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# IFRS<sup>®</sup> Sustainability Disclosure Standards

## Developing a reporting Taxonomy

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# Topics

The ISSB: focus and approach to digital reporting 1

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The staff draft Taxonomy and request for feedback 3

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Questions 5

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# About the IFRS Foundation

## Our organisation

- Not-for-profit, public interest organisation
- Three-tier governance model
  1. Monitoring Board (oversight)
  2. Trustees (governance & strategy)
  3. IASB + ISSB (standards).
- Extensive, inclusive due process

## Our mission

Develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world.

## IFRS Accounting Standards

Required for use by more than 140 jurisdictions around the world.

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# The ISSB: focus and approach to digital reporting



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## ISSB focus



Develop standards for global baseline of sustainability disclosures and a digital reporting taxonomy to enable electronic tagging of disclosures



Focus on meeting the information needs of investors

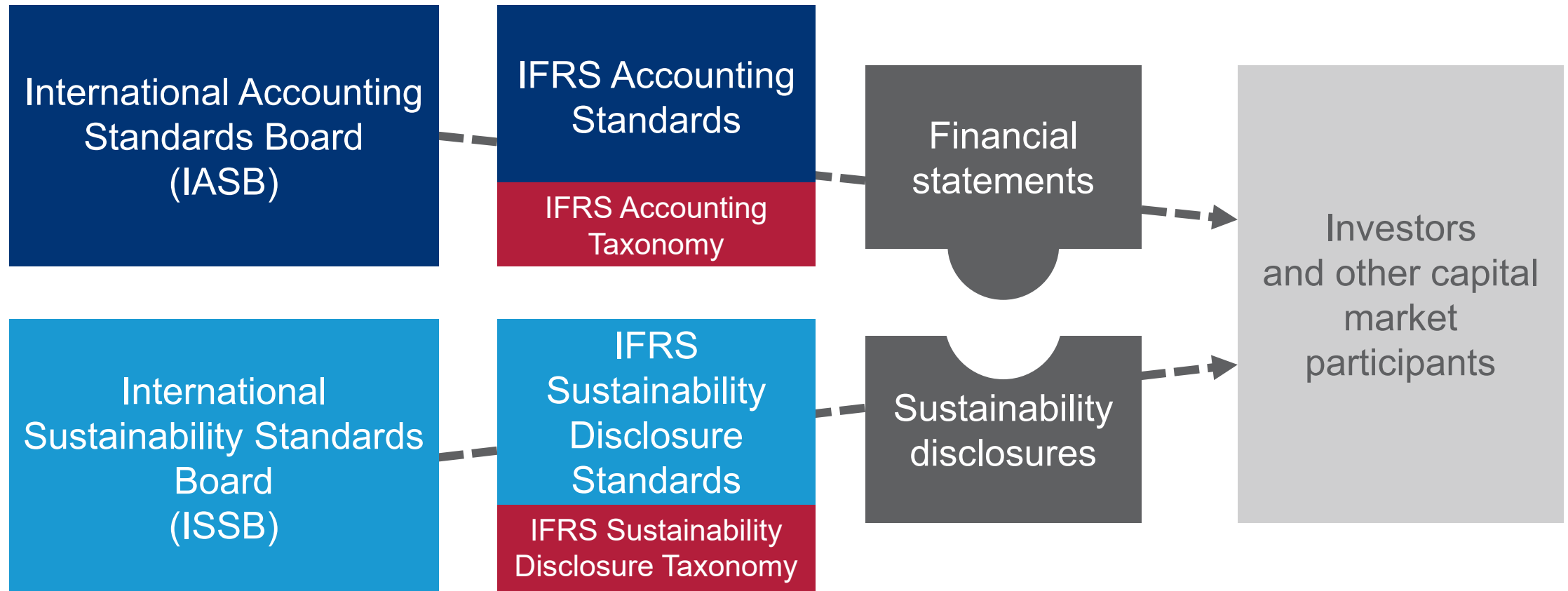


Will enable companies to provide comprehensive sustainability information for the global capital markets



Building blocks approach: facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders.

## Investor focus - with connectivity between the IFRS Standards

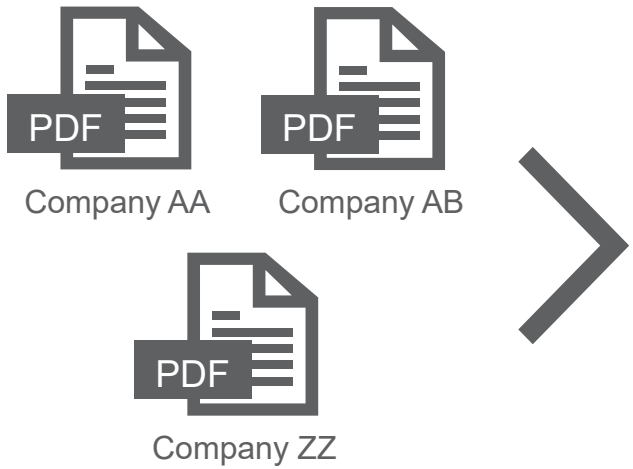


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What is 'digital reporting'?  
Why is it important?



# What is digital general purpose financial reporting?



- PDF documents**
- ✓ Visually & contextually appealing
  - ✓ Useful for analysis of one/few entities
  - ✗ Static documents
  - ✗ Not computer-readable

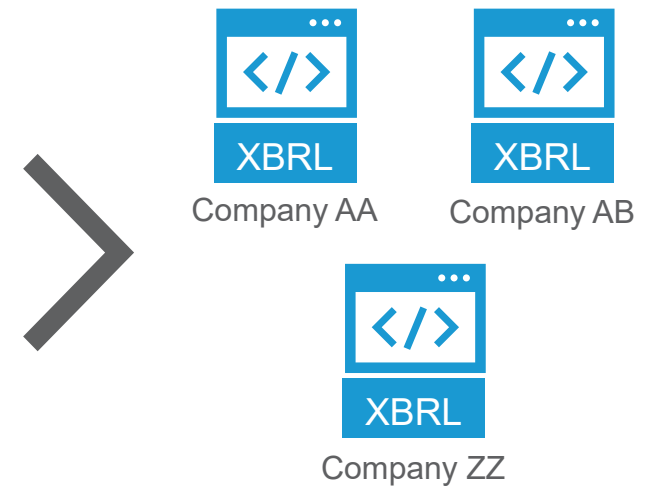
Etsy's Board is responsible for reviewing and approving Etsy's Annual Operating Plan, which includes both climate-related strategy, goals and targets, and associated budgets required to meet those goals.

