background

- **'Corresponding requirements'** for the purposes of this discussion are IFRS S1 disclosure requirements that are also in IFRS S2 because they are relevant to climate-related risks and opportunities. Those requirements relate to the core content of governance, strategy, risk management and metrics and targets.

- The ISSB proposed **a single set of elements** in the proposed Taxonomy to reflect corresponding requirements in IFRS S1 and IFRS S2. This proposal:
  - reflects that those requirements might result in, or be addressed by, common items of information; and
  - avoids the complexity of tagging the same information twice.

- Information reflecting corresponding requirements may be provided by **each risk and opportunity.** A **dimensional model*** is proposed to:
  - allow investors to extract information separately for each risk and opportunity; and
  - help investors understand entity-specific elements used to identify sustainability-related risks and opportunities.

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* A 'dimensional model' maps the reported information to a conceptual table, providing structure for entity-specific elements. This table reflects the logical structure of the data and does not specify or restrict the format of any disclosure.

B. Modelling of relationship between IFRS S1 and IFRS S2 – Feedback

Almost all respondents supported the proposals designed to tag all information once, with additional details provided by risks and opportunities identified by an entity, where applicable.

However, some stakeholders (including some investors) were **concerned about:**

1. **Comparability** between risks and opportunities identified by each entity; and

2. Not being able to easily **identify information related to climate separately** from other information

Some stakeholders suggested the Taxonomy should facilitate **identification of information related to climate separately** from other information.

Stakeholders said that identifying entity-specific risks and opportunities as climate-related **may help with comparability** between entities and it may **help with interoperability between various reporting frameworks** because it may allow easier comparison of information grouped as climate-related.

B. Modelling of relationship between IFRS S1 and IFRS S2 – Staff analysis (1)

- The ISSB considered, but **rejected,** proposing an alternative to modelling the corresponding requirements as two separate sets of elements which, in principle, could help with the identification of risks and opportunities that are climate-related. This is because:
  - The Standards require an entity to avoid unnecessary duplication when disclosing information that applies to multiple risks and opportunities. In such a case, applying the alternative approach would likely result in **inconsistent use of the Taxonomy** (eg some preparers might use IFRS S1 only element, some IFRS S2 only element, some both). This would make it difficult for investors to find relevant information.
  - The ISSB rejected this approach because of the expected burden to preparers while providing unclear benefit to investors.

- Some investors said they were concerned the proposed approach to create a single set of elements would not enable them to easily identify information that an entity considers to be **'climate-related'** which would otherwise be useful to help investors:
  - Compare risks and opportunities (which may vary between entities) considered to be climate-related by each entity; and
  - Compare climate-related information prepared applying ISSB Standards with those prepared using other standards.

B. Modelling of relationship between IFRS S1 and IFRS S2 – Staff analysis (2)

- Some stakeholders asked to introduce a mechanism in the ISSB Taxonomy to identify the **topic of a sustainability-related risk or opportunity ('sustainability topic')**. However, the staff notes the ISSB Standards do not specify a list of sustainability topics that is required to be disclosed by an entity.
    - Stakeholders suggested using a generic list of sustainability topics. However, such a list could result in **conflict** with future ISSB Standards (eg the topics of future ISSB Standards).
    - While it is expected that entities will identify additional topics the staff thinks the only topic that could be added to the Taxonomy is **'Climate' reflecting IFRS S2***. Beyond that, there is risk the topics become a form of standard-setting.

- The staff thinks information about whether a topic of a risk relates to 'Climate' could be identified in information disclosed about whether a risk is considered to be a **climate-related physical risk or climate-related transition risk** (paragraph 10(b) of IFRS S2); this requirement only applies to climate-related risk, not opportunity.
    - A risk that is tagged as physical or transition risk is by definition a climate-related risk.

- We think it would also be reasonable to expect an entity to group their risks and opportunities by topics (defined by the entity) applying the principle of **aggregation and disaggregation** in IFRS S1.
    - However the staff note that an entity might or might not group its risks and opportunities by topics based on its own specific circumstance. For example, an explicit reference to the topics might not be provided when an entity discloses information that relates to all its sustainability-related risks and opportunities on an integrated basis.

