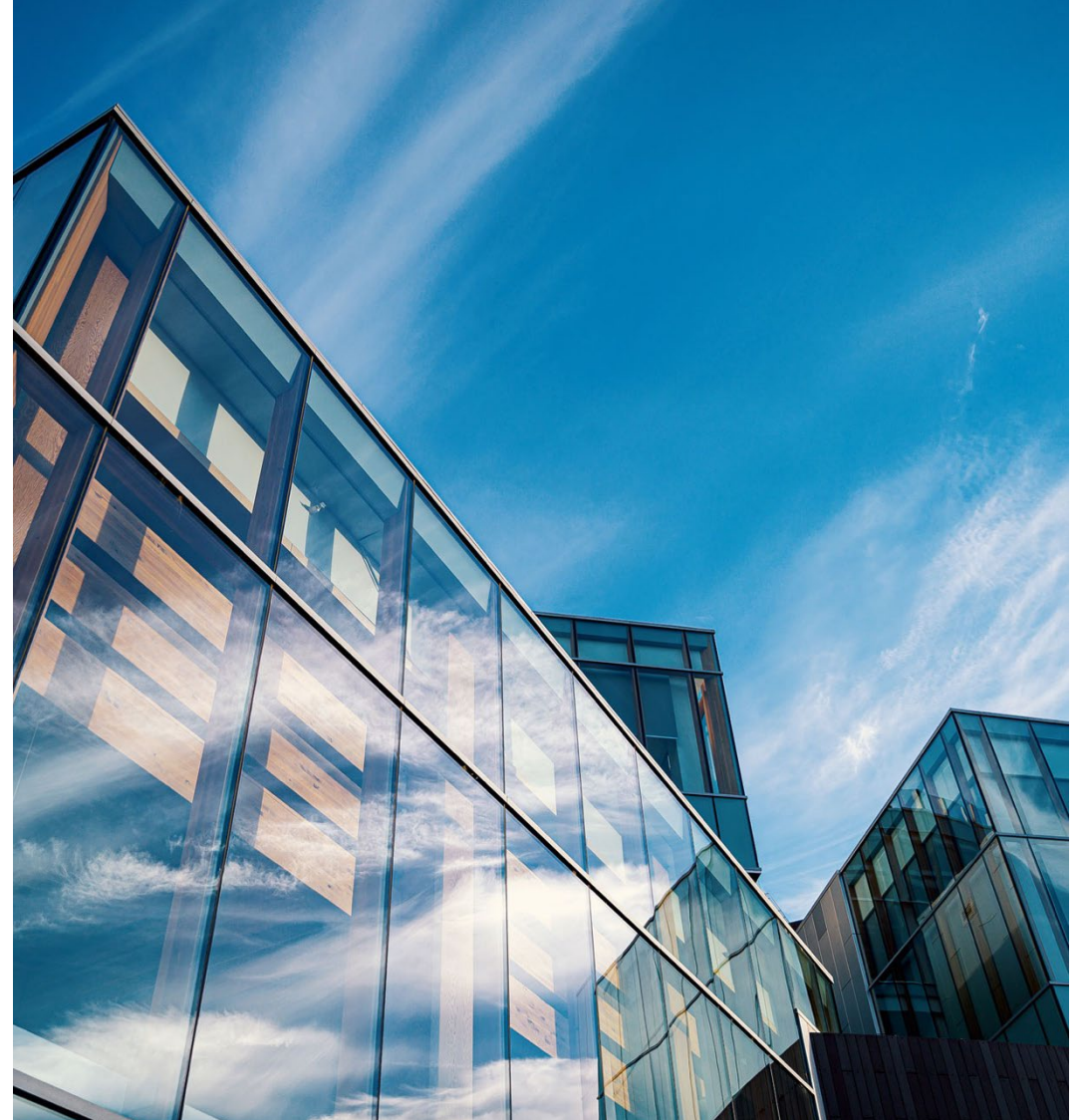

GPF Meeting
10 November 2023

ISSB Update
Richard Barker
ISSB Member

This paper has been prepared for discussion at a public meeting of the Global Preparers Forum (GPF). The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation, International Accounting Standards Board or the International Sustainability Standards Board. Copyright © 2023 IFRS Foundation. All rights reserved