The Nominating and Corporate Governance Committee of the Board, within its charter, has responsibility for the periodic review of progress against the company's economic, social and ecological impact goals, which includes climate-related issues.

The Audit Committee of the Board oversees Etsy's 10-K disclosure, which includes our climate-related and impact disclosures.

Greenhouse Gas ("GHG") Emissions Summary (tCO <sub>2</sub> e)	2018	2019	2020
<b>GHG Emissions by Scope</b>			
Scope 1	372↓	371↓	294↑
Scope 2 - Market	1,213↓	652↓	4↑
Scope 2 - Location	2,923↓	1,859↓	914↑
Scope 3 - Market	137,042	155,967	404,439
Scope 3 - Location	137,042	155,967	407,021

- Tagging process**
- Entities tag each piece of disclosed information with the corresponding **IFRS Sustainability Disclosure Taxonomy** item.
  - Each item is a piece of XBRL code; which is ascribed a name and description (such as "total energy consumed").



- XBRL coded data**
- ✓ Computer-readable.
  - ✓ Storable on a database.
  - ✓ Facilitates efficient data extraction & analysis for hundreds of entities.
  - ✓ iXBRL format provides a full fidelity visual form **and** tagged data.



# The IFRS Sustainability Disclosure Taxonomy

The IFRS Sustainability Disclosure Taxonomy is intended to be a system for **classifying and structuring** sustainability-linked financial data points in a manner which:

- makes the data **computer-readable**, and
- aids users in **finding, understanding and comparing** large amounts of information to facilitate efficient corporate sustainability analysis.



Co. A: Gross scope 1 emissions	xxx
Co. B: Direct greenhouse emissions	xxx
Co. C: Own emissions	xxx
Co. D: 직접적인 온실가스 배출	xxx
Co. E: 總範圍 1 溫室氣體排放量	xxx



Name	ifrs-sds:GrossScope1Greenhouse GasEmissions
Value	xxx,000
Units	MtCO2e
Period	2021-01-01 to 2021-12-31
Decimals	-3

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# Why is digital financial reporting important?



Information becomes machine-readable, allowing investors to access and analyse information efficiently, including information in foreign languages



Opportunities to improve capital market transparency and efficiency and reduce cost of capital



Opportunities to assist regulators in market oversight activities and enforcement reviews



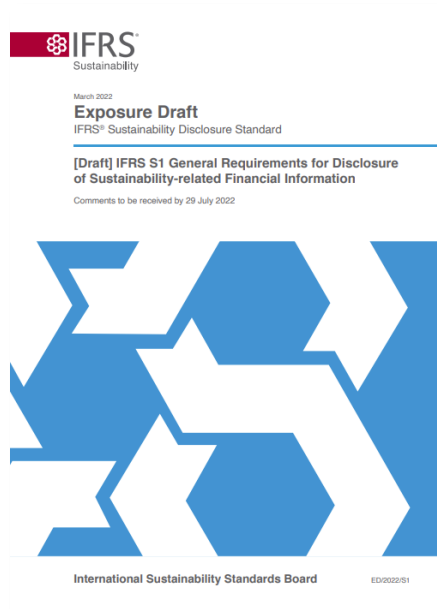
90% of public companies by capitalisation are now required to undertake some form of digital financial reporting (e.g. US, China, EU, Japan, UK, India, Korea, South Africa)

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## Technical developments – Staff draft Taxonomy and Request for feedback



# IFRS Sustainability Disclosure Standards: Developing Taxonomy



To facilitate digital consumption the IFRS Foundation is developing an IFRS Sustainability Disclosure Taxonomy

- 1** Published a staff draft of the Taxonomy accompanied by a staff paper outlining fundamental issues
- 2** At a later date, Proposed Taxonomy to be published by the ISSB for public consultation

Note that the staff draft and paper have not been approved by the ISSB. They are not an exposure draft or proposed taxonomy and do not constitute due process documents

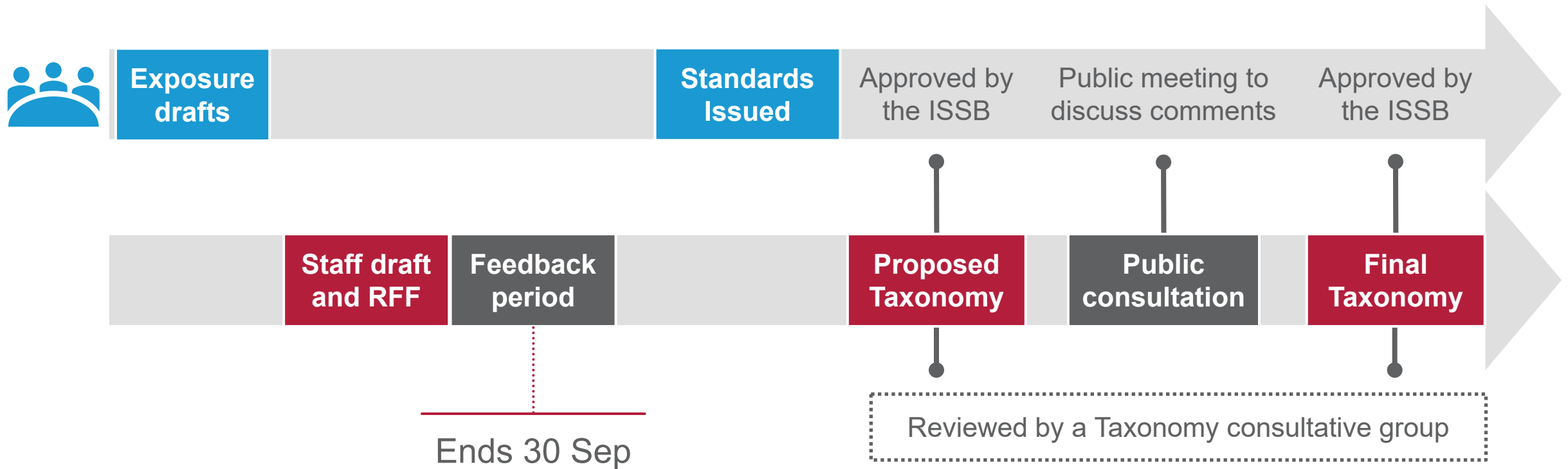
# Two proposed IFRS Sustainability Disclosure Standards and a staff request for feedback



