
Update on the ISSB's Activities

IFRS Advisory Council meeting February 2023


Contents



Main developments in the ISSB's work since the last update (October 2022)



Next steps



Appendix - Update on redeliberations of proposals in Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Information*

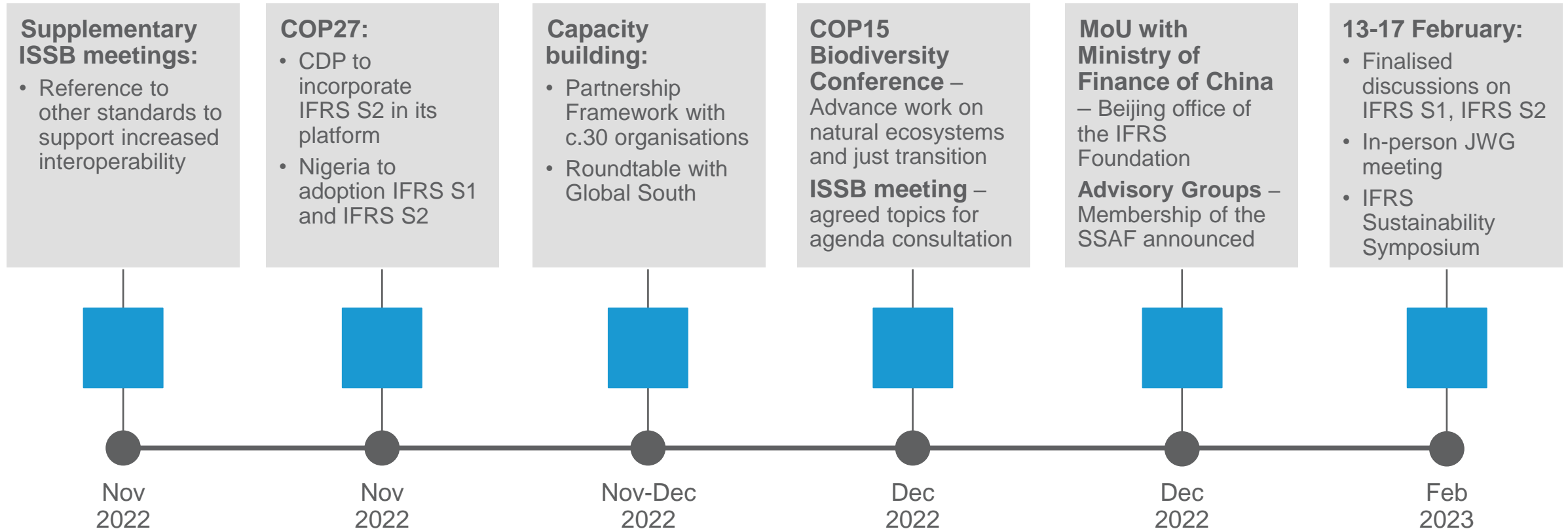


Appendix - Update on redeliberations of proposals in Exposure Draft IFRS S2 *Climate-related Disclosures*

Main developments in the ISSB's work since the last update (October 2022)



Milestones since the last update (October 2022)



Projects in the ISSB work plan

	Next milestone
Consultation on Agenda Priorities	Publish Request for Information
General Sustainability-related Disclosures (IFRS S1)	Issue IFRS S1 (final standard)
Climate-related Disclosures (IFRS S2)	Issue IFRS S2 (final standard)
IFRS Sustainability Disclosure Taxonomy	Publish Proposed IFRS Sustainability Disclosure Taxonomy (exposure draft)
Maintenance of the SASB Standards	Publish Proposed methodology for improving the international applicability (exposure draft)
Inherited SASB Standards Projects	Publish exposure drafts for projects that were at advanced stage at the time of the VRF consolidation

2023 path to issuing IFRS S1 and IFRS S2



ISSB members
took decisions
based on
consultation
feedback

Staff working to
ensure the
Standards and
guidance reflect
decisions made

‘Balloting’ – ISSB
members confirm
the Standards are
written accurately

Final editing,
translating,
digital tagging

**IFRS S1,
IFRS S2
issued
toward end
of Q2 2023**

When will companies start to provide the disclosures in IFRS S1 and IFRS S2?

