
An update from the International Sustainability Standards Board

Overview

1. ISSB background

2. ISSB proposed standards, deliberations

3. Next steps

Why the ISSB?



Develop standards for a **global baseline of sustainability disclosures** meeting information needs of global investors

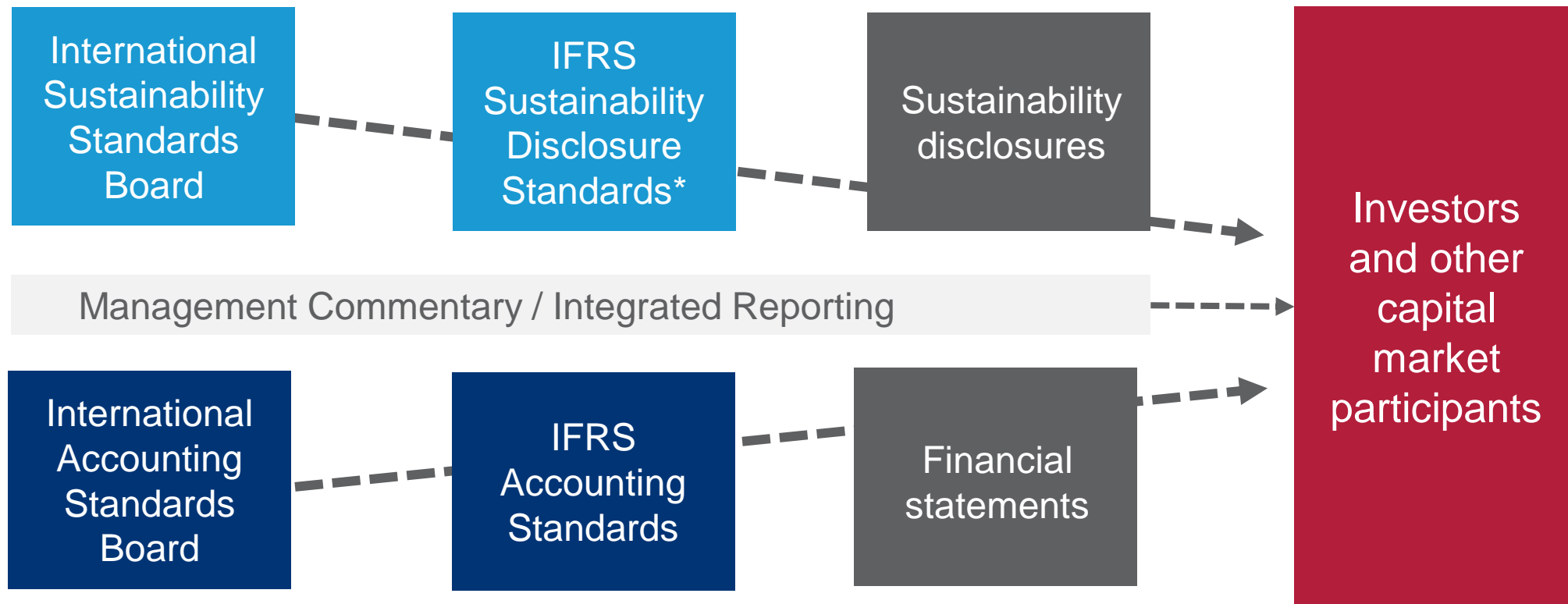


Enable companies to provide comprehensive sustainability information to global capital markets



Building blocks of disclosure, which are jurisdiction-specific / aimed at broader stakeholder groups, can be added to the global baseline, **forming a comprehensive, global system of sustainability disclosure.**

Designed for communication to investors



**GAAP-agnostic but developed to ensure compatibility with IFRS Accounting Standards*

ISSB building on investor-focused standards and frameworks

simplifying the sustainability disclosure landscape

Consolidated into the IFRS Foundation

 **INTEGRATED
REPORTING**
Now part of IFRS Foundation

 **SASB
STANDARDS**
Now part of IFRS Foundation

**Climate
Disclosure
Standards
Board**

TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

IFRS Sustainability Disclosure Standards built off market-leading, widely adopted frameworks and standards.