\* Including SASB-derived industry based climate metrics

Request for feedback on Staff Draft  
IFRS Sustainability Disclosure Taxonomy

## Due process for IFRS Sustainability Disclosure Taxonomy



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# The staff request for feedback package

## Staff documents published

- Staff request for feedback
- Staff draft of the IFRS Sustainability Disclosure Taxonomy
  - in XBRL format (machine-readable format)
  - illustrated in a simplified, visual PDF format (human-readable format)

**Support development** of staff proposals for the Taxonomy

**Set out initial thinking** for staff recommendations to the ISSB, and alternatives.

**Focus on fundamental matters** that need to be considered early to enable the ISSB to publish a Taxonomy on a timely basis

These documents have not been approved by the ISSB. They are not an exposure draft or proposed taxonomy and do not constitute due process documents

# Fundamental matters being considered

- ‘GAAP’ neutral building block?
- Separate from the IFRS Accounting Taxonomy?

Design aims and structure

1

- Content grouped by
  - ISSB ED and
  - aspects of core content
- Industry-based metrics grouped by industry

Taxonomy layout

2

- Disclosures related to core content in each ISSB ED are reflected as a separate list of distinct items

Relationships between ISSB EDs

3

- How much detail to ask preparers to tag?
- Distinct items for narrative that is:
  - separately understandable
  - easily identifiable

Degree of detail for narrative information

4

- Should categorical items be used for disclosures that are true/false responses or specific responses from a list?

Categorical information

5

- How best to reuse work on SASB Taxonomy and smooth transition?
- How to handle entity-specific metrics and targets?

Modelling metrics

6

- Is there a need for a specific mechanism to capture connections between pieces of disclosed information?

Representing connected information

7

- Do requirements related to cross-references need to be modelled in the Taxonomy?

Connections between reports

8

- Should content be consistent with the IFRS Accounting Taxonomy for similar disclosure requirements?

Similar IFRS disclosures

9



# 1–Design aims for (and structure of) the Taxonomy

## ‘Connectivity’



The IFRS Sustainability Disclosure Standards and Taxonomy are intended to work with any GAAP and accounting taxonomy

## ‘Building blocks’



The Taxonomy should be usable as ‘core’ baseline for ‘top up’ jurisdiction extensions/add-ons

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## 2–Purpose of taxonomy layout (item grouping)



Items within a taxonomy can be organised **(grouped) to help** preparers and primary users **navigate, understand and use the taxonomy**



**Helping preparers easily find the items** they need facilitates consistent tagging and thus aids digital consumption of financial reporting

The way taxonomy items are grouped within a taxonomy **does not dictate:**

- how preparers should organise their human-readable reports
- how data resulting from the tagging of those reports can be viewed or analysed by users

## 2–Proposed Taxonomy layout

**Two groupings**, each containing all the items derived from the body of the exposure drafts, excluding industry-based metrics in the appendix



- **based on the IFRS Standard** from which they are derived



- **based on the aspects of core content**—governance, strategy, risk management and metrics and targets

**Industry-based metrics**, included in the Appendix of the climate exposure draft



The staff recommends **grouping industry-based metrics separately, by industry** rather than by the Standard or by aspects of core content

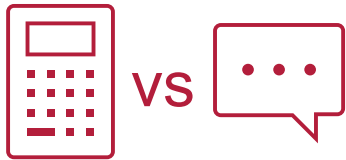
Just like a **table of contents** and an **index** provide **different routes to the same content**

▶ **Consistent with layout for IFRS Accounting Taxonomy**  
– helps find items based on the requirements in the Standards

▶ **May better reflect reporting presentation practice** for some/many preparers – helping to find items when tagging

▶ Expected to reflect reporting practice and is **consistent with SASB Taxonomy**

# 4–Degree of detail for narrative information



Investors use narrative information differently than numeric information. Narrative information often needs to be read in context and can be less directly comparable than numerical information.

## Which level(s) of disclosure requirements to ask preparers to identify?

**Governance**  
 Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat.

**Setting targets**  
 Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur. **Performance metrics are included in remuneration policies.** This is achieved by setting 10% of performance bonus to be contingent on achieving targeted reductions in key sustainability impact measures. Excepteur sint occaecat cupidatat non proident, sunt in culpa qui officia deserunt mollit anim id est laborum.

**Lorem ipsum dolor**  
 Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat. Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur.