- IFRS S1 and IFRS S2 **effective** for annual reporting periods beginning on or after **1 January 2024** (meaning a company would report its first sustainability-related disclosures in 2025)
- **Available for use before** that date to the extent a company applies both IFRS S1 and IFRS S2 at the same time
- If a company applies IFRS S1 and IFRS S2 before 2024 it will **disclose that fact**
- **No** requirements to provide **interim** sustainability-related **financial reporting**



Considerations in setting 2024 effective date

- IFRS S1 and IFRS S2 **build on well-established standards and frameworks** (for example, TCFD recommendations and SASB Standards)
- **Transition reliefs** available to reduce the time needed by companies to prepare to apply these Standards (for example, temporary exemption from disclosing Scope 3 GHG emissions when first applying IFRS S2)
- **CDP** will incorporate IFRS S2 climate-related data into its platform for the 2024 disclosure cycle – many companies disclose on the CDP platform and will collect data as required for IFRS S2 for the 2024 financial year
- Companies will comply with disclosure requirements, using information that is reasonable and supportable and is available **without undue cost or effort**

When will companies report sustainability-related financial disclosures?

- At the same time as related financial statements
- However, **transition relief available** for the first year of reporting

Company type*	Sustainability-related financial disclosures to be provided...	For example (assuming calendar year reporting)
Companies required to provide H1/Q2 earnings reporting	... at the same time as the next H1/Q2 earnings reporting	July 2025 (release of H1/Q2 earnings reporting)
Companies that voluntary provide H1/Q2 earnings reporting	... at the same time as the next H1/Q2 earnings reporting, but no later than nine months after the end of the annual reporting period	30 September 2025 at the latest (in connection with release of H1/Q2 earnings reporting)
Companies that do not provide H1/Q2 earnings reporting	... no later than nine months after the end of the annual reporting period	30 September 2025 at the latest

* requirements relating to earnings reporting vary by jurisdiction

Overview of key ISSB's tentative decisions on IFRS S1 and IFRS S2

IFRS S1

- **Description of sustainability** – It builds on concepts from the Integrated Reporting Framework and enables a company explain how sustainability-related impacts, risks and opportunities can affect its performance and prospects
- **Sources of guidance** for a company to use to identify sustainability-related risks and opportunities and disclosures in the absence of a specific IFRS Sustainability Disclosure Standard
- **Alignment of timing of reporting** – Financial statements and sustainability disclosures published at the same time, but with transitional relief
- **Consistent assumptions** – When sustainability-related financial disclosures incorporate financial data and assumptions, use financial data and assumptions consistent with those in the financial statements

IFRS S2

- **Scope 1-3 emissions** – Disclosure of GHG emissions in accordance with the GHG Protocol Corporate Standard, with some reliefs
- **Scenario analysis** – Describe use of climate-related scenario analysis to assess risks and opportunities, must use for resilience analysis and disclose whether a scenario aligned with the latest international agreement on climate change has been used
- **Financed emissions** – Disclosure of GHG emissions that assets managers and custodians, commercial banks and insurers finance through their loans and information on lending¹
- **Industry-based climate disclosure** – Illustrative guidance drawing on SASB Standards will accompany IFRS S2

¹ The ISSB tentatively decided to remove the proposed requirement for a company operating in the Investment Banking & Brokerage industry to disclose its facilitated emissions, considering the lack of a widely accepted calculation methodology

Mechanisms to address challenges faced by companies with fewer resources (‘proportionality’)

- Use of existing terminology and concepts, including the concept from IFRS Accounting Standards to use only **information that is reasonable and supportable and is available without undue cost or effort** – means the effort required can be scaled for company circumstances
- Enable provision of **qualitative** scenario analysis and qualitative information (rather than quantitative) **when** a company has more **limited resources or expertise**
- **Provision of guidance** within the Standards and **educational materials**
- Provision of **sources of guidance** to identify sustainability-related risks and opportunities and disclosures (for example, CDSB Framework application guidance – enables companies to continue using materials they used before)

The staff paper *Proportionality and support for those applying IFRS S1 and IFRS S2* of the February 2023 ISSB meeting provides more information about the ISSB’s tentative decisions to address ‘proportionality’. The paper is available on the IFRS Foundation website [here](#).

