

June 2023

Feedback Statement

IFRS[®] Sustainability Disclosure Standards

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2 Climate-related Disclosures

Introduction

The International Sustainability Standards Board (ISSB) issued its first two Standards in June 2023: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. These Standards establish the requirements for a complete set of sustainability-related financial disclosures to meet the needs of capital markets. IFRS S1 and IFRS S2 were developed in response to the demand for more globally consistent, comparable and verifiable sustainability- and climate-related financial information. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024. A company can choose to report on only climate-related risks and opportunities in its first year of reporting.

The IFRS S1 and IFRS S2 Standards were developed from exposure drafts of the Standards (draft IFRS S1 and draft IFRS S2) that were published in March 2022. These exposure drafts built upon widely used sustainability-related frameworks and standards to meet the needs of users of general purpose financial reports (referred to as ‘investors’ throughout this document).

Following the publication of the exposure drafts, the ISSB sought feedback on the proposed requirements in draft IFRS S1 and draft IFRS S2 to inform its redeliberations. During the 120-day consultation period ending in July 2022, more than 400 individual and group outreach events were conducted. The ISSB received more than 1,400 comment letters and survey responses on draft IFRS S1 and draft IFRS S2.

The ISSB discussed this feedback in a series of public ISSB meetings. The technical staff developed and presented to the ISSB 36 papers to facilitate discussion of matters related to draft IFRS S1 and draft IFRS S2 at 10 meetings between July 2022 and April 2023. The feedback and deliberations formed the basis for revisions to IFRS S1 and IFRS S2.

This Feedback Statement summarises the proposals in draft IFRS S1 and draft IFRS S2, the feedback on the proposals and the ISSB’s response. Like all Standards issued by the IFRS Foundation, IFRS S1 and IFRS S2 have undergone rigorous and transparent due process designed to capture and integrate feedback from a wide range of stakeholders around the world. Stakeholder feedback is essential for developing Standards that establish a comprehensive global baseline of sustainability-related financial disclosures.

This Feedback Statement focuses on the central matters that have been the subject of feedback and discussion or deliberation by the ISSB. Not all requirements or decisions are set out in full detail.

About the ISSB

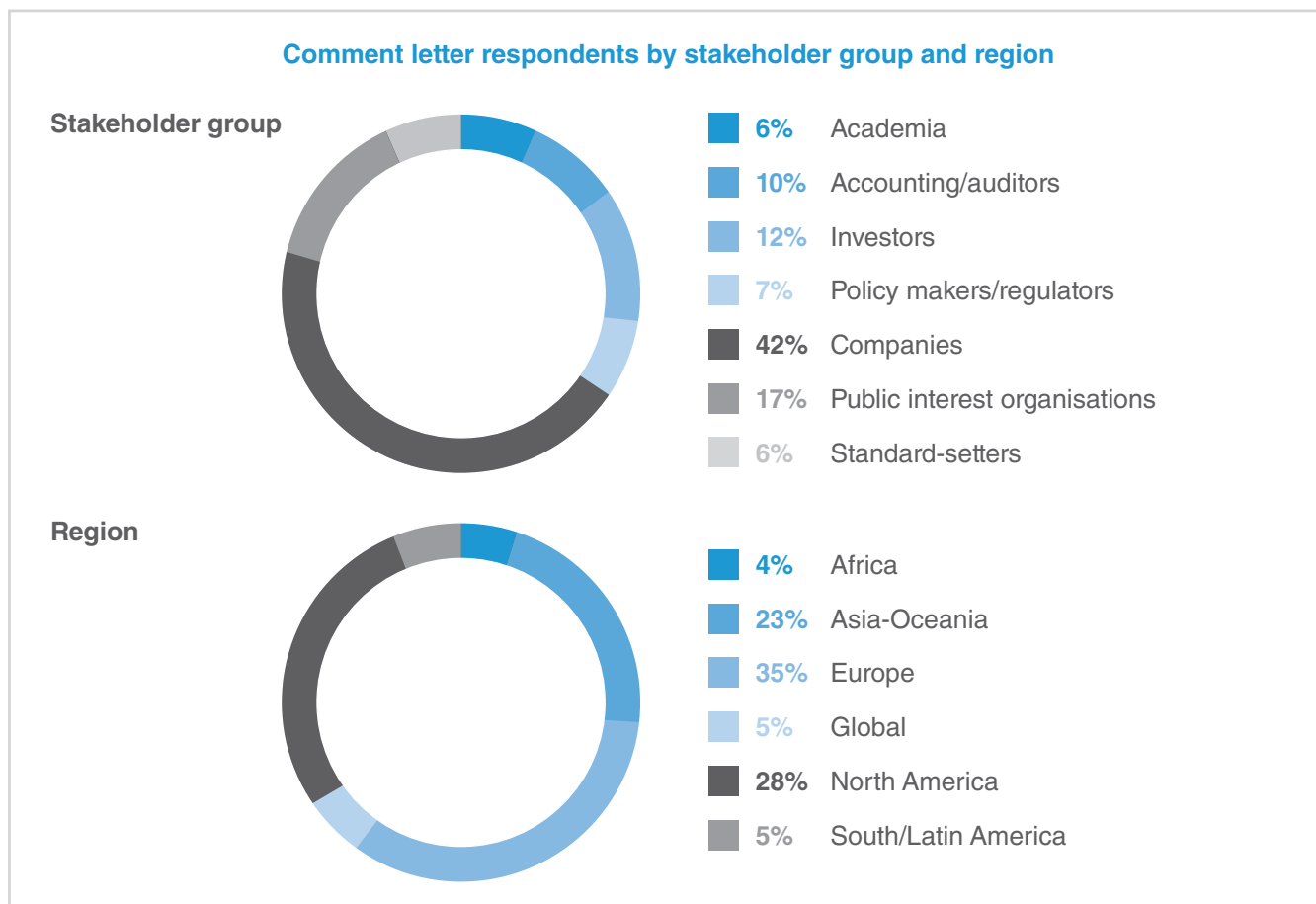
The Trustees of the IFRS Foundation announced the creation of the ISSB at the United Nations Climate Change Conference (COP26) in November 2021.