IFRS Standards within the broader reporting landscape



Towards a comprehensive global baseline for disclosure

BUILDING BLOCKS

- May be added to meet jurisdiction-specific requirements (e.g., ESRS)
- May be adopted to meet broader multi-stakeholder needs (e.g., GRI Standards)



IFRS Sustainability Disclosure Standards

BASELINE

- Provides a comprehensive foundation of disclosure
- Common language for comparable, decision-useful disclosures
- Designed to meet investor needs across global capital markets

ISSB members



Emmanuel Faber
Chair

From: **France**
Region: **At large**
Former: CEO,
Danone



Jingdong Hua
Vice-Chair

From: **China**
Region: **At large**
Former: Vice
President and
Treasurer, **World
Bank**



Sue Lloyd
Vice-Chair

From: **New
Zealand**
Region: **At large**
Former: Vice Chair
IASB



**Richard
Barker**

From: **UK**
Region: **Europe**
Former: deputy
dean and
professor of
accounting at Saïd
Business School,
**University of
Oxford**



**Jenny
Bofinger-Schuster**

From: **Germany**
Region: **Europe**
Former: Senior
Vice President for
sustainability and
operational
excellence,
Siemens



**Verity
Chegar**

From: **United
States**
Region: **Americas**
Former:
Sustainable
Investment and
Stewardship
Strategies,
**California State
Teachers' Retire
ment System's
(CalSTRS)**



**Jeffrey
Hales**

From: **United
States**
Region: **At large**
Former: Chair,
**SASB Standards
Board**; Dr Hales
also teaches at the
**University of
Texas.**

ISSB members



**Michael
Jantzi**

From: **Canada;**
UK
Region: **Americas**
Former: Managing
Director of ESG
Strategy,
Morningstar



**Hiroshi
Komori**

From: **Japan**
Region: **Asia-
Oceania**
Former: Senior
Director and Head
of Stewardship,
ESG Division,
**Government
Pension
Investment Fund
(GPIF)**



**Bing
Leng**

From: **China**
Region: **Asia-
Oceania**
Former:
Sustainability
reporting
initiatives,
**Chinese Ministry
of Finance**



**Ndidi
Nnoli-Edozien**

From: **Nigeria**
Region: **Africa**
Former: Group
Chief
Sustainability and
Governance
Officer, **Dangote
Industries**



**Tae-Young
Paik**

From: **South
Korea**
Region: **Asia-
Oceania**
Former: Professor
of accounting at
**Sungkyunkwan
University
(SKKU)**



**Veronika
Pountcheva**

From: **Bulgaria**
Region: **Europe**
Former: Senior
Vice President of
corporate
responsibility,
METRO



**Elizabeth
Seeger**

From: **Brazil**
Region: **Americas**
Former: Managing
Director,
Sustainable
Investing, **KKR**

Proposed IFRS Sustainability Disclosure Standards





IFRS S1: General requirements

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 that really matter, and there is strong linkage with the financial statements:

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



How does the ISSB’s definition of ‘materiality’ compare to the definition in the US SEC Climate Proposal and to the definition in the European Sustainability Reporting Standards (ESRS)?

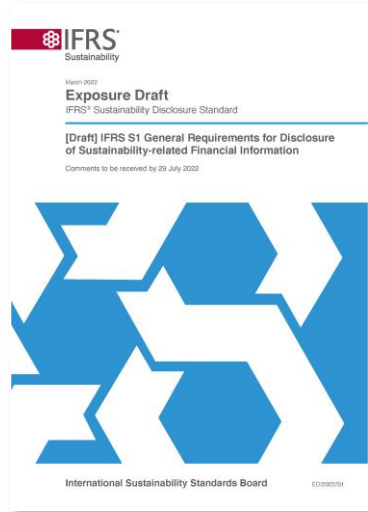
US SEC

- Would primarily apply the **same disclosure threshold as the financial statements** (based on the US Supreme Court precedent)
- Some disclosures required regardless of materiality (Scope 1 and Scope 2 GHG emissions)
- Financial impact disclosures subject to 1% threshold

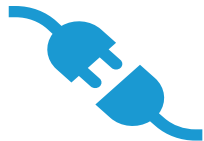
ESRS

- Uses the concept of “**double materiality**,” which means a disclosure is material if it is material from an “**impact**” perspective (e.g. affects employees, customers, vendors, environment), a **financial** perspective (e.g. investors, creditors) or a combination of **both**
- Climate disclosures all mandatory

Key concepts in IFRS S1



- Asks for disclosure of material information about all material 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 of S1, consistent with TCFD recommendations



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

S1 sources of guidance for companies to use

Which risks/opportunities to report?



To identify which risks/opportunities to disclose a company uses IFRS Sustainability Disclosure Standards and ***shall consider SASB Standards.***

- A company may consider:
 - CDSB Framework application guidance
 - industry practice
 - materials of investor-focused standard setters



Which metrics to disclose?

