Sustainability Standards Advisory Forum meeting

Date	**October 2023**
Project	**IFRS Sustainability Disclosure Taxonomy**
Topic	**Proposed IFRS Sustainability Disclosure Taxonomy**
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IFRS Sustainability

Purpose of this session

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- Provide background information about the Proposed IFRS Sustainability Disclosure Taxonomy (Proposed ISSB Taxonomy)
- Provide outline of preliminary analysis of stakeholders' feedback on the proposals

Questions for SSAF members

1. Do you have any comments or questions on the Proposed ISSB Taxonomy?
2. Do you have any comments or questions on the preliminary analysis of stakeholders' feedback on the proposals?

Background information

IFRS Sustainability

Why digital reporting is important

ISSB Standards will help entities provide sustainability information that meet investors' needs

Investors need a more efficient way to consume an increasing amount of information

By digitalising financial reports, information in those reports becomes machine-readable

- Facilitating the use of digital means to extract, compare and analyse information

Digital reporting can improve capital market efficiency and transparency

Benefits for investors	Reduces search costs (eg reduced language barriers)	Increases information processing efficiency	Increases availability and accessibility of data
Benefits for companies	Increases access to capital (eg increases analyst's coverage)	Can reduce firm's cost of capital	Reduces need to submit disclosures to multiple organisations
Benefits for others	Assists regulators in oversight activities	Facilitates the real-time use of information fostering innovation	Assists others (eg NGOs, academics) in accessing and extracting information

Digital reporting of sustainability-related financial disclosures

The Proposed ISSB Taxonomy reflects the disclosure requirements in IFRS S1 and IFRS S2 in the form of taxonomy elements with properties including references to related sections of the ISSB Standards or documentation labels that describe the meaning of each element.

The Proposed ISSB Taxonomy is designed to facilitate:

investors

to consume sustainability-related financial information digitally

regulators

to require the digital reporting of sustainability-related financial information

preparers

to implement digital reporting of sustainability-related financial information, enabling tagging without undue cost.
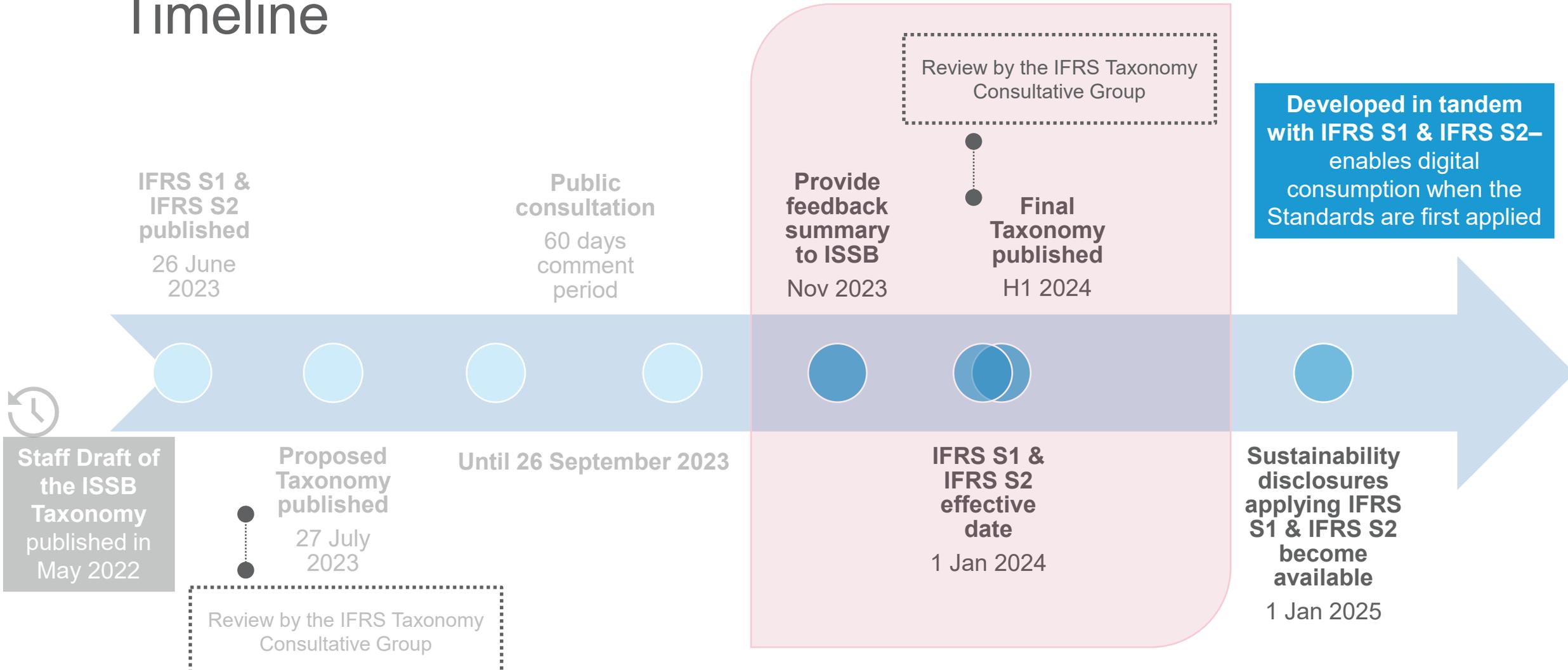
An introduction to ISSB Taxonomy

ISSB Taxonomy provides the common elements (or 'tags') needed to make sustainability disclosures machine-readable

- By using a common elements to tag disclosures, computers have the context to determine whether disclosures with different descriptions are comparable