* Also possibly, 'Sustainability' reflecting IFRS S1 - although this would apply to all disclosed risks and opportunities (including those that are climate-related), and so would have limited information value

B. Modelling of relationship between IFRS S1 and IFRS S2 – Staff analysis (3)

- In response to stakeholder feedback, the staff discussed the following options that would enable the identification of 'Climate' as one of the sustainability topics without creating two sets of elements at the **ITCG October 2023 meeting** (see meeting summary here).

  - **An extensible enumeration fact (indicating the topic for each risk or opportunity):** ITCG members were supportive of this option because it has additional benefits of **enabling investors to identify topics other than 'Climate'** when such information is provided and tagged. This option enables:

    - Preparers to create custom additional topics other than 'Climate' (for example an entity that groups its risks and opportunities based on the Sustainability Dimensions or General Issue Categories in the SASB Standards* will be able to add the grouping as a custom topic); and

    - The ISSB to add more sustainability topics to the Taxonomy in future, to reflect future Standards or 'common practice' (disclosures that are commonly reported by entities in practice when applying IFRS Standards but are not explicitly referred to in the Standards).

  - **Adding another dimension**: A few stakeholders suggested this alternative option. However, the staff does not recommend this option because it would be far more difficult to relate a piece of information to multiple sustainability topics using a dimensional approach. Additionally, this alternative option would result in more complex data for investors.

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* The Sustainability Dimensions and General Issue Categories do not include, or map neatly to, 'Climate'.
An entity using this grouping might have to tag it as both 'Climate' and the custom topic added.

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B. Modelling of relationship between IFRS S1 and IFRS S2 – Illustration of the staff analysis

Example – Adding extensible enumeration to identify a risk or opportunity as 'Climate'

		Risks and opportunities [axis]		
Element label and reference	Type	'Risk and opportunity 1'	'Risk and opportunity C'	…
Topic of risk or opportunity (IFRS S1.30(a), IFRS S2.10(a))	EE (multiple choice)*	☑Climate	☑Climate ☑Topic Z	
Description of risk or opportunity (IFRS S1.30(a), IFRS S2.10(a))	Text block			
Type of climate-related risk (IFRS S2.10(b))	EE (multiple choice)	☐Physical risk ☑Transition risk	☑Physical risk ☐Transition risk	
Disclosure of time horizon(s) over which effects of risk or opportunity could reasonably be expected to occur (IFRS S1.30(b), IFRS S2.10(c))	Text Block			
Time horizon(s) over which effects of risk or opportunity could reasonably be expected to occur (IFRS S1.30(b), IFRS S2.10(c))	EE (multiple choice)	☐Short term ☑Medium term ☑Long term	☑Short term ☑Medium term ☐Long term	

Adding **extensible enumeration** would help investors to compare entities' climate-related risks and opportunities when those risks and opportunities are tagged as 'Climate'.

This option also enables a preparer to create **custom additional topics** to group or allocate its sustainability-related risks and opportunities other than climate. These custom topics are defined by an entity, consequently they might not be easily compared by investors.

The ISSB could add additional well-known options as future Standards are developed

* EE (multiple choice) is a type of extensible enumeration that allow for multiple values to be chosen from the list.

B. Modelling of relationship between IFRS S1 and IFRS S2 – Staff recommendation

- The staff recommends the ISSB **confirms** the proposals to:
  - **Create a single set of elements** to reflect the corresponding requirements; and
  - **Use a dimensional model** to reflect disaggregation by risks and opportunities (for example an entity may provide information about its sustainability-related risks and opportunities by each risk and opportunity or on an integrated basis).

- The staff recommends the ISSB **introduces a mechanism** that would enable investors to identify the sustainability topic of a risk or opportunity when such information is provided and tagged. Specifically, the staff recommends adding an **extensible enumeration** reflecting sustainability topic and **adding 'Climate'** into the list of defined topics.
  - **Guidance** could be provided in the Taxonomy to support preparers create custom additional topics when information about sustainability topics (other than Climate) is disclosed.
  - We note that an entity might not always be able to tag its risks and opportunities by sustainability topic if such information is not disclosed.

C. Metrics and targets – Background

- Some metrics, such as the **climate-related cross-industry metrics** and **industry-based metrics,** are specified by IFRS S2. Therefore they are modelled separately for each concept. An entity is expected to tag these metrics using the appropriate taxonomy elements provided in the ISSB Taxonomy.