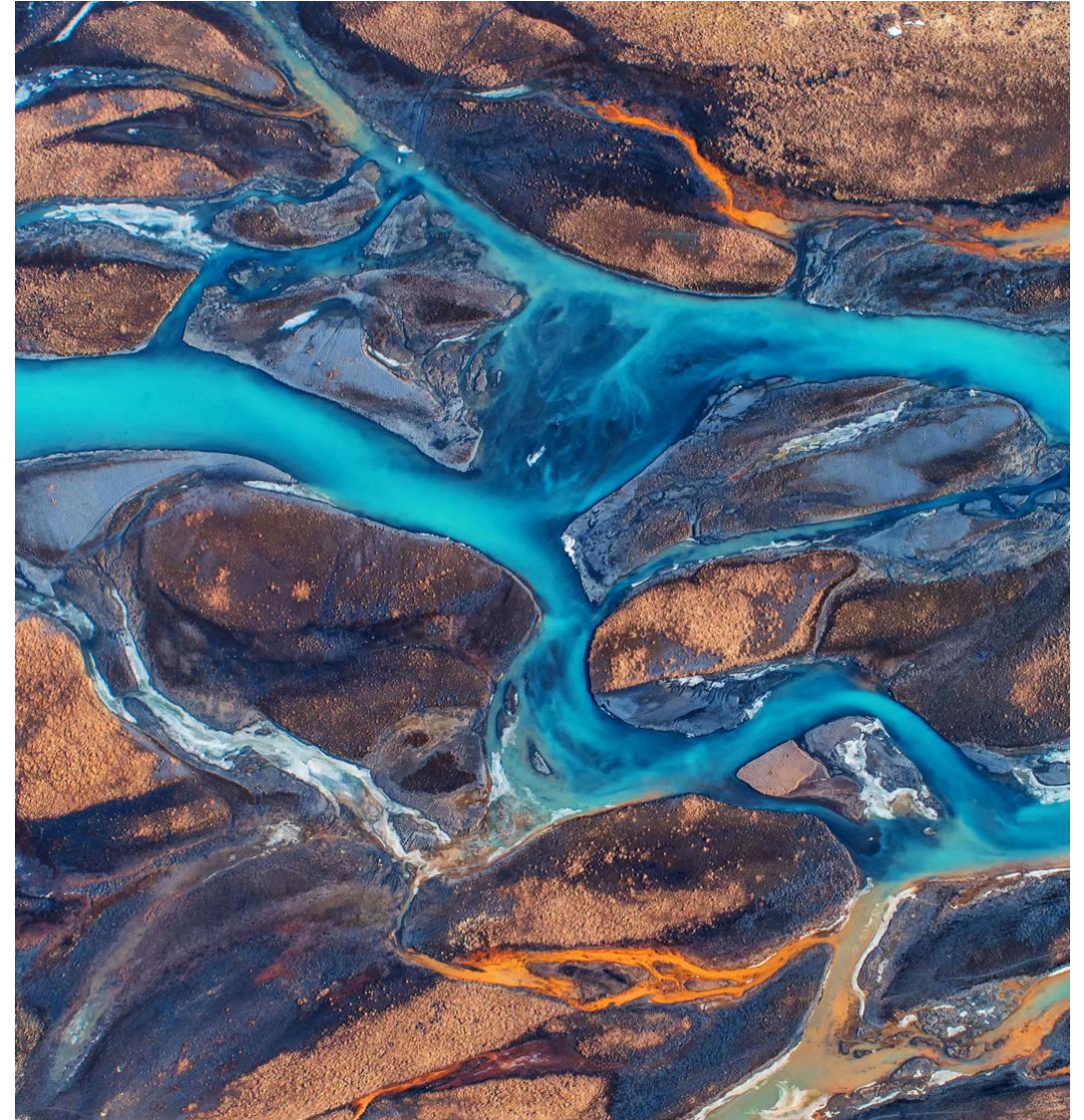
In the absence of an IFRS Sustainability Disclosure Standard, to choose particular disclosures (metrics) to report, a company ***shall consider SASB Standards.***

- A company may consider, to the extent they **meet investor information needs:**
 - CDSB Framework application guidance
 - industry practice
 - materials of investor-focused standard setters
 - [GRI Standards] [European ESRS] *for decision February ISSB meeting*

Focused on supporting application of IFRS S1

To support those using its standards, the ISSB will provide further 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



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 – it accompanies, but it is not part of, the Standard



Educational materials

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

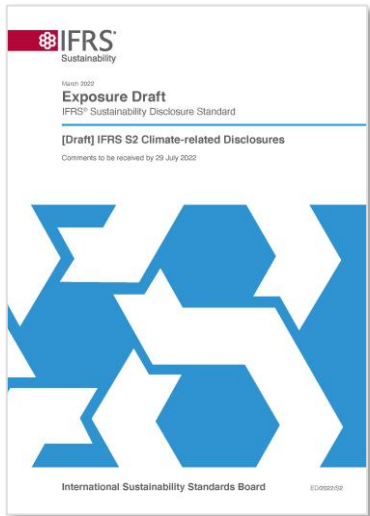
Will be published when Standards are published.