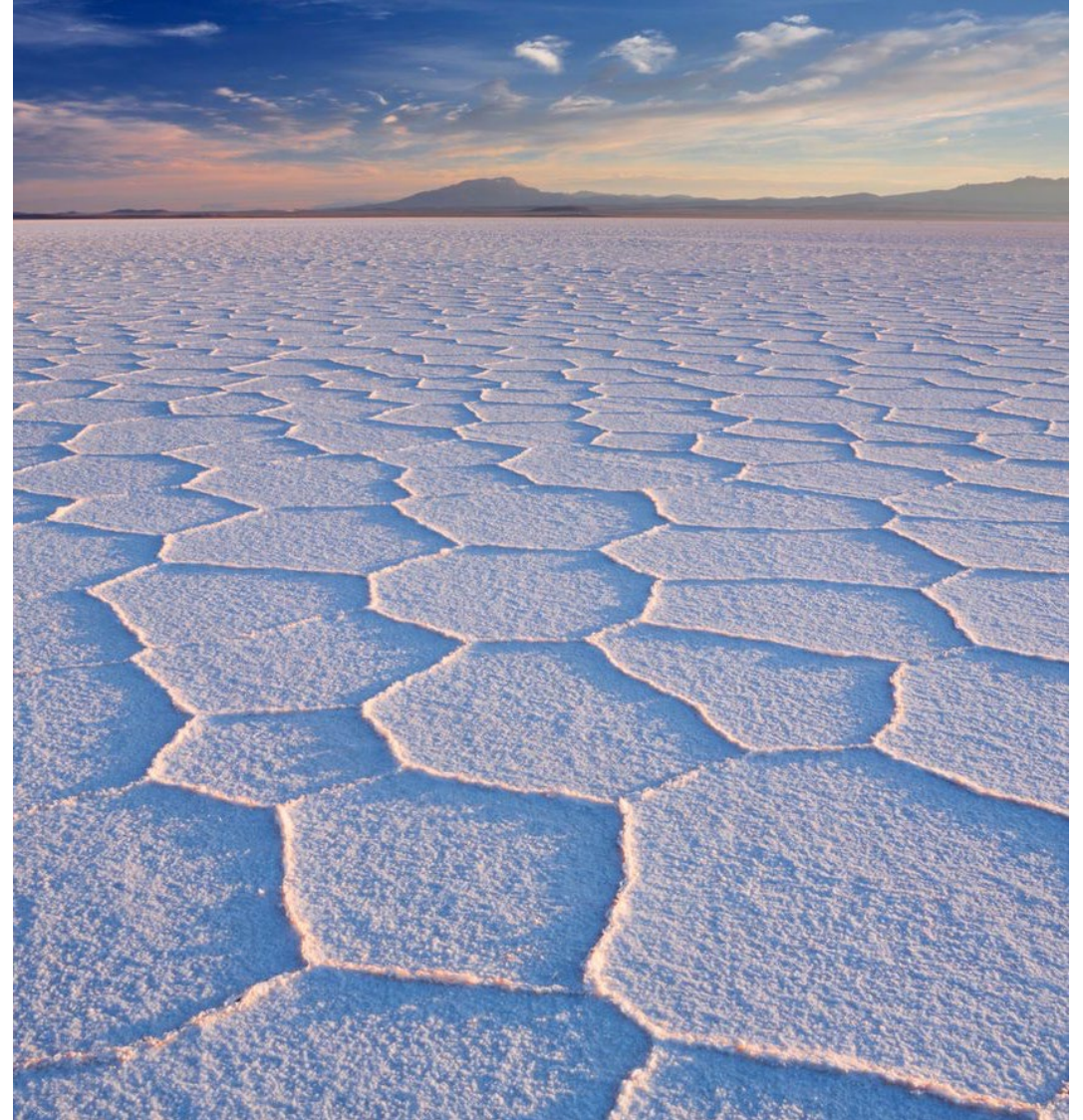
The ISSB Standards can deliver

- **For investors:** access to more consistent, comparable, verifiable and comprehensive disclosures.
- **For companies:** positive effects on areas such as governance, strategy, access to capital, cost of capital, reputation, and employee and stakeholder engagement.
- **For financial markets:** improved transparency about sustainability-related risks is expected to contribute to long-term financial stability.