Guidance and reliefs to assist all companies applying IFRS S1 and IFRS S2

- **Guidance on how to measure Scope 3 GHG emissions** (including when can use estimation and how to estimate)
- **Guidance on how to undertake scenario analysis**
- **Guidance** on requirements associated with revisions to comparative information and **updated estimates** (including examples of situations in which a company would revise comparative information to reflect updated estimates)
- **Greenhouse Gas Protocol:** relief from the requirement for companies to apply the GHG Protocol Corporate Standard, to measure emissions in specific circumstances (for example, to reduce duplication when jurisdiction has a different approach)
- **Scope 3 greenhouse gas (GHG) emissions:** a temporary exemption from disclosing Scope 3 GHG emissions (for one year) when first applying IFRS S2
- **Timing of reporting:** transitional relief from the requirement for companies to provide sustainability-related financial disclosures at the same time as the financial statements (for one year - see slide 8)
- **Comparative reporting relief:** comparative information is not required to be disclosed in the first annual reporting period in which a company applies IFRS S1 and IFRS S2

The staff paper *Proportionality and support for those applying IFRS S1 and IFRS S2* of the February 2023 ISSB meeting provides more information about the ISSB's tentative decisions to introduce reliefs and guidance to assist companies applying IFRS S1 and IFRS S2. The paper is available on the IFRS Foundation website [here](#).

Types of guidance



Application Guidance

Guidance, sometimes presented as an appendix of a Standard, with the same authority as the main part of the Standard – ie applying it is required



Illustrative Guidance

Guidance issued alongside a Standard to assist companies, demonstrating how to apply the requirements in the Standard and sharing examples



Educational materials

Separate materials published over time developed to help companies applying the Standards

Next steps



Support for those applying IFRS S1 and IFRS S2

Support adoption by jurisdictions

- Development of an Adoption Guide

Support implementation by companies

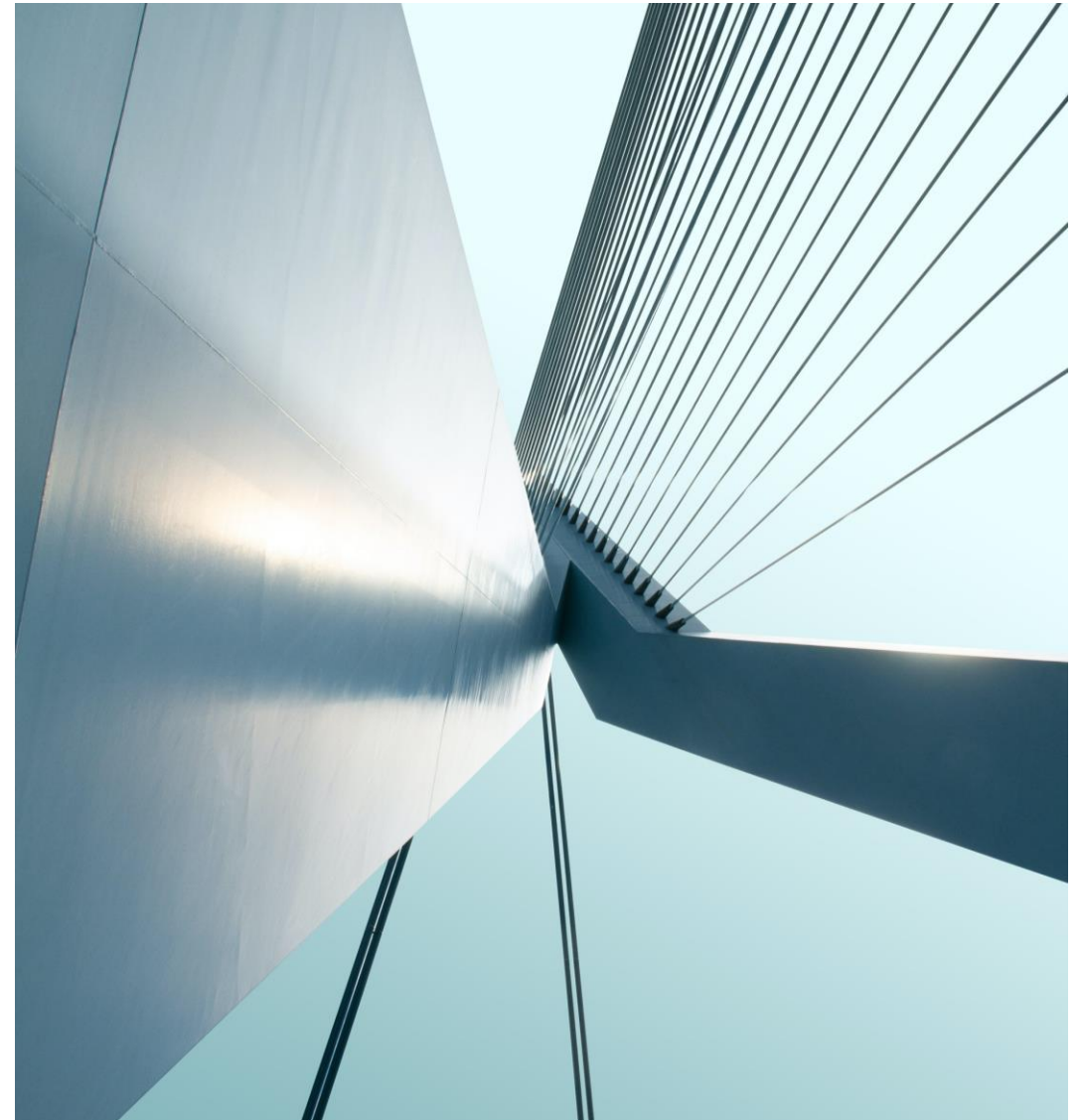
- Set up of a Transition Implementation Group - a public forum for stakeholders to follow the discussion of questions raised on implementation by those reading the words in the Standards