Will be published over time to meet preparer needs.

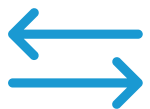


IFRS S2: Climate

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: requirements

IFRS Sustainability Disclosure Standards will require when material:

- ✓ Scope 3 GHG emissions
- ✓ Which 15 categories of Scope 3
- ✓ Use of *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*
- ✓ How and why the entity has used specific inputs, assumptions and estimation techniques to measure its GHG emissions, and information about changes



Additional reporting requirements associated with Scope 3 Category 15: Investments

Entities with emissions associated with investments (category 15) will be required to provide additional disclosures for financed emissions, as part of Scope 3 GHG emissions disclosures.

This is applicable for entities that are in, or have activities associated with, the following industries:

- Asset Management & Custody Activities;
- Commercial Banks; or
- Insurance

Scope 3 GHG emissions: relief and support

The ISSB agreed to **specific measures that will support companies** to disclose Scope 3 GHG emissions, such as:



Relief: Temporary exemption from this disclosure for [a minimum of one year]¹ when first applying IFRS S2



Relief: Permission to include information obtained from companies in the value chain with a different reporting cycle



Guidance: Providing 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

“

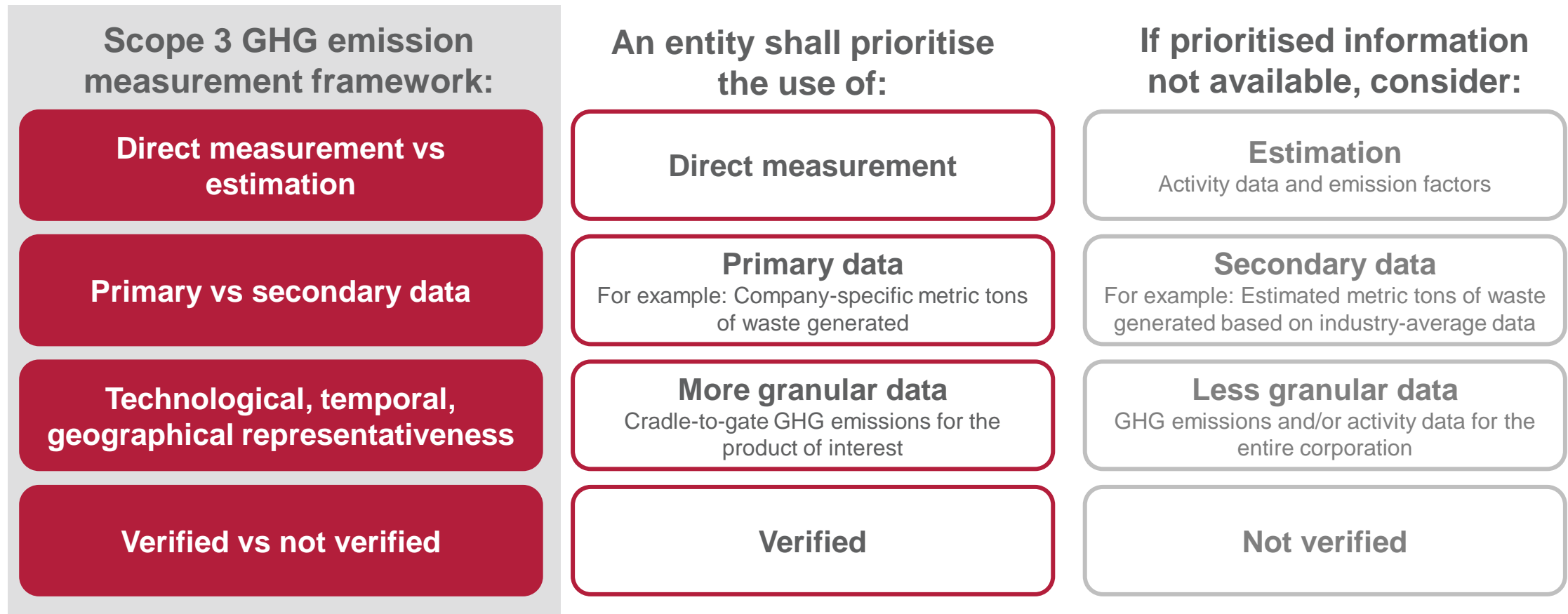
We recognise that companies need help, as best practice continues to develop, in measuring Scope 3 GHG emissions. The ISSB believes the reliefs and guidance ...will provide companies with the time to get their processes in place, and the guidance to support this disclosure.