- Some metrics, such as the **non-climate-related industry-based metrics**, are not specified by the ISSB Standards. However, IFRS S1 requires an entity to refer and consider the SASB Standards for industry-based metrics not related to climate. In the same way preparers would be encouraged to use the **SASB Taxonomy** to tag those metrics.

- Some metrics are and all targets are **not specified** by the Standards. For the purpose of this discussion, we refer to these metrics and targets as **'entity-defined metrics and targets'.**

    - Entity-defined metrics and targets are not specified by the ISSB Standards and are therefore not explicitly modelled as individual known concepts in the Taxonomy. Instead, in the proposed Taxonomy, preparers were expected to create **entity-defined elements (extensions)** to represent entity-defined aspects of disclosures, including for metrics and targets.

- The ISSB proposed modelling disclosure requirements related to entity-defined metrics and targets using a dimensional approach to representing information about such metrics and targets, to help make it **easier for preparers to use entity-defined elements** and to help **investors' analysis of information** about metrics or targets tagged using entity-defined elements.

C. Metrics and targets – Feedback

A few regulators said they were concerned **preparers might not use extensions appropriately** which would decrease the quality of digital reporting. Of these regulators, some said that the ISSB should **limit the use of extensions** and some said the ISSB should **encourage consistent use**.

A few stakeholders suggested other ways of modelling information related to entity-defined metrics and targets to encourage consistent tagging, including

- Adding **elements** that could be used tag **values of metrics and targets** (rather than relying on entities creating elements which are more difficult to use for analysis);
- Using **extensible enumerations** for tagging **information about the link** between metrics and targets

Stakeholders also asked for **guidance** on tagging metrics, for example how to use the SASB Taxonomy alongside the ISSB Taxonomy.

C. Metrics and targets – Staff analysis (1)

- The proposed dimensional approach to tagging entity-defined metrics and targets would enable preparers to:
  - Add **column** (members) to reflect each entity-defined metric or target; and
  - Use the **rows** (line items) which are defined in the Taxonomy to tag information required by the Standards **about** the metrics and targets (for example, information about how the metric is defined).

- Using the proposed approach, preparers would be expected to create entity-defined elements (extensions) for tagging the **'values' of entity-defined metrics and targets**. These metrics and targets are not specified in the Standards, and therefore the specific nature of their values is not explicitly modelled in the Taxonomy.

- Information tagged using entity-defined elements (extensions) is more difficult to understand and compare, however this allows tagging of information in the report not specifically required by the Standards.

C. Metrics and targets – Staff analysis (2)

- In response to stakeholder feedback, the staff discussed an option to **add generic 'text', 'decimal' and 'percentage' type elements** to the metric and target information tables to model the values of entity-defined metrics and target in the Taxonomy at the **ITCG October 2023 meeting** (see meeting summary here).

  - The staff considers that these types would be suitable for tagging almost all entity-defined metrics and targets (see Slide 30 which illustrate the addition of these elements). However, we note that the value of entity-defined metrics or targets could be in forms **other than** 'text', 'decimal' or 'percentage' (for example, a date, or a categorical value)*. However, in these, probably rare, cases it would always be possible to simply provide the textual representation of the value.

  - Overall, we think this option is a practical way to make it easier for investors to identify and use the numerical values relating to entity-defined metrics and targets by minimising potential inconsistency caused by inappropriate use of extensions.

- In addition, the staff also discussed with ITCG improving the use of information relating to **the link between metrics and targets** (eg disclosure about the metric used to set a target) by changing the proposed 'text block' data type to extensible enumeration which is expected to make it easier for investors to reliably identify the link between a target and the related metric (see Slide 31 which illustrate the change).

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* Note that decimal values in XBRL carry information about their units, for example 45 kilometers, not just 45

C. Metrics – Illustration of the staff analysis (1)

		Metrics [axis]		
		Metrics [domain]		
Disclosure of metrics developed by entity [line items]		**MS:M1**	**MS:M2**	**MS:M3**
Disclosure of how metric is defined [text block]	Text block	Community engagement (red, amber, green status)	Work placements started	Food sales from healthier food
Metric measure type	Extensible enumeration	Qualitative measure	Absolute measure	Measure expressed in relation to another metric
Metric value				
Metric value, text	Text	Green		
Metric value, decimal	Decimal		748	
Metric value, percentage	Percentage			51%

Adding **text, decimal, and percentage** types elements would help investors use the numerical values of entity-defined metrics.