The ISSB’s remit is to issue standards that establish a comprehensive global baseline of sustainability-related financial disclosures for capital markets. The ISSB operates alongside the International Accounting Standards Board (IASB). Both boards are overseen by the Trustees.

The ISSB issues IFRS Sustainability Disclosure Standards (ISSB Standards).

Exposure and feedback

The ISSB published draft IFRS S1 and draft IFRS S2 for public comment to solicit feedback from stakeholders on the proposed requirements. Stakeholder responses came from all geographical regions, providing a global perspective.



Important themes emerged from the feedback, including:

- **a robust stakeholder response** in terms of the volume of responses and the diversity of respondents;
- **broad overall support** for the proposed objectives and the proposed requirements in draft IFRS S1 and draft IFRS S2, as well as support for the development of a comprehensive global baseline of sustainability-related financial disclosures for capital markets;
- **proportionality**, emphasising the need for some IFRS S1 and IFRS S2 requirements to account for the range of capabilities and preparedness of companies around the world;
- **interoperability**, emphasising the need for IFRS S1 and IFRS S2 requirements to be interoperable with jurisdictional initiatives, in particular those of the European Financial Reporting Advisory Group (EFRAG) and the US Securities and Exchange Commission (US SEC);
- **mixed views** on some aspects of the proposals in draft IFRS S1 and draft IFRS S2, including disclosing Scope 3 greenhouse gas (GHG) emissions, the use of scenario analysis and the industry-based requirements; and
- **the importance of connectivity** between the ISSB and the IASB in using shared definitions and concepts across IFRS Sustainability Disclosure Standards and IFRS Accounting Standards.

Contents

The following pages outline the major areas on which stakeholders provided feedback and how the ISSB responded.

1. GLOBAL BASELINE

- 1.1 Interoperability
- 1.2 Proportionality

2. IFRS S1

- 2.1 Fundamental concepts
- 2.2 Disclosure of opportunities
- 2.3 Timing of reporting
- 2.4 Disclosure of judgements, assumptions and estimates
- 2.5 Updated estimates and comparative information

3. IFRS S1 AND IFRS S2

- 3.1 Current and anticipated financial effects and connected information
- 3.2 Objective of metrics and targets requirements

4. IFRS S2

- 4.1 Strategy and decision-making and climate-related targets
- 4.2 Climate resilience
- 4.3 Greenhouse gas (GHG) emissions
- 4.4 Financed and facilitated emissions
- 4.5 Industry-based materials