– Sue Lloyd,
Vice-Chair of the ISSB

¹ The ISSB will decide duration at its February 2023 meeting

Scope 3 GHG emissions measurement framework

Guidance to support preparers



Climate-related scenario analysis: requirements

IFRS Sustainability Disclosure Standards will:

- ✓ **require entities to use climate-related scenario analysis** to report on climate resilience
- ✓ ask for information about whether entities used the analysis to identify climate-related risks and opportunities to support their disclosures
- ✓ include **application guidance** on how to undertake scenario analysis.



Climate-related scenario analysis: application guidance

Application guidance will build on materials published by the TCFD, and will require:

- a method of climate-related scenario analysis **commensurate** with an entity's circumstances;
- consideration of the degree of the entity's exposure to climate-related risks and opportunities;
- the use of **reasonable and supportable information that is available at the reporting date without undue cost or effort**; and
- consideration of **skills, resources and capabilities** available to an entity.

Entities may consider publicly available, off-the-shelf scenarios that are most relevant to their circumstances and most likely to support disclosure.

Climate-related scenario analysis: selecting a commensurate approach

An entity is required to use a method of climate-related scenario analysis commensurate with its circumstances. To support this assessment, an adaptation of the TCFD’s stages of progression will be included in application guidance.

Just beginning	Gaining experience	Advanced experience
Qualitative scenario narratives to help mgmt. explore the potential range of climate-related implications, using a more focused boundary such as a critical business unit or specific commodity inputs	Scenarios and associated analysis using quantitative information to illustrate potential pathways and outcomes, ideally for the entity and its operations as a whole	Greater rigour and sophistication in the use of data sets and mathematical models to support statistical analysis and quantitative, entity-specific outputs

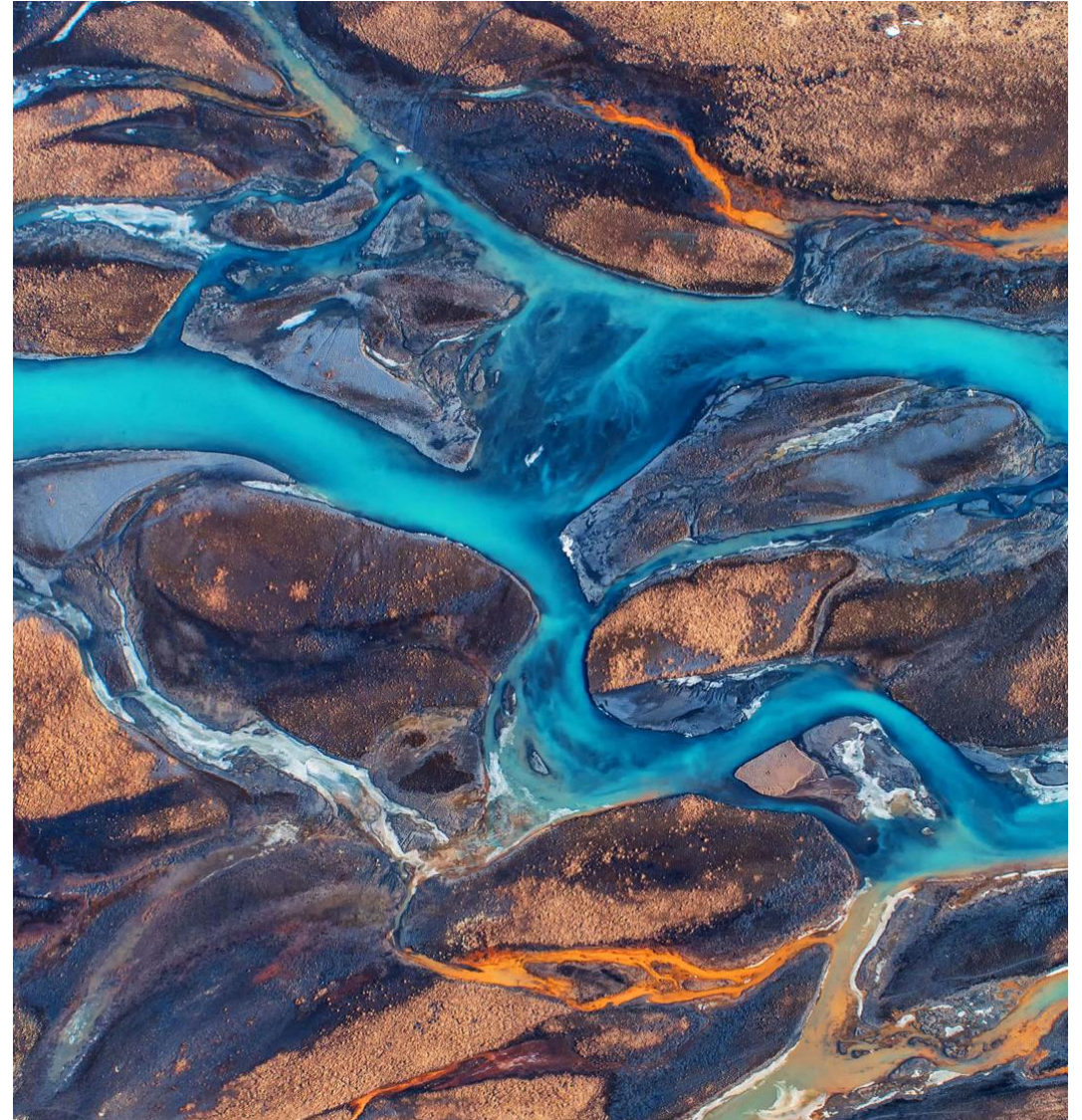
The stages of progression are designed to guide preparers to:

- identify the appropriate stage to use
- navigate toward a more robust resilience assessment and related disclosures over time

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.



Next steps



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

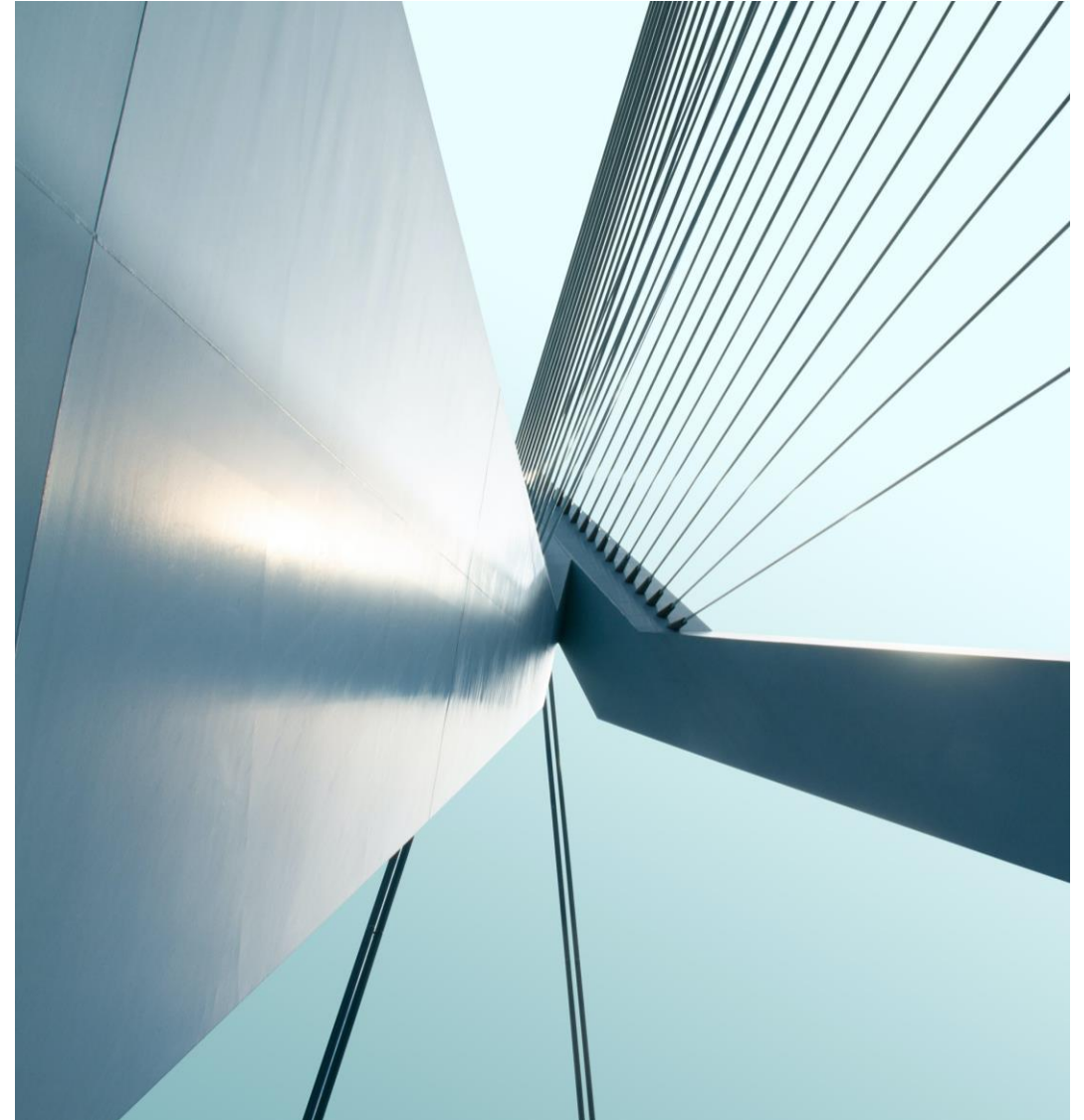
‘Balloting’ – ISSB
members confirm
the Standards are
written accurately