Capacity building initiative

- Development of general educational materials for all stakeholders
- Development of specific educational materials for stakeholders in emerging and developing economies as well as smaller companies
- Leveraging partners to develop jurisdictional thematic interventions

Priorities

- Targeting towards the end of Q2 2023 to issue IFRS S1 and IFRS S2
- Work to strengthen and enhance adoption and application of the Standards:
 - **capacity building**, including supporting materials
 - develop a digital **taxonomy**
 - **international applicability** of SASB Standards
 - **connectivity** with IASB
 - **interoperability** with others eg GRI / EFRAG
 - **research** incremental enhancements to Climate Standard
- **Agenda consultation** on new areas of work in Q2 2023

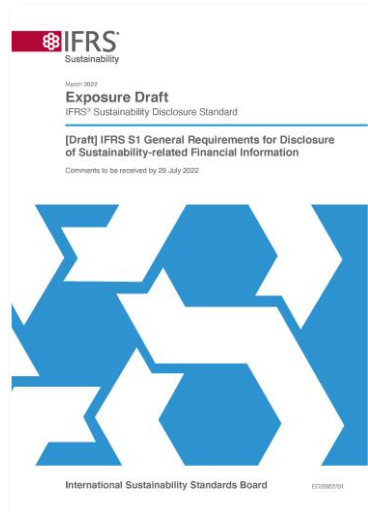


Appendix

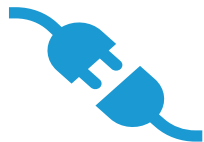
IFRS S1: General requirements



Key concepts in IFRS S1



- Asks for disclosure of material information about sustainability-related risks and opportunities to meet investor information needs
- Sets out general reporting requirements; other IFRS Sustainability Disclosure Standards (eg Climate Standard) set out specific disclosures
- Refers to other standards and frameworks in absence of a specific IFRS Standard
- Equivalent to IFRS Accounting Standards IAS 1 and IAS 8



Emphasises need for **consistency and connections** between financial statements and sustainability disclosures



Financial statements and sustainability disclosures published **at the same time**, but with transitional relief



Does **not specify a location** for disclosure within general purpose financial reporting and **allows for additional information**, to facilitate application in different jurisdictions

Structure



Governance

Governance processes, controls and procedures a company uses to monitor sustainability-related risks and opportunities



Strategy

How a company's strategy addresses significant sustainability-related risks and opportunities