5. EFFECTIVE DATE

- 5.1 Effective date
- 5.2 Temporary reliefs

1–Global baseline

Exposure draft proposals	Feedback	The ISSB's response
<p>1.1—Interoperability</p> <p>The objective of the ISSB is to develop disclosure standards to establish a comprehensive global baseline of sustainability-related financial disclosures to meet the needs of capital markets.</p> <p>Concurrent with the development of draft IFRS S1 and draft IFRS S2, other organisations in some jurisdictions were developing sustainability disclosure standards. These organisations include EFRAG and the US SEC. Throughout the development of draft IFRS S1 and draft IFRS S2, the ISSB engaged with jurisdictions and standard-setters globally in an effort to ensure interoperability and, therefore, enable efficient and cost-effective disclosures.</p>	<p>Stakeholders strongly supported the development of the ISSB Standards to provide a comprehensive global baseline of sustainability-related financial disclosures for capital markets.</p> <p>Overall, stakeholders stressed the importance of interoperability among disclosure requirements (in particular among those of the ISSB, EFRAG and the US SEC) to minimise reporting burdens, costs and complexity.</p>	<p>The ISSB confirmed the focus of the global baseline—that is, that the information required by IFRS S1 and IFRS S2 is:</p> <ul style="list-style-type: none"> (a) designed to meet the needs of capital markets. (b) subject to an assessment of materiality. (c) allowed to be presented with additional information (such as that which is required to be disclosed by regulation) but must not be obscured by this additional information. This emphasises the objective of establishing a global baseline that is interoperable with other jurisdictional requirements while remaining focused on meeting the needs of capital markets. <p>The ISSB carefully weighed and incorporated interoperability considerations throughout its decision-making on IFRS S1 and IFRS S2 to achieve greater interoperability between the Standards and jurisdictional requirements.</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>1.2—Proportionality</p> <p>The ISSB recognised that a subset of companies, because of their skills, capabilities and resources, might be less able to provide information for some requirements.</p> <p>To lessen the challenges that this subset of companies might face, draft IFRS S1 and draft IFRS S2 proposed mechanisms to enhance the 'proportionality' of some of the requirements. These proportionality mechanisms included:</p> <ul style="list-style-type: none"> (a) requiring a company that was 'unable' to provide a disclosure to provide an alternative, simpler disclosure instead; (b) requiring a company that was 'unable' to provide a disclosure to explain why it was unable to do so; and (c) providing a company with a temporary relief in the first annual reporting period from the requirement to disclose comparative information. 	<p>Stakeholders said that some of the proposed requirements in draft IFRS S1 and draft IFRS S2 could be challenging from a proportionality perspective, particularly those requirements that involved a high level of measurement uncertainty. Stakeholders noted that a company with resource constraints might not be able to carry out a search for information that would be as comprehensive as other companies without incurring undue cost or effort.</p> <p>Stakeholders commented that, given the amount of resources and preparedness needed to apply some of the proposed requirements, many companies might need more support from the ISSB, including guidance and examples.</p>	<p>To address the identified challenges, the ISSB introduced and confirmed specific proportionality mechanisms. These mechanisms include:</p> <ul style="list-style-type: none"> (a) the consideration of a company's skills, capabilities and resources. (b) the use of all reasonable and supportable information that is available to the company at the reporting date without undue cost or effort in some situations. (This concept is used in some IFRS Accounting Standards and is a familiar concept to many investors, regulators and auditors.) <p>The ISSB also introduced and confirmed clarifications to help facilitate application more broadly, including:</p> <ul style="list-style-type: none"> (a) providing additional guidance within the Standards and committing to providing educational material; (b) clarifying when a company would be 'unable' to provide quantitative information or 'unable' to apply more sophisticated approaches to scenario analysis; and (c) using existing definitions and concepts, specifically those in IFRS Accounting Standards and sustainability-related frameworks and standards. <p>The ISSB also announced its intention to further facilitate interoperability and enable capacity building. Furthermore, the ISSB introduced and confirmed temporary reliefs in the first annual reporting period in which a company applies the IFRS S1 and IFRS S2 requirements.</p>