Final editing,
translating,
digital tagging

**IFRS S1, IFRS S2
issued toward
end of 2Q23**

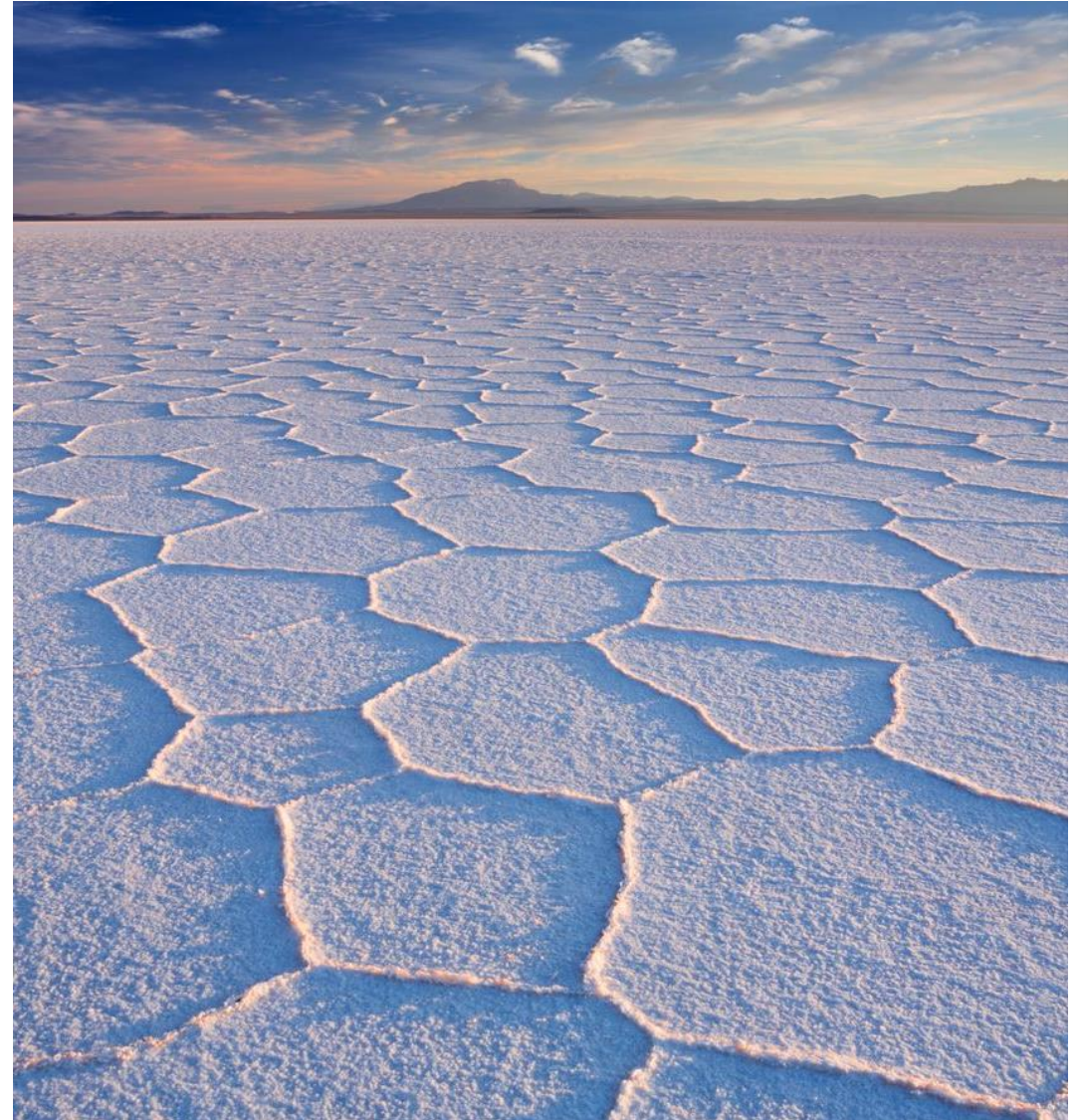
Priorities

- 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**
 - **connectivity** with IASB
 - **interoperability** with others eg GRI / EFRAG
 - **research** incremental enhancements to Climate Standard
 - **international applicability** of SASB Standards
- **Agenda consultation** on new areas of work in Q2 2023



Achieving efficiency through interoperability is a critical focus

- **Ongoing dialogue with jurisdictions**, eg the European Commission, working on jurisdiction-specific disclosure requirements
- Many redeliberation decisions – eg enterprise value, Scope 3 – **support interoperability**
- Adopted the **TCFD architecture** to drive interoperability