Risk management

How a company assesses, identifies, manages and mitigates its sustainability-related risks



Metrics and targets

Information used to measure, manage and monitor sustainability-related risks and opportunities; and metrics required through IFRS Sustainability Disclosure Standards

Value and sustainability

Sustainability described as

- the ability for a company to sustainably **maintain and access resources and relationships** (such as financial, human, and natural), and **manage its dependencies and impacts** within its whole business ecosystem over the short, medium and long term

This description

- enables a company explain to investors **how sustainability-related impacts, risks and opportunities can affect** its performance and prospects
- builds on concepts from the **Integrated Reporting Framework**

A company's ability to deliver **value** for investors is inextricably **linked to...**

...
Stakeholders
it works with
and serves



...
Society
it operates
in



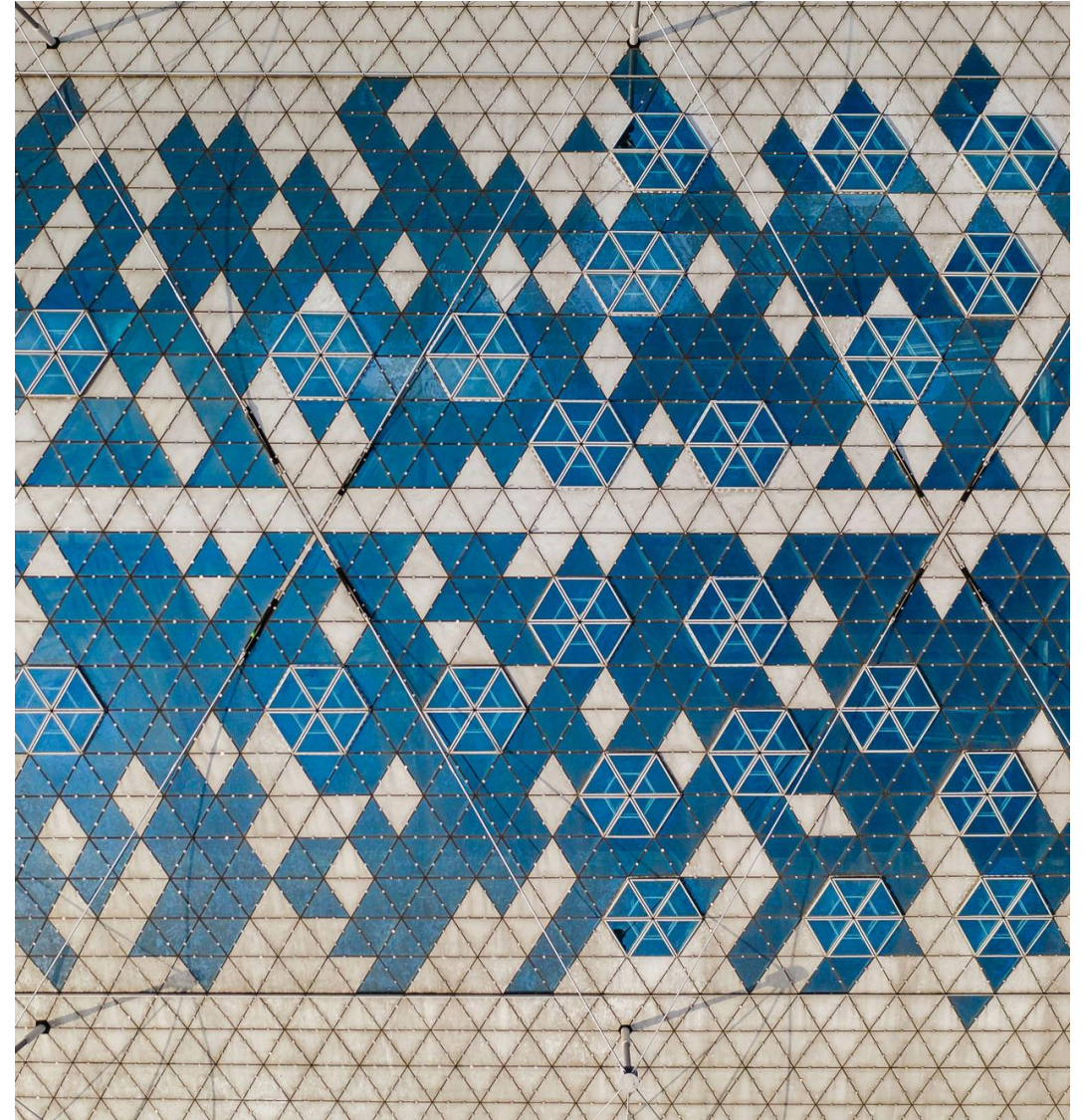
...
Natural resources
it draws on



Determining materiality: meeting investor needs

IFRS Sustainability Disclosure Standards use the same definition of material as IFRS Accounting Standards to ensure investors understand sustainability risks and opportunities:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence investor decisions.”



Sources of guidance for companies to use



To identify **what to report on** a company

- uses IFRS Sustainability Disclosure Standards *and*
- **shall consider:**
 - SASB Standards
- **may consider:**
 - CDSB Framework application guidance
 - industry practice
 - materials of investor-focused standard setters



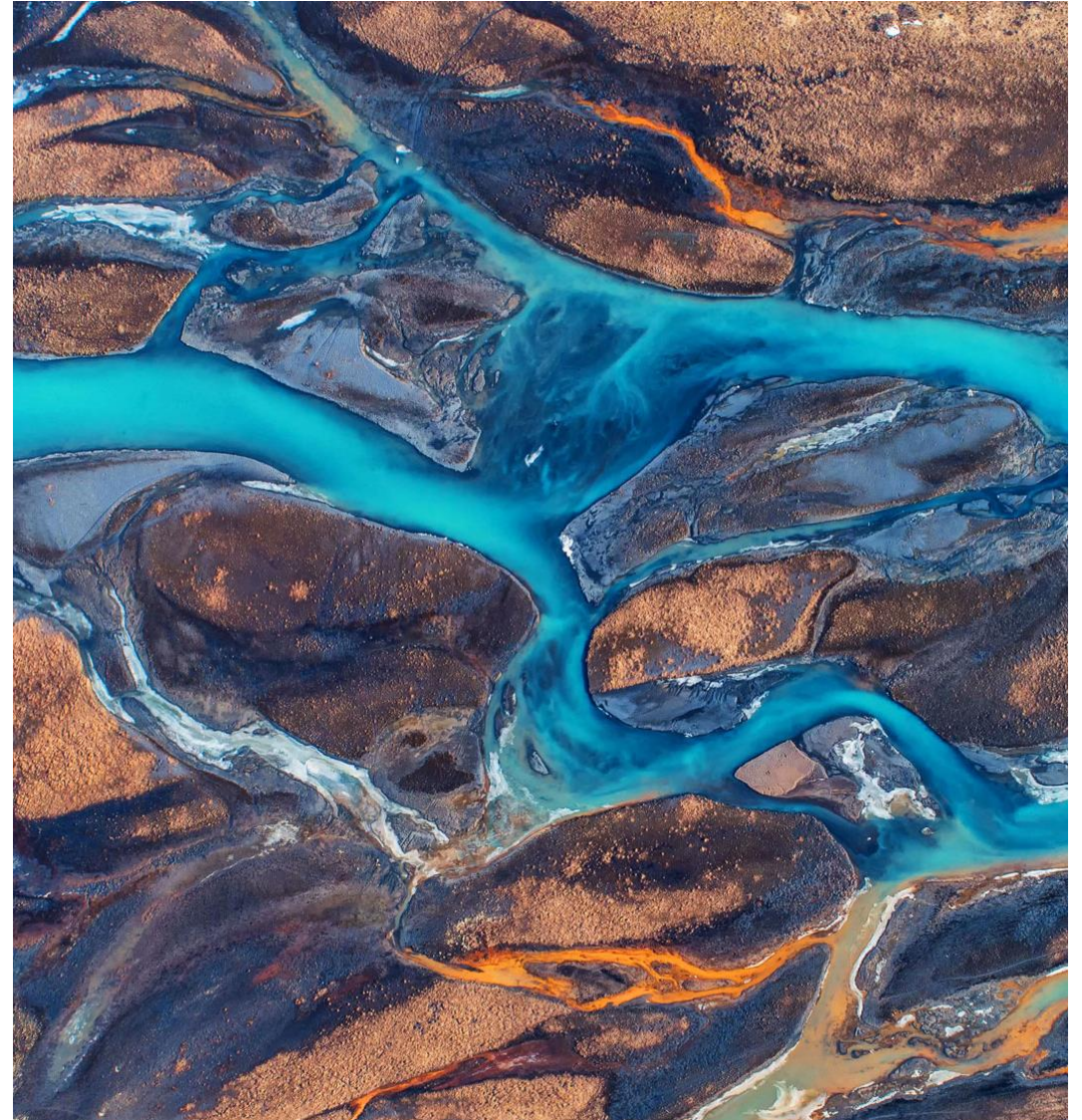
In the absence of an IFRS Sustainability Disclosure Standard, to determine **what to disclose** a company