Preparers would be expected to use the most appropriate of these elements (rather than creating extensions) for tagging values of metrics that are not defined in the Taxonomy.

C. Targets – Illustration of the staff analysis (2)

Disclosure of targets [table]		
		Targets [axis]
		Targets [domain]
		T1:"Increase in Food sales from healthier food"
Disclosure of targets [line items]		
Disclosure of metric(s) used to set target and to monitor progress [text block]	Text block	"Food sales from healthier food"
Metric(s) used to set target and To monitor progress	*EE (multiple choice)**	*MS:M1*
Specific quantitative or qualitative target Entity has set or is required to meet	~~Text~~	
Target value, text	Text	
Target value, decimal	Decimal	
Target value, percentage	Percentage	50%
Period over which target applies	Text	"by 2022/23"

Changing the data type to **extensible enumeration** for tagging the link between metrics and targets would help investors' use of this information

Adding **text, decimal, and percentage** types elements (similar approach to entity-defined metrics)

* EE (multiple choice) is a type of extensible enumeration that allow for multiple values to be chosen from the list

C. Metrics and targets – Staff recommendation

- The staff recommends the ISSB **adds the following line items** to explicitly model the values of entity-defined metrics and targets in the Taxonomy:
  - **'text' type element** for tagging textual values;
  - **'decimal' type element** for tagging numerical values (eg currency, length, volume, ratios, etc); and
  - **'percentage' type element** for tagging percentage values (to avoid 'scaling' issues due to incorrect usage of decimal element for tagging percentages).

- The staff also recommends the ISSB **changes the data type** of the element used for tagging the link between metrics and targets to **extensible enumeration.** This would help make it easier for investors to identify the link between metrics and targets.

D. Other improvements (1)

- **Categorical elements**
    - **Background**: The ISSB proposed approximately 30 categorical elements* to help investors with analysis of narrative information. Additionally, the ISSB proposed creating a textual element related to each categorical to help investors access disclosed text that could provide more context.
    - **Feedback**:
        - Almost all stakeholders (including almost all investors and data aggregators) **strongly supported** the proposed categorical type elements and related textual elements.
        - A few stakeholders provided feedback on the specific categorical elements proposed. The staff also analysed other sources, including the working draft ESRS XBRL Taxonomy and the CDP Questionnaire, to identify any additional categorical elements that should be added to the Taxonomy.
        - A few stakeholders asked for clarification that an entity is expected to use the categorical elements only for tagging information that is disclosed (for example, an entity is not expected to use Boolean to specify "False" response when no disclosure is provided).
    - **Staff recommendation**: The ISSB refines the list of categorical elements proposed (potentially adding a few categoricals based on stakeholder feedback) and clarify the guidance for using the categorical elements.

* Two types of elements: one allowing a 'yes/no' response; a second allowing a choice from a specific list of categories identified by the Standard, for example 'nature-based / technological'.

D. Other improvements (2)

- **Shortening the standard element labels**
  - **Background**: The element labels in the proposed Taxonomy reflect the words used in the Standards largely verbatim. The standard labels represent an abbreviated form (for example, articles such as 'the', 'an' and 'a' are not used) and the documentation labels provide a full definition of each element, including the long form of the words in the Standards.
  - **Feedback**:
    - A few stakeholders said the **standard labels are too verbose**, consequently they might not be fully displayed in some software. Verbose element labels would also make more difficult for preparers to identify the appropriate taxonomy element to use for tagging.
    - A few stakeholders said that the **documentation labels are redundant** because they often merely repeat the standard labels.
  - **Staff recommendation**: The ISSB makes targeted editorial changes to shorten verbose standard labels (labels with more than 250 characters) to improve the functionality of the labels in the Taxonomy.