Achieving efficient reporting through interoperability

- Ongoing dialogue with **jurisdictions** to ensure consistency across reporting requirements, eg the European Commission
- Adopted the **TCFD structure** to align with existing reporting and regulation
- **CDP** to align platform to IFRS S2
- Work with **GRI** to further harmonise the sustainability reporting landscape



Making ISSB Standards the global baseline



ISSB

provide comprehensive global baseline through Standards



IOSCO

endorses ISSB Standards recommending adoption



Audit standard-setters

enhance and develop assurance standards



Jurisdictions

require by adopting the Standards

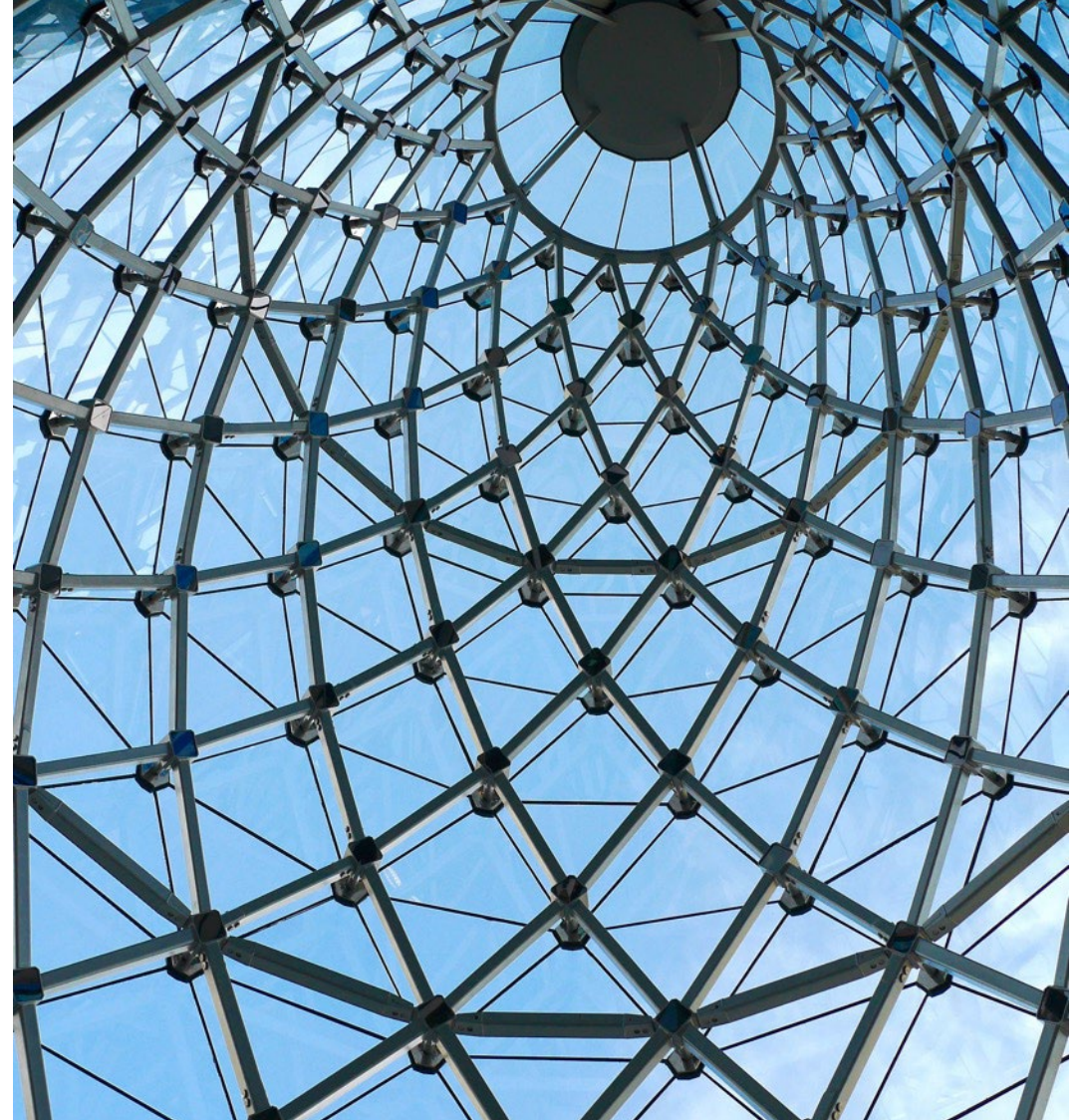