- **shall consider:**
 - SASB Standards
- **may consider** to the extent meets investor information needs:
 - CDSB Framework application guidance
 - industry practice
 - materials of investor-focused standard setters
 - GRI Standards
 - European ESRS

Focused on supporting application: IFRS S1

To support those using its standards, the ISSB will provide guidance on how to:

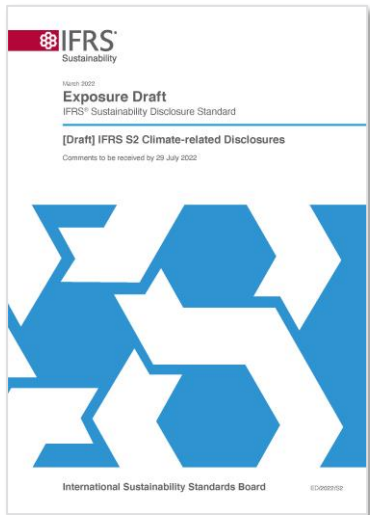
- Implement materiality judgements and identify sustainability-related risks and opportunities
- Disclose industry-specific metrics if a company spans multiple industries
- Disclose current and anticipated financial effects
- Revise comparative information to reflect updated estimates
- Disclose judgements, assumptions and estimates



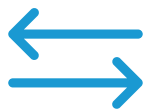
IFRS S2: Climate



Climate-related Disclosures Standard: IFRS S2



- Disclosure of material information about climate-related risks and opportunities
- Incorporates TCFD Recommendations
- Includes industry-specific disclosure requirements, such as financed emissions
- Other industry-specific metrics included as illustrative guidance, taken from SASB Standards
- Requires disclosure of information about:
 - Physical risks (eg flood risk)
 - Transition risks (eg regulatory change)
 - Climate-related opportunities (eg new technology)



Transition planning

Emissions targets and use of carbon offsets



Climate resilience

Resilience of business strategy in multiple scenarios



Scope 1-3 emissions

Requirement to disclose GHG emissions in accordance with the GHG Protocol Corporate Standard

Material climate-related information that enables investors to:

- Determine the effects of climate-related risks and opportunities on the company's performance and prospects
- Understand the company's response to, and strategy for, managing its climate-related risks and opportunities
- Evaluate the ability of the company to adapt its planning, business model and operations to climate-related risks and opportunities