Next steps and questions for ISSB

Timeline

IFRS S1 & IFRS S2 published
26 June 2023

Public consultation
60 days comment period

ISSB meeting – Changes to the Proposed Taxonomy
Dec 2023

Review by the IFRS Taxonomy Consultative Group

Final Taxonomy published
H1 2024

Enables digital consumption – when the Standards and the Taxonomy are applied

Staff Draft of the ISSB Taxonomy published in May 2022

Proposed Taxonomy published
27 July 2023

Review by the IFRS Taxonomy Consultative Group

ISSB meeting – Summary of feedback
Nov 2023

IFRS S1 & IFRS S2 effective date
1 Jan 2024

Sustainability disclosures, applying IFRS S1 and IFRS S2, for 2024 becoming available in 2025

Next steps

- The staff will start preparing the ISSB Taxonomy files and due process documents for **ITCG review**

- ITCG will review the ISSB Taxonomy files and due process documents and provide feedback

- The staff will start preparing the ISSB Taxonomy files and due process document for **approval by the ISSB** by means of a ballot

- Subject to approval by the ISSB, the staff will prepare a final version of the ISSB Taxonomy files and due process documents for publication

Questions for the ISSB

1. Does the ISSB have any questions or comments on the changes to the Proposed ISSB Taxonomy recommended by staff with regard to:
   a) narrative information (Slides 8-18);
   b) modelling of relationship between IFRS S1 and IFRS S2 (Slides 19-25);
   c) metrics and targets (Slides 26-32); and
   d) other improvements considered (Slides 33-34).

2. Is there anything else that the ISSB think the staff should consider before proceeding to prepare the Taxonomy for the ISSB's approval by means of a ballot?

IFRS Sustainability

Appendix A. Narrative information – Illustration of the staff recommendation on granularity (1)

Example – Strategy and decision making *

Element label	Type	Reference
Disclosure of how entity has responded to, and plans to respond to risks and opportunities	Text block	IFRS S1.33 a Disclosure, IFRS S2.14 a Disclosure
Disclosure of current and anticipated changes to entity's business model, including resource allocation, to address climate-related risks and opportunities	Text block	IFRS S2.14 a (i) Disclosure
Disclosure of entity's current and anticipated direct mitigation and adaptation efforts	Text block	IFRS S2.14 a (ii) Disclosure
Disclosure of entity's current and anticipated indirect mitigation and adaptation efforts	Text block	IFRS S2.14 a (iii) Disclosure
Disclosure of climate-related transition plan	Text block	IFRS S2.14 a (iv) Disclosure
Disclosure of how entity plans to achieve its climate-related targets, including any greenhouse gas emissions targets	Text block	IFRS S2.14 a (v) Disclosure

Adding these elements meet the tripartite objectives of improving usefulness of data, minimising reporting burden, and facilitating interoperability

* This example is provided for illustrative purpose only and may not reflect the final version of the ISSB Taxonomy

Appendix A. Narrative information – Illustration of the staff recommendation on granularity (2)

Example – Risk Management *

Element label	Type	Reference
Disclosure of processes and related policies entity uses to identify, assess, prioritise and monitor risks	Text block	IFRS S1.44 a Disclosure, IFRS S2.25 a Disclosure
Disclosure of inputs and parameters entity uses to identify, prioritise and monitor risks	Text block	IFRS S1.44(a)(i) Disclosure, IFRS S2.25(a)(i) Disclosure
Disclosure of whether and how entity uses scenario analysis to inform its identification of risks	Text block	IFRS S1.44 a (ii) Disclosure, IFRS S2.25 a (ii) Disclosure
Entity uses climate-related scenario analysis to inform its identification of climate-related risks	Boolean	IFRS S2.25 a (ii) Disclosure
Disclosure of how entity assesses nature, likelihood and magnitude of effects of risks	Text block	IFRS S1.44(a)(iii) Disclosure, IFRS S2.25(a)(iii) Disclosure
Disclosure of how entity prioritises risks relative to other types of risk	Text block	IFRS S1.44(a)(iv) Disclosure, IFRS S2.25(a)(iv) Disclosure
Disclosure of whether and how entity changed processes it uses to identify, assess, prioritise and monitor risks for risk-management purposes compared with prior reporting period	Text block	IFRS S1.44 a (vi) Disclosure, IFRS S2.25 a (vi) Disclosure
Entity changed processes it uses to identify, assess, prioritise and monitor risks compared with previous reporting period	Boolean	IFRS S1.44 a (vi) Disclosure, IFRS S2.25 a (vi) Disclosure

Adding these elements meet the tripartite objectives of improving usefulness of data, minimising reporting burden, and facilitating interoperability