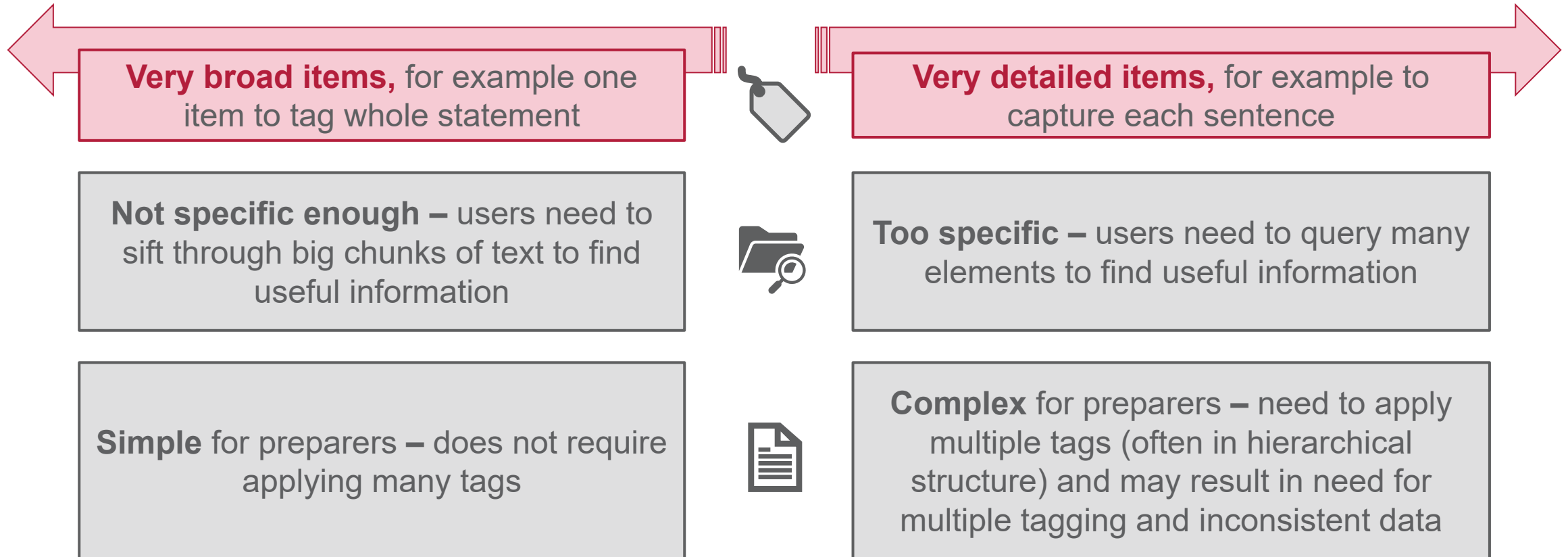
## Governance

- 4 The objective of climate-related financial disclosures on governance is to enable users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities.
- 5 To achieve this objective, an entity shall disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and information about management’s role in those processes. Specifically, an entity shall disclose:
  - (a) the identity of the body or individual within a body responsible for oversight of climate-related risks and opportunities;
  - ...
  - (f) how the body and its committees oversee the setting of targets related to significant climate-related risks and opportunities, and monitor progress towards them (see paragraphs 23–24), including whether and how related performance metrics are included in remuneration policies (see paragraph 21(g)); and

How does that relate to the structure and wording of the Standards?

## 4–Degree of detail for narrative information

There are drawbacks to both too much and too little detail



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## 4–Our proposal

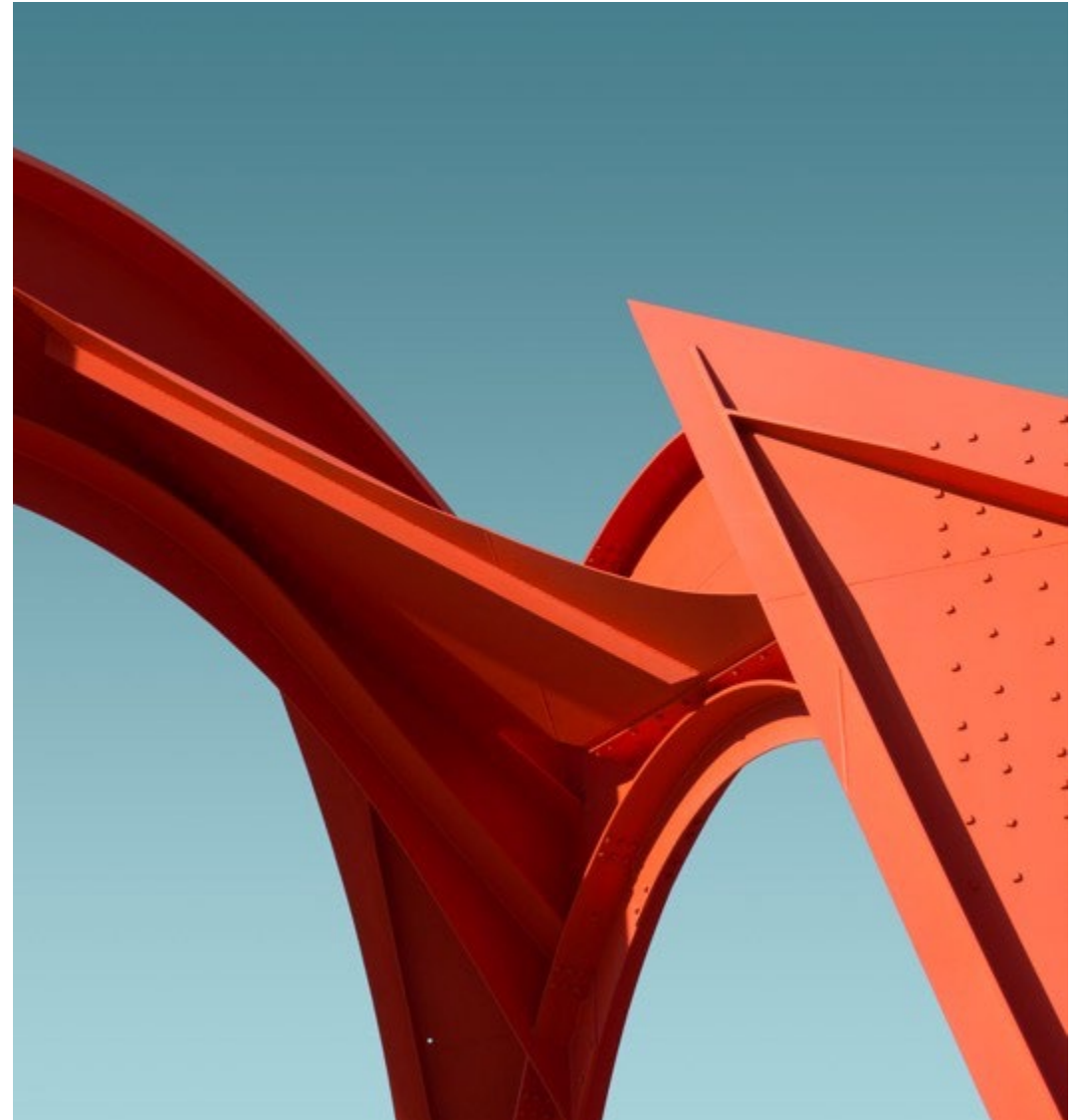
to include items for narrative information that is expected to be:

separately understandable to users

and

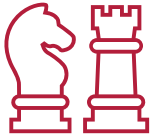
easily identified for tagging

**Are these the right principles?**



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## 5–Categorical information



Some narrative disclosures essentially convey one of a fixed list of options



These disclosures are more directly and easily comparable between entities and across periods, similar to numerical information



If such information were provided in a categorical format (for example, a true/false format), users could quickly search databases for information and compare across companies and periods, without needing to interpret the textual disclosures of each entity.