Scope 3 GHG emissions

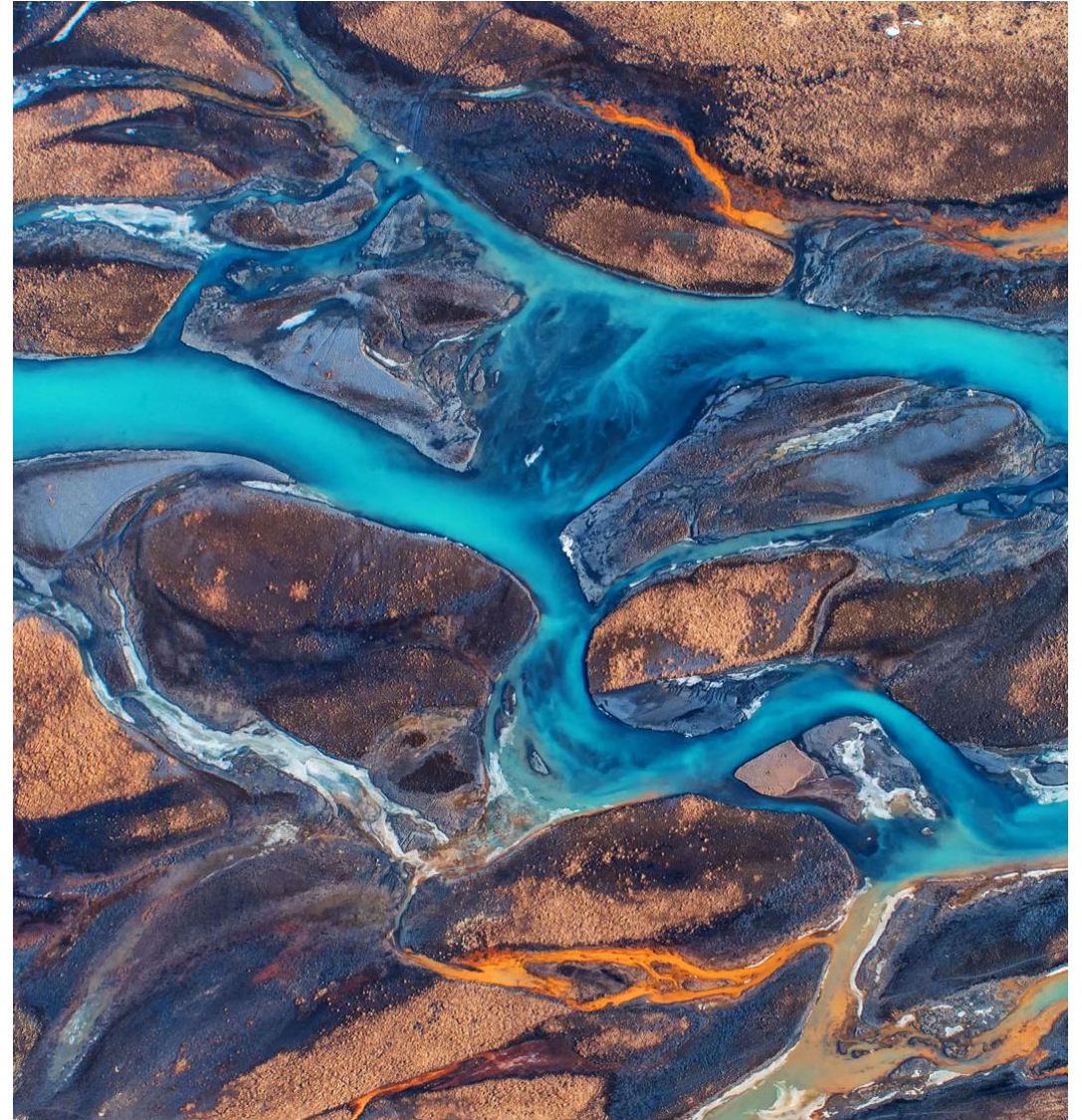
- Investors called for Scope 1, 2 and 3 emissions disclosure to **understand transition risk**
- ISSB will help companies **embed and improve their processes for measurement and disclosure** of Scope 3 through:
 - **Guidance:** a framework for Scope 3 measurement that requires use of reasonable and supportable information that is available without undue cost or effort and incorporates use of estimation
 - **Relief:** temporary exemption from this disclosure for one year
 - **Relief:** possibility to include information obtained from companies in the value chain with a different reporting cycle



Focused on supporting application: IFRS S2

To support those using its standards, the ISSB will provide guidance, education materials or illustrative examples on:

- Scenario analysis, using TCFD Guidance
- Industry-based climate disclosure, drawing on SASB Standards
- Scope 3 GHG emission measurement
- Disaggregation of Scope 1-2 GHG emissions by consolidated accounting group and unconsolidated investees
- Potential disaggregation of GHG emissions by greenhouse gas (eg methane)
- Potential disaggregation of financed emissions by entities in the Asset Management & Custody Activities industry
- How to identify relevant sustainability-related risks and opportunities in the value chain, using Scope 3 GHG emissions as an example



Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Sustainability
Standards Board](https://www.linkedin.com/company/ifrs-foundation)