Market participants

voluntarily opt to apply the Standards

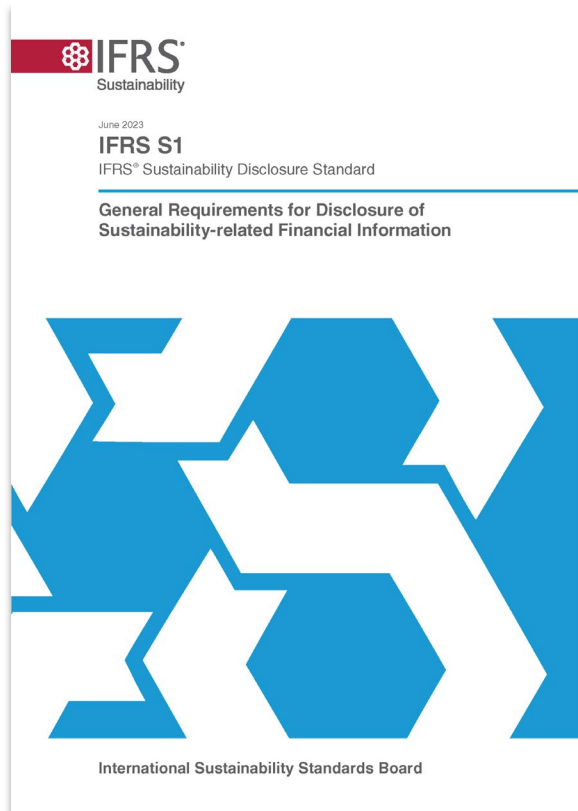
Key milestones in delivering truly global baseline

- ISSB issues IFRS S1 and IFRS S2, *26 June*
- Financial Stability Board announce work of the TCFD now completed due to ISSB Standards and transfers responsibilities for monitoring progress on climate-related disclosures, *6 July*
- IOSCO endorse ISSB Standards following a comprehensive review, *25 July*
- European Commission, EFRAG and ISSB confirm 'high degree of alignment' in climate-related disclosure requirements, *31 July*



IFRS S1:
General Requirements
for Disclosure of
Sustainability-related
Financial Information