## 5–Examples of suggested categorical items

### Boolean type

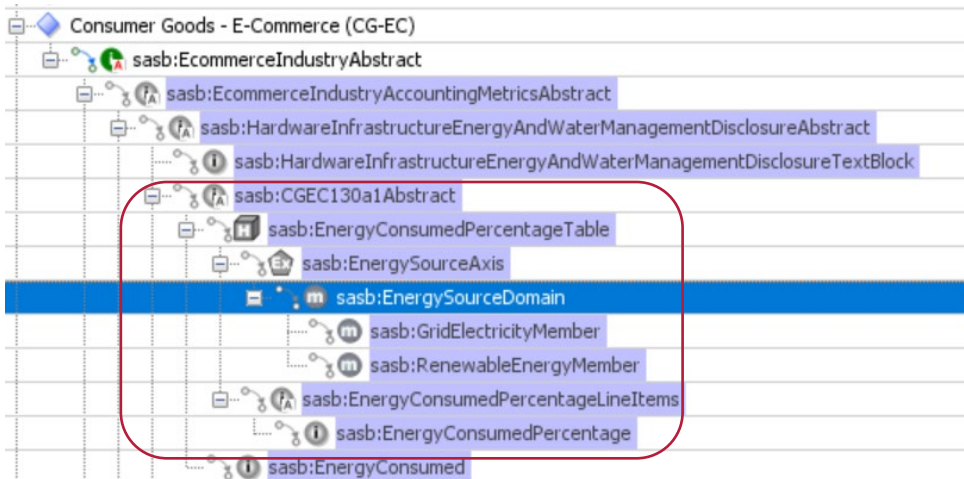
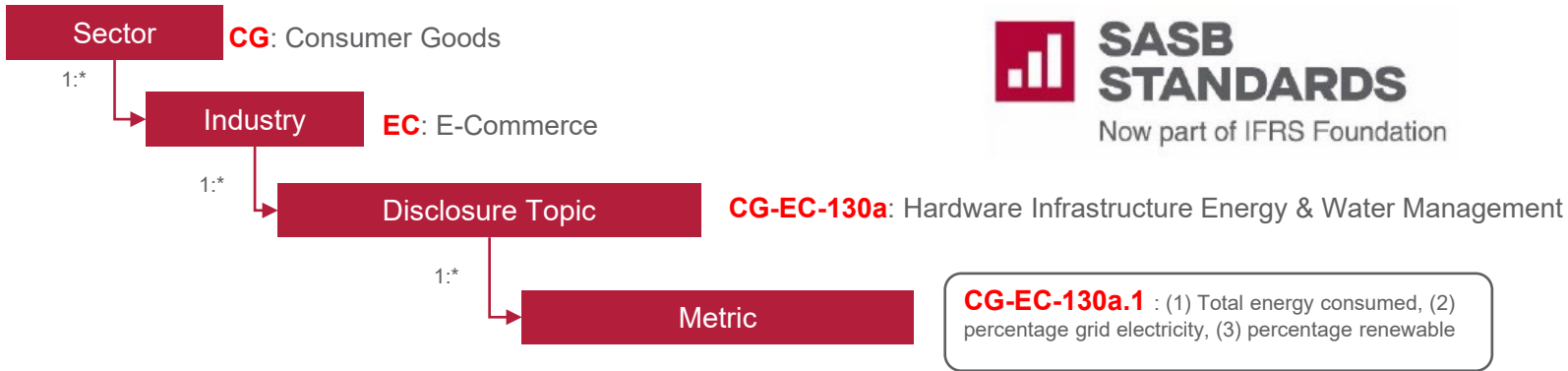
Element label	List of answers for tagging	Reference
Sustainability-related performance metrics are included in remuneration policies	True / False	IFRS S1.13(f)
Entity applied new or amended Standard earlier than its mandatory effective date	True / False	IFRS S1.B1, IFRS S2.C1

### Enumeration type

Element label	List of answers for tagging	Reference
Sustainability-related metric is absolute measure or expressed in relation to another metric	Absolute measure / Measure expressed in relation to another metric	IFRS S1.31(a)
Type of risk associated with climate-related scenarios used	Transition risk / Physical risk	IFRS S2.15(b)(i)(3)



# 6–Industry-based metrics: Previous SASB Taxonomy



	Active sellers (thousands)	2,115	2,699	4,365
CG-EC-000.B	Data processing capacity	<ul style="list-style-type: none"> <li>In December 2017, Etsy announced our Google Cloud Partnership, an initiative to transition Etsy.com infrastructure to Google Cloud Platform (“GCP”).</li> <li>In February 2020, we completed our full migration to GCP.</li> <li>We believe this transition will result in increased engineering efficiency, and enhance our overall infrastructure by providing faster processing speed, improved page load time, and more nimble fulfillment to capacity on an as needed basis.</li> </ul>		
	Percentage outsourced	100%	100%	100%
<b>Hardware Infrastructure Energy &amp; Water Management</b>				
CG-EC-130a.1	Total energy consumed, MWh	7,330	6,376	5,675
	Percentage renewable energy	65%	89%	100%
	Percentage grid electricity	100%	100%	100%
CG-EC-130a.3	Discussion of the integration of environmental considerations into strategic planning for data center needs.	<ul style="list-style-type: none"> <li>In 2020 we met our goal to source 100% renewable electricity for our operations, and we have a 2025 goal to reduce the intensity of our energy use by 25%. These goals are included as key considerations as we plan for our computing needs, and have been a focus of our sustainability efforts. When transitioning to a cloud computing infrastructure, we selected Google Cloud, a partner that shares our commitment to 100% renewable electricity. Their highly efficient data centers are expected to help us save significant overhead energy. Moreover, moving to flexible cloud-</li> </ul>		

**Concept**

- (sasb) Energy Consumed, Percentage

*Percentage of total energy consumed that is in a particular category (e.g. energy source, energy use, etc.).*

**Dimensions**

- Energy Source [Axis]
- Renewable Energy [Member]