PDF

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

ISSB Taxonomy 'Tag'

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

ISSB Taxonomy	Reflect the requirements of ISSB Standards and do not introduce new requirements	Are different to green taxonomies used to classify environmentally sustainable economic activities	Enable the identification of sustainability disclosures representing the global baseline	Can be used with eXtensible Business Reporting Language (XBRL®) and other digital formats

Timeline

IFRS S1 & IFRS S2 published

26 June 2023

Public consultation

60 days comment period

Review by the IFRS Taxonomy Consultative Group

Provide feedback summary to ISSB

Nov 2023

Final Taxonomy published

H1 2024

Developed in tandem with IFRS S1 & IFRS S2– enables digital consumption when the Standards are first applied

Staff Draft of the ISSB Taxonomy published in May 2022

Proposed Taxonomy published

27 July 2023

Until 26 September 2023

IFRS S1 & IFRS S2 effective date

1 Jan 2024

Sustainability disclosures applying IFRS S1 & IFRS S2 become available

1 Jan 2025

Review by the IFRS Taxonomy Consultative Group

Facilitating digital reporting of sustainability-related financial disclosures globally

ISSB aims to deliver sustainability-related financial disclosures to meet needs of global capital markets

Interoperability with other jurisdictions

- The ISSB Taxonomy may support interoperability of ISSB Standards with jurisdictional requirements and other sustainability-related standards, for example by helping investors identify sustainability-related financial information that meets the requirements of the ISSB Standards within reports that also address other sustainability-related standards.

- Interoperability between standards is a pre-requisite for interoperability between digital taxonomies.

Implementation support

- Some elements in the Proposed Taxonomy include guidance labels to help preparers use those elements correctly.

- Further technical guidance being considered includes:
    - additional guidance labels
    - guidance to support preparers in the appropriate use of the ISSB Taxonomy (including topical guidance, such as examples on how to use specific elements)
    - guidance to assist regulators in adopting the ISSB Taxonomy to enable digital reporting in their jurisdictions

Preliminary feedback

Sources of feedback

Discussions with the **IFRS Taxonomy Consultative Group** in July 2023 and October 2023

Feedback received from **48 respondents*** on the Proposed Taxonomy – deadline on 26 September 2023

- Staff is still in the process of analysing stakeholders' feedback
- Once the analysis is completed, staff will prepare a summary of feedback that will be discussed in future ISSB meeting (expected in November 2023)

Targeted stakeholder outreach with digital taxonomy experts representing:
- 8 investors;
- 13 data providers;
- 12 capital market regulators; and
- 6 standard-setters (including accounting and sustainability standard-setters).

* Number of unique respondents providing feedback on the Proposed ISSB Taxonomy

Preliminary analysis of feedback – Key areas

- Proposals related to the granularity of tagging and extracting the narrative information, including suggestions related to the specific categorical elements proposed

1. Granularity and categoricals

1

- Proposals related to reflecting the relationship between IFRS S1 and IFRS S2, and tagging disclosures that address requirements in both of them

2. Modelling of relationship between S1 and S2

2

- How best to represent metrics and targets in order to maximise useful and comparable data

3. Metrics and targets

3

Preliminary feedback – Granularity and categoricals

- **Preliminary feedback on** the proposals related to **granularity of narrative disclosures**
  - From outreach, most stakeholders said that starting simple, with the aim to refine the Taxonomy when reporting practice emerges, will support the global applicability of the ISSB Taxonomy
  - Some investors and data providers are supportive of the proposed approach to granularity. They said whilst some narrative disclosures could be used for comparison (see below for feedback on categorical elements), those that are of explanatory nature are better analysed as larger blocks to obtain context
  - However some investors and data providers favoured a more granular approach to tagging narrative disclosures because they said it will help provide them with options to analyse narrative data in different ways
  - Many stakeholders emphasised that it is important for the ISSB to consider interoperability with other taxonomies in determining whether a more granular approach would be useful

- **Broad support for categorical type elements** and related textual element
  - From outreach, we heard that investors and data providers convert narrative information into data type that is similar to the proposed categorical elements. They said creating categorical elements in the ISSB Taxonomy will be useful
  - Most investors and data providers highlighted that related textual element is needed for additional context and detail

- Some regulators asked questions whether current technology can fully support proposals related to narrative disclosures (for example, some questioned the applicability of categorical elements in Inline XBRL)

Preliminary feedback – Modelling of relationship between IFRS S1 and IFRS S2

- **Broad support for** the proposal to use a **single set of elements** to reflect the corresponding requirements
  - Stakeholders emphasised the benefits of limiting the need for double tagging information that meets both corresponding requirements in IFRS S1 and IFRS S2

- **Broad support for** the use of the **dimensional model for entity-specific content.** But **mixed feedback on** the **lack of mechanism to identify information related to climate** separately from other information
  - Some investors and data providers said that providing climate information separately may help with comparability between entities
  - However some investors and data providers said that identifying specific risks and opportunities (for example, flooding risk) is more important than information about whether a particular risk or opportunity relates to climate, and identifying common practice would be helpful to support comparability of entity-specific content

Preliminary feedback – Metrics and targets

- Many stakeholders emphasised the **importance of information related to metrics and targets**

- Some stakeholders were **unclear how metrics and targets will be tagged**
    - Some stakeholders were unclear what metrics (other than those related to climate, specified by IFRS S2 and reflected in the Proposed Taxonomy) will be disclosed and how they will be tagged
    - A few stakeholders were unclear how to tag information related to entity-specific metrics and targets and how the relationship between both will be provided in a digital format

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