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

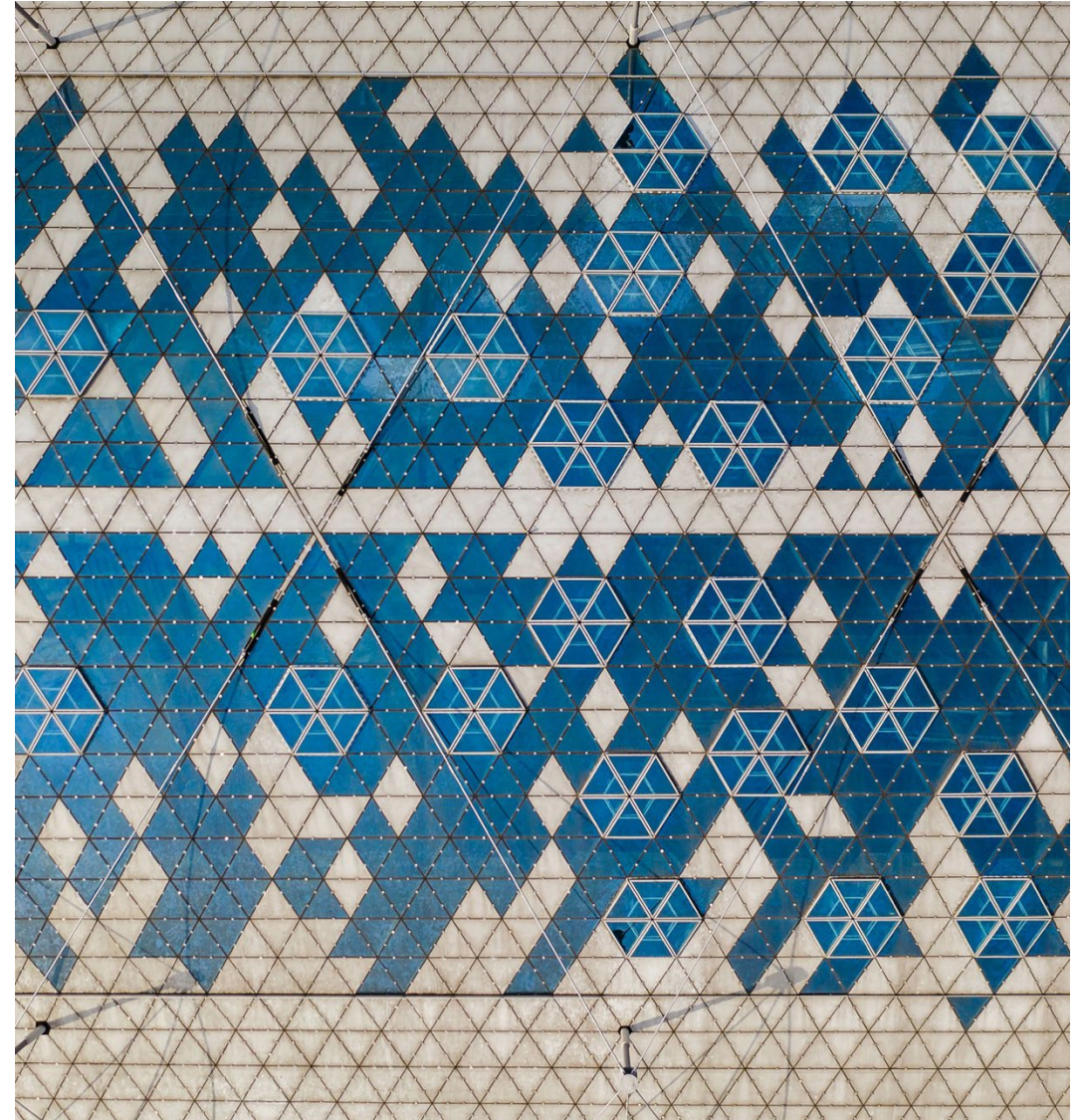


- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** with the financial statements, to meet investor information needs
- Applies **TCFD architecture** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (IFRS S2) refers to **sources to help companies** identify sustainability-related risks and opportunities and information
- Can be used in conjunction with **any accounting requirements (GAAP)**

How companies identify material sustainability information

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

This is based on the IFRS Accounting Standards definition of 'material'



Guidance for developing sustainability disclosures



Which risks & opportunities?

To identify relevant **risks and opportunities**, a company uses ISSB Standards and **shall consider**:

- **SASB Standards**

A company **may also consider**:

- CDSB Framework Application Guidance
- industry practice
- materials of investor-focused standard setters



Which information?

To identify what information to disclose, a company uses ISSB Standards, and for matters other than climate, **shall consider**:

- **SASB Standards**

A company **may also consider**, to the extent it meets investor information needs:

- CDSB Framework Application Guidance
- industry practice
- materials of investor-focused standard setters
- GRI Standards
- European Sustainability Reporting Standards



IFRS S2: Climate-related Disclosures

IFRS S2: Climate-related Disclosures



- Incorporates the **TCFD recommendations**
- To meet investor information needs, IFRS S2:
 - is used in accordance with **IFRS S1**
 - requires disclosure of **material information about climate-related risks and opportunities**, including physical and transition risks
 - requires **industry-specific disclosures**, which are supported by accompanying guidance built on SASB Standards

Key disclosures



Strategy

Strategy and decision-making

Current and anticipated financial effects

Climate resilience



Metrics and targets

Scope 1-3 GHG emissions

Industry-based disclosures

Climate-related targets

IFRS S2 guidance



Application Guidance

- Applying scenario analysis to assess climate resilience
- Measuring Scope 1-3, plus a framework for measuring Scope 3
- Disclosing information:
 - relevant to financed emissions
 - relevant to cross-industry metric categories
 - about climate-related targets



Accompanying Guidance

- Metrics that could be disclosed relevant to cross-industry metric categories
- Examples of disclosing GHG emissions information applying the principles in IFRS S1 for aggregation and disaggregation
- Industry-based guidance on identifying appropriate disclosures associated with common business models and activities in a particular industry