**Date** 1 Jan 2020 to 31 Dec 2020

**Fact Value** 1.00 xbrli:pure

**Accuracy** 2 (hundredths)

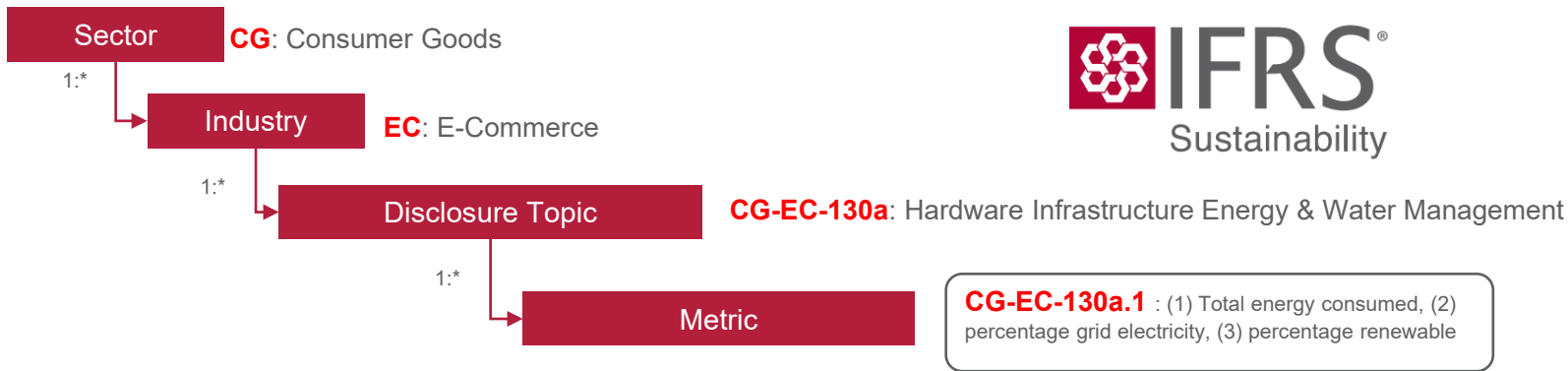
**Change** 12.4% increase on 1 Jan 2019 to 31 Dec 2019

**Entity** [CIK] 0001370637

**Concept** sasb:EnergyConsumedPercen...

Powered by **workiva**

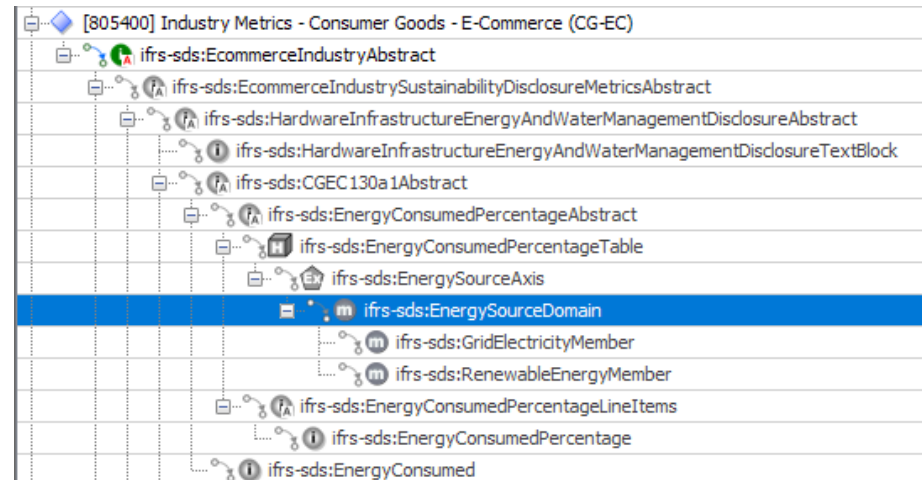
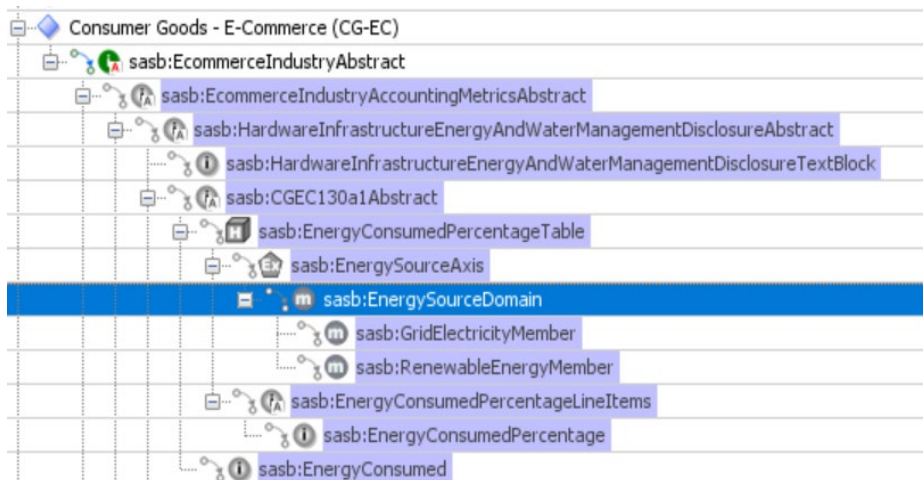
# 6–ISSB approach – leverage SASB’s taxonomy work



## TAXONOMY

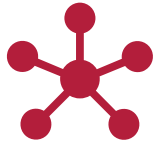
- Identical names used for equivalent items (but are not the same items)
- Similar presentation of items in taxonomy and use of the same industry codes
- Financed Emissions items added
- Changes for some internationalised metrics