* This example is provided for illustrative purpose only and may not reflect the final version of the ISSB Taxonomy

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Appendix A. Narrative information – Illustration of the staff recommendation on granularity (3)

Example – GHG emissions*

Element label	Type	Reference
Disclosure of approach entity uses to measure its greenhouse gas emissions	Text block	IFRS S2.29 a (iii) Disclosure
Measurement approach entity uses in calculating greenhouse gas emissions	List	IFRS S2.29 a (iii.1) Disclosure IFRS S2.B27 a Disclosure
Disclosure of any changes entity made to measurement approach, inputs and assumptions during reporting period and reasons for those changes	Text block	IFRS S2.29 a (iii.3) Disclosure
Disclosure of extent to which entity's Scope 3 greenhouse gas emissions are measured using inputs from specific activities within its value chain	Text block	IFRS S2.B56 a Disclosure
Disclosure of extent to which entity's Scope 3 greenhouse gas emission are measured using inputs that are verified	Text block	IFRS S2.B56 b Disclosure

Adding these elements meet the tripartite objectives of improving usefulness of data, minimising reporting burden, and facilitating interoperability

* This example is provided for illustrative purpose only and may not reflect the final version of the ISSB Taxonomy

Appendix. Narrative information – Illustration of the staff recommendation on data type (1)

Example – Cross-industry metric category on climate-related transition risks*

Element label	Type	Reference
Disclosure of amount and percentage of assets or business activities vulnerable to climate-related transition risks	Text block	IFRS S2.29 b
Assets vulnerable to climate-related transition risks	Monetary	IFRS S2.29 b
Assets vulnerable to climate-related transition risks, percentage	Percentage	IFRS S2.29 b
Business activities vulnerable to climate-related transition risks	Monetary	IFRS S2.29 b
Business activities vulnerable to climate-related transition risks, percentage	Percentage	IFRS S2.29 b

Example – Cross-industry metric category on climate-related physical risks*

Element label	Type	Reference
Disclosure of amount and percentage of assets or business activities vulnerable to climate-related physical risks	Text block	IFRS S2.29 c
Assets vulnerable to climate-related physical risks	Monetary	IFRS S2.29 c
Assets vulnerable to climate-related physical risks, percentage	Percentage	IFRS S2.29 c
Business activities vulnerable to climate-related physical risks	Monetary	IFRS S2.29 c
Business activities vulnerable to climate-related physical risks, percentage	Percentage	IFRS S2.29 c

> The existing **'text block'** element would be used to tag all information relating to the cross-industry metrics, including the type of metrics disclosed and the values of the metrics.
>
> The additional **'monetary'** and **'percentage'** type elements would be used to tag numerical values, where appropriate. This would make it easier for investors to use the numerical values when such information is provided.

* This example is provided for illustrative purpose only and may not reflect the final version of the ISSB Taxonomy

Appendix. Narrative information – Illustration of the staff recommendation on data type (2)

Example – Cross-industry metric category on climate-related opportunities *

Element label	Type	Reference
Disclosure of amount and percentage of assets or business activities aligned with climate-related opportunities	Text block	IFRS S2.29 d
Assets aligned with climate-related opportunities	Monetary	IFRS S2.29 d
Assets aligned with climate-related opportunities, percentage	Percentage	IFRS S2.29 d
Business activities aligned with climate-related opportunities	Monetary	IFRS S2.29 d
Business activities aligned with climate-related opportunities, percentage	Percentage	IFRS S2.29 d

The existing **'text block'** element would be used to tag all information relating to the cross-industry metrics, including the type of metrics disclosed and the values of the metrics.

Example – Cross-industry metric category on capital deployment *

Element label	Type	Reference
Disclosure of amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	Text block	IFRS S2.29 e
Capital expenditure deployed towards climate-related risks and opportunities	Monetary	IFRS S2.29 e
Financing deployed towards climate-related risks and opportunities	Monetary	IFRS S2.29 e
Investment deployed towards climate-related risks and opportunities	Monetary	IFRS S2.29 e

The additional **'monetary'** and/ or **'percentage'** type elements would be used to tag the numerical values. This would make it easier for investors to use the numerical values when such information is provided.

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* This example is provided for illustrative purpose only and may not reflect the final version of the ISSB Taxonomy

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