Mechanisms that support application

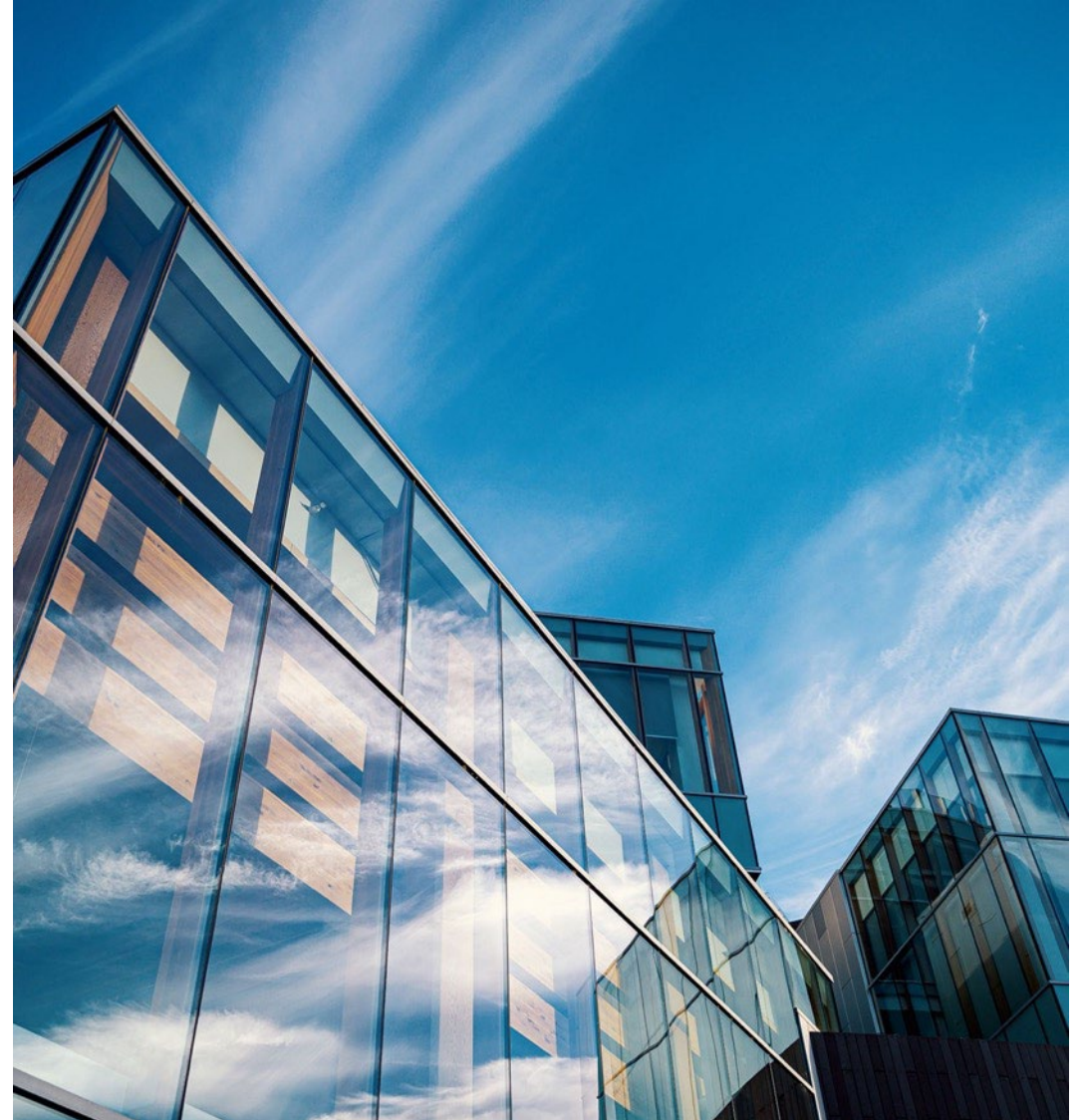
- Use of well-known **terminology and concepts**
- Proportionate:
 - the instruction to **use reasonable and supportable** information available without **undue cost or effort**
 - consideration of **skills, capabilities and resources**
- Help through:
 - **guidance** within the Standards and educational materials
 - **sources of guidance** to identify sustainability-related risks and opportunities, and metrics
 - other clarifications, such as permitting **qualitative** scenario analysis and qualitative information on financial effects
- Transitional **reliefs**



Reliefs for first year of application

- can limit disclosures to climate-related information
- later reporting allowed - annual information can be provided with half year reporting
- Scope 3 disclosure not required
- do not need to apply Greenhouse Gas Protocol if already using a different measurement approach
- do not need to provide comparative information*

**companies that limit disclosures to climate-related information in the first year do not need to provide comparative information about their sustainability-related risks and opportunities beyond climate in their second year.*



When to start to apply IFRS S1 and IFRS S2?

- **Effective** for annual reporting periods beginning on or after **1 January 2024**
- **Available for use before** that date to the extent a company applies both Standards at the same time
- If a company applies before 2024 it will **disclose that fact**

Considerations

- Responding to investor demand
- Built on well-established standards and frameworks
- Transition reliefs
- Use of information that is reasonable and supportable and is available without undue cost or effort
- Committed to capacity building and providing guidance
- 18,000+ companies will collect data required by IFRS S2 to disclose on the CDP platform in 2024