**S2 Industry-based requirements** are closely derived from the SASB Standards, with the same structure



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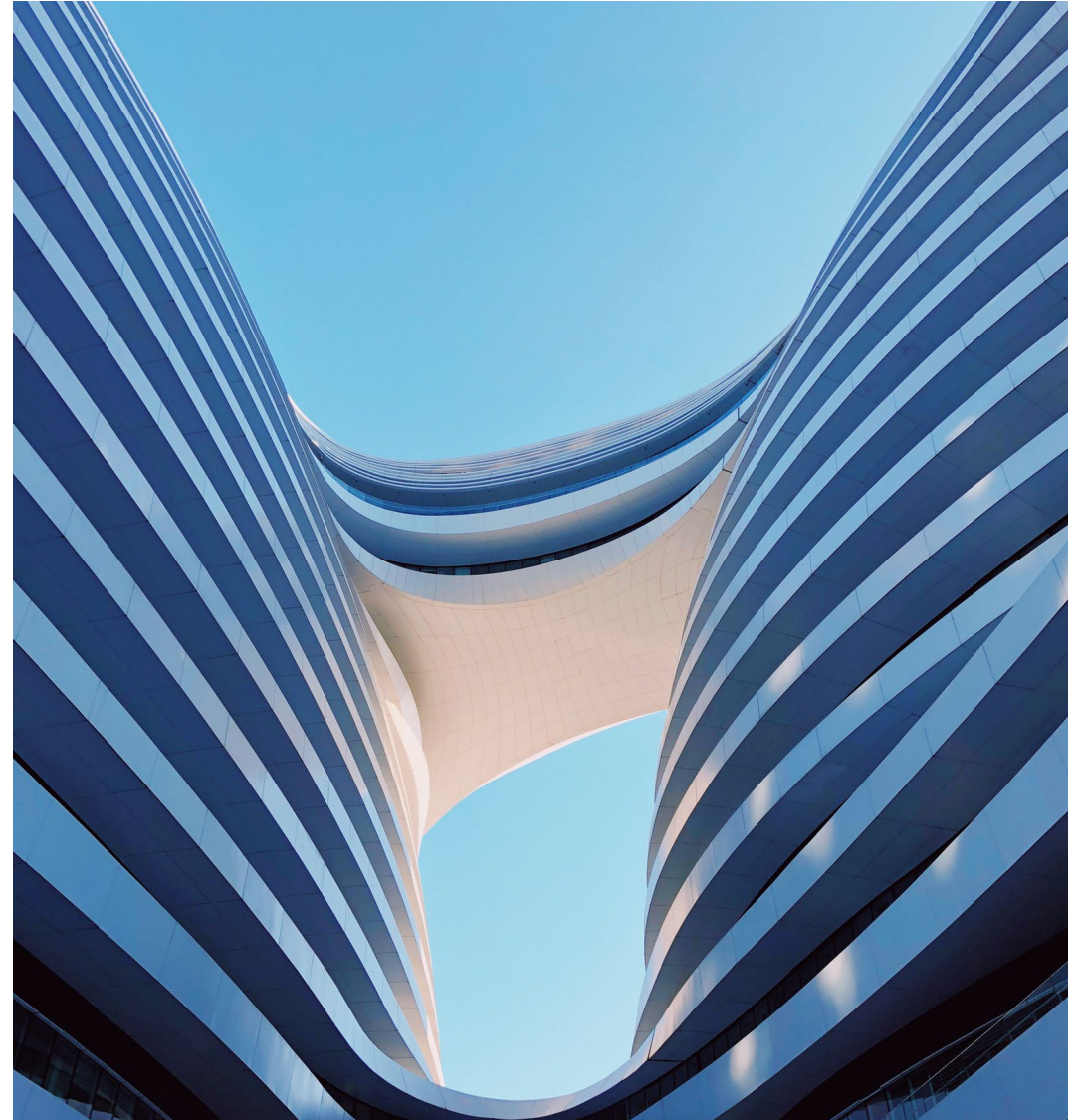
## 7–Connected information



*General requirements* ED requires entities to **describe the relationships between pieces of information** (sustainability-sustainability & sustainability-financial)

IOIO  
IOIO

Should digital tools be used to improve the digital accessibility of information that describes connections between related disclosures?



## 8–Cross-referencing



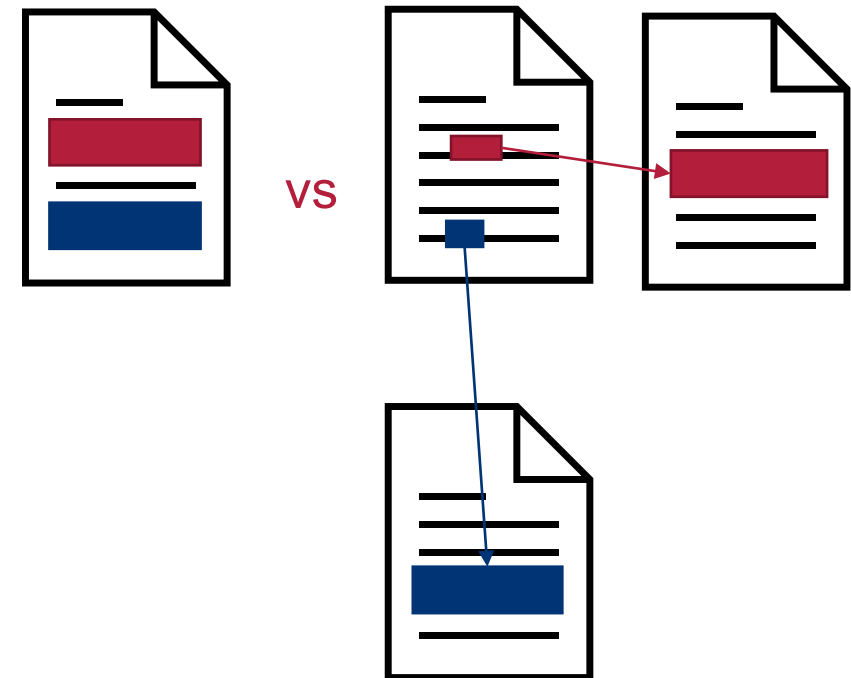
*General Requirements* ED allows including information by cross-referring to another report\*. Information incorporated by cross-reference becomes part of the complete set of sustainability-related financial disclosures.



Danger that information included by cross-reference from another document might not be tagged.



Tagged information might be incomplete or the digital representation of the report could differ depending on whether a cross-reference was used.



\* if that information is available on the same terms and at the same time.