- Working with **GRI** to deliver interoperability for a comprehensive sustainability reporting landscape
- CDP to align platform to IFRS S2, **reducing market fragmentation** for CDP users



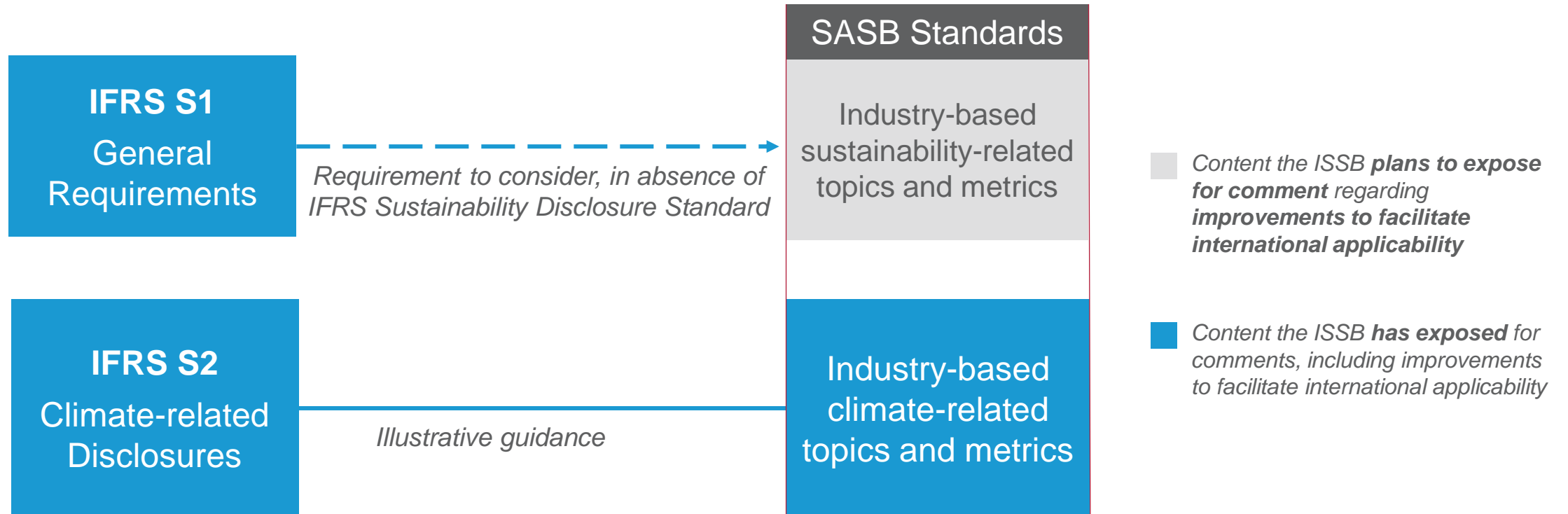
Agenda consultation in Q2

ISSB to hold public consultation on four projects to **further understand** standard-setting priorities:

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- connectivity in reporting with the IASB



SASB Standards – what is happening?



Get involved



Download

proposed IFRS Standards
and supporting materials



Listen

to our monthly podcast with
highlights from meetings
and key developments



Respond

to live consultations



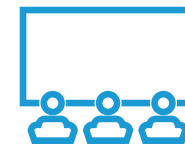
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