Next steps

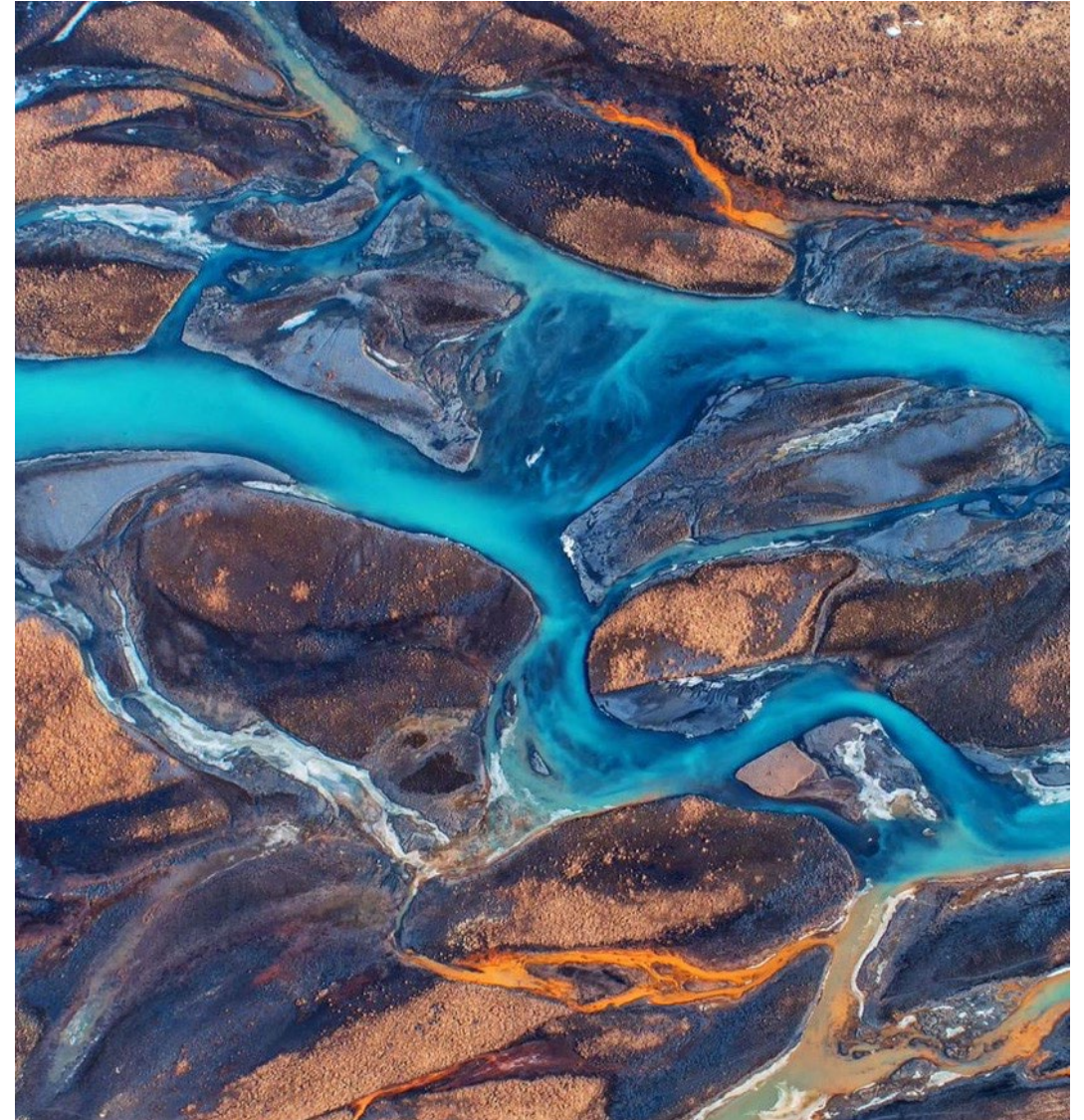
Implementation support and education

Capacity building initiative

- Development of general educational materials for all stakeholders (including investors)
- Development of specific educational materials for stakeholders in emerging and developing economies as well as smaller companies

Support implementation by companies

- Transition Implementation Group - a public forum for stakeholders to follow the discussion of questions raised on implementation by those applying the Standards



Transition Implementation Group - objective

- Will provide a public forum for any stakeholder to share implementation questions with the ISSB and to follow the discussion of those questions
- Consistent with previous IASB (and FASB) groups, will not issue any authoritative guidance, but the IFRS Foundation will publish summaries and recordings from the meetings on its website
- Discussions will help the ISSB determine what, if any, action will be needed to address the implementation questions (eg providing webinars, case studies and other educational material)

Any stakeholder can submit a potential implementation question, if the question:

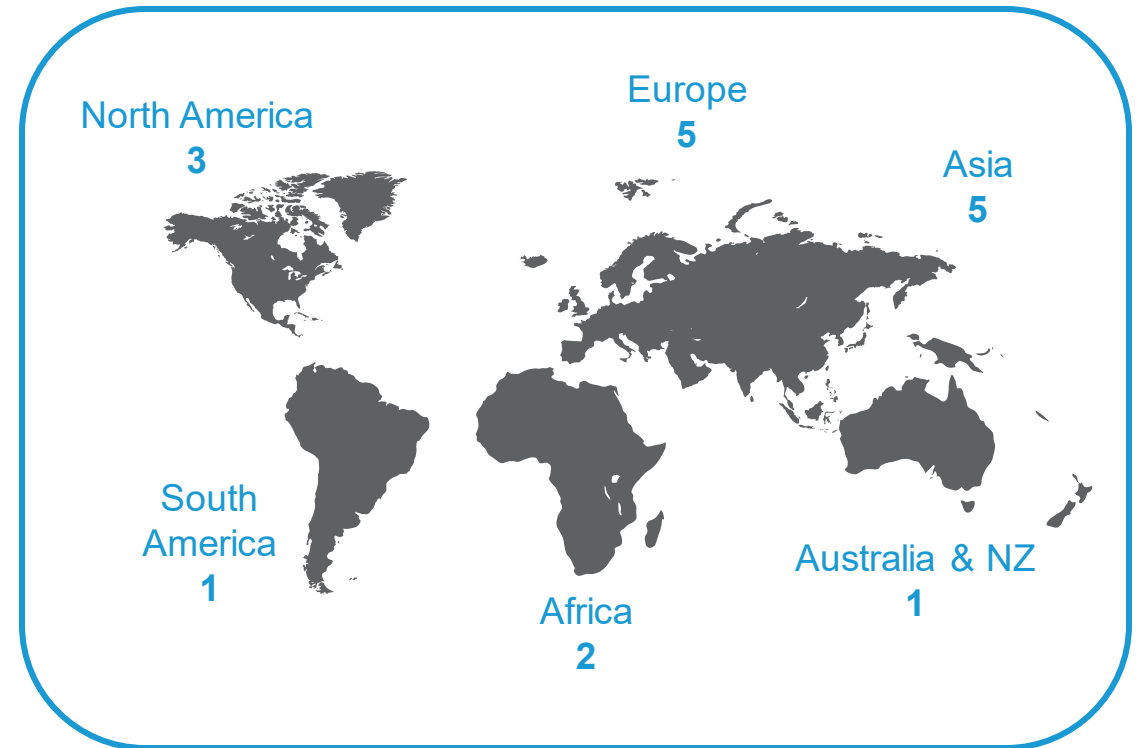
- is related to the implementation of IFRS S1 or IFRS S2
- indicates that IFRS S1 or IFRS S2 can be applied in different ways resulting in diversity in practice
- is expected to be pervasive

A submission log, including a summary of the questions received and their status, will be provided periodically

[Submission guidelines](#) are available on the IFRS Foundation website

Transition Implementation Group - composition

- 17 members, of which 13 preparers and 4 assurance providers
- 3 official observers
- Representation from: Australia, Belgium, Brazil, Canada, China, Germany, Finland, Hong Kong SAR, Japan, Malaysia, Nigeria, South Africa, South Korea, UK and US
- Meetings will be chaired by the ISSB Vice-Chair – a total of 5 ISSB members will officially participate in the meetings
- Current plan is to hold the first meeting in Frankfurt in November 2023



Looking ahead

Commitment to:

- connections with financial statements
- interoperability with jurisdictional and voluntary initiatives

Supporting implementation of IFRS S1 and IFRS S2

- digital taxonomy
- awareness raising and capacity building
- regulatory adoption and voluntary application

Work to:

- enhance and maintain the SASB Standards
- develop educational materials for nature and social aspects of climate-related risks and opportunities

Future priorities:

- Analysing feedback to ISSB agenda consultation



Agenda consultation

Public consultation on four projects to further understand standard-setting priorities:

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- integration in reporting

Comment period ended on 1 September with over 400 submissions provided.



Visit [ifrs.org](https://www.ifrs.org) to find out more

- [Access](#) the Standards and supporting materials
- Listen to the monthly [podcast](#)
- Respond to live [consultations](#)
- [Sign up](#) for news alerts
- Discover [services](#) that can support you
- [Observe](#) ISSB meetings
- [Join](#) the team