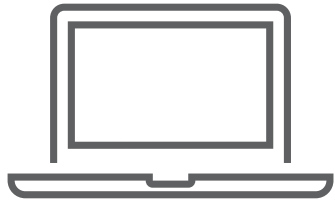
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## Call to action and next steps



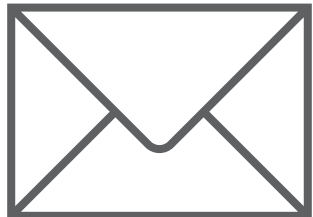
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# How to provide input on the Staff Request for Feedback



Survey

or

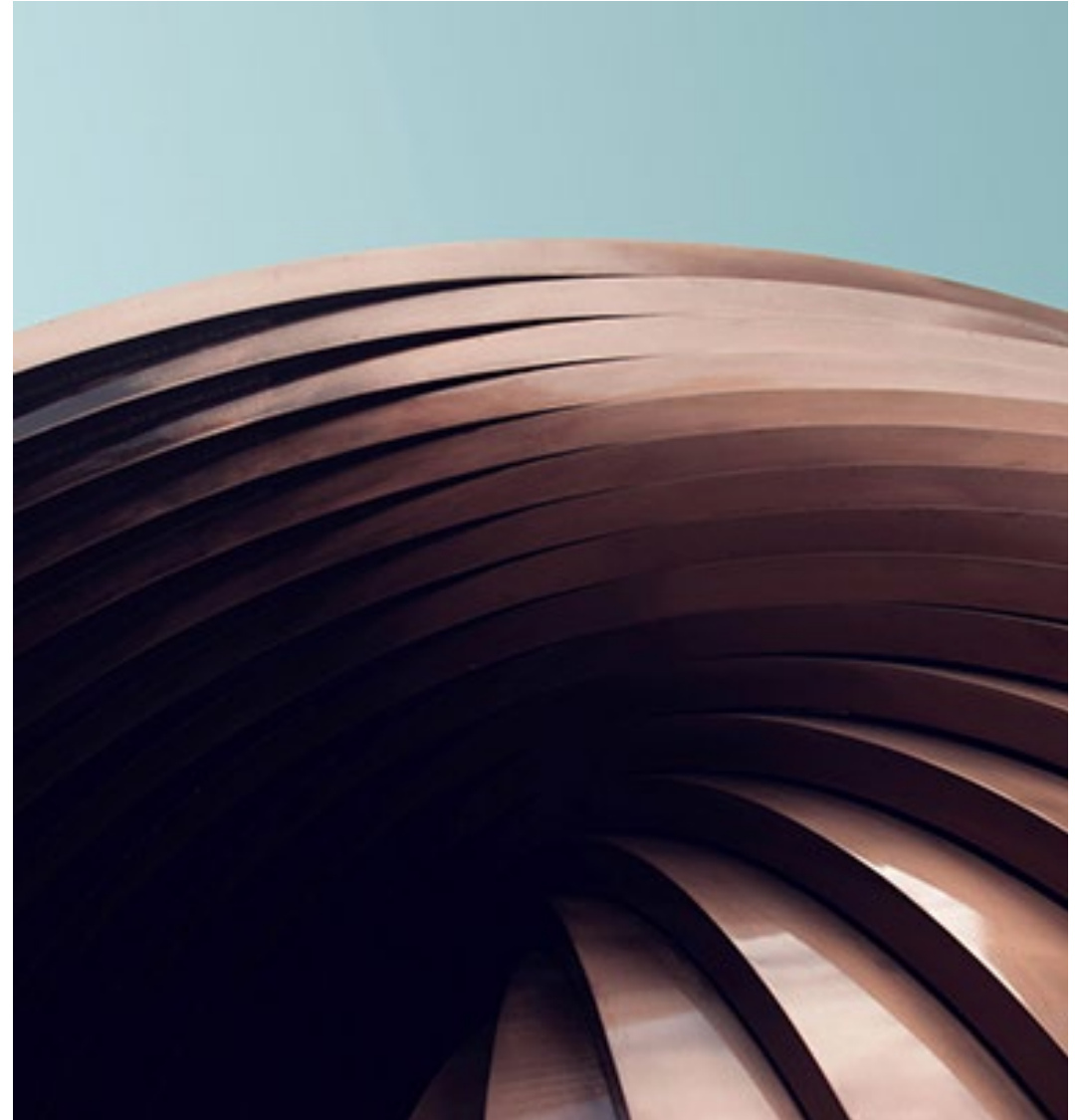


Comment letter

**Visit:** [ifrs.org/projects/open-for-comment/](https://ifrs.org/projects/open-for-comment/)

Comments due 30 September

Once the ISSB members have considered the feedback on the staff draft, **ISSB members will consider a formal ED on the taxonomy following the finalisation of S1 and S2**

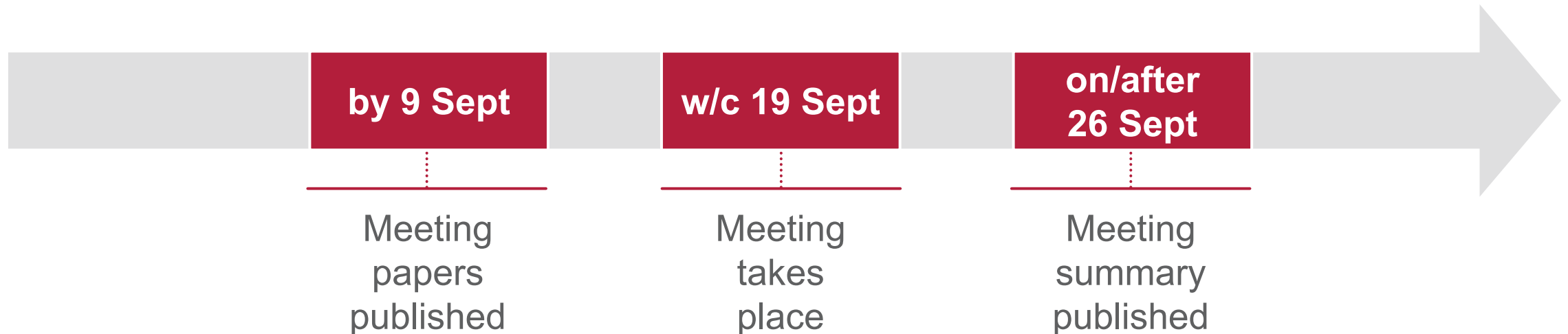


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## Participate in ISSB's meetings



September, Frankfurt



Meetings take place monthly and can be observed online at  
[ifrs.org/news-and-events/calendar](https://www.ifrs.org/news-and-events/calendar)



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Questions?



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