2-IFRS S1

Exposure draft proposals	Feedback	The ISSB's response
<p>2.1—Fundamental concepts</p> <p>Draft IFRS S1 introduced several ‘fundamental concepts’ to underpin the application of IFRS S1 and IFRS S2. These fundamental concepts include:</p> <ul style="list-style-type: none"> (a) the definition and application of ‘materiality’ in the context of sustainability-related financial disclosures; (b) ‘enterprise value’; (c) the definition of ‘significant’ in the context of sustainability-related risks and opportunities; (d) ‘value chain’; and (e) the use of other sources of guidance (in addition to IFRS S1 and IFRS S2) to identify sustainability-related risks and opportunities and related disclosures. 	<p>On ‘materiality’, stakeholders agreed with the proposals but held mixed views on whether the definition of materiality was clear in the context of sustainability-related financial disclosures.</p> <p>On ‘enterprise value’, stakeholders sought more clarity on the definition and suitability of the term. They noted that the concept might be too narrow in scope, and that its possible interpretations could lead to preparers excluding information that is decision-useful for investors.</p> <p>On ‘significant’, stakeholders commented that its definition was unclear in relation to sustainability-related risks and opportunities and the concept of ‘materiality’.</p> <p>On ‘value chain’, stakeholders noted that the scope of a company’s reporting could be broad and complex. Reporting challenges could arise regarding a company's value chain, its subsidiaries, or the associates and joint ventures that a company does not control.</p> <p>On sources of guidance, stakeholders raised concerns about the undefined nature of the proposed requirements. Without further specifics, they warned that requiring a company to consider an open-ended range of materials could be burdensome, provide assurance challenges and result in disclosures that were not comparable.</p>	<p>On materiality, the ISSB confirmed that IFRS S1 uses a definition of materiality that is aligned with that used in IFRS Accounting Standards. The ISSB committed to providing guidance to help a company identify material information to disclose.</p> <p>On ‘enterprise value’, the ISSB removed the definition of ‘enterprise value’ and the words ‘to assess enterprise value’ from the objective and description of materiality.</p> <p>On ‘significant’, the ISSB decided not to use the term to describe the sustainability-related risks and opportunities that a company would be required to provide information about. This decision was not intended to change the scope of the requirements but rather to improve clarity. The ISSB agreed to include additional guidance to help a company identify its sustainability-related risks and opportunities.</p> <p>On ‘value chain’, the ISSB confirmed the definitions of ‘value chain’ and ‘reporting entity’ as proposed.</p> <p>On sources of guidance, the ISSB revised the proposed requirements so that in addition to the ISSB Standards, a company would be required to consider the Sustainability Accounting Standards Board (SASB) Standards and permitted to consider the other materials listed in IFRS S1. The ISSB also decided to expand this list of materials to include the European Sustainability Reporting Standards and Global Reporting Initiative Standards. The use of these other materials is permitted in specific circumstances, such as in the absence of a specific ISSB Standard, and to the extent that applying the materials results in information that is relevant to meeting the needs of investors.</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>2.2—Disclosure of opportunities</p> <p>Draft IFRS S1 proposed requiring a company to provide information about its sustainability-related opportunities.</p>	<p>Stakeholders raised concerns about potentially having to disclose confidential or commercially sensitive information when providing information about sustainability-related opportunities. They noted that such disclosures could impede competitive advantage by revealing strategy or providing insights to competitors. Some stakeholders suggested that the proposed requirements should be revised to allow preparers to omit information that is considered confidential or sensitive.</p>	<p>In response to stakeholder concerns, the ISSB introduced an exemption that would permit a company to omit commercially sensitive information about a sustainability-related opportunity from its sustainability-related financial disclosures under specific conditions. A company doing so would be required to disclose that it applied this exemption. A company would not be permitted to use commercial sensitivity as a broad justification for non-disclosure nor to omit information about sustainability-related risks.</p>
<p>2.3—Timing of reporting</p> <p>To promote timely disclosure that is connected to a company's financial statements, draft IFRS S1 proposed requiring a company to report its sustainability-related financial disclosures at the same time as its related financial statements.</p>	<p>Stakeholders agreed with this proposal. They commented that a company applying the proposed requirements would be likely to provide investors with a complete picture of its performance, which would enable investors to make more informed decisions.</p> <p>However, stakeholders also identified concerns about the practical application of the proposed requirements including increased reporting burden, costs and time needed to collect and aggregate sustainability-related data. These challenges would particularly affect some companies in the early years of application while these companies develop processes and systems.</p>	<p>The ISSB agreed on the importance of sustainability-related financial information being provided with financial statements because of connections between the information and its decision-usefulness for investors. Therefore, the ISSB confirmed the requirement for a company to report its sustainability-related financial disclosures at the same time as its related financial statements. To address stakeholder concerns, the ISSB introduced a temporary relief from this requirement for the first annual reporting period in which a company applies the IFRS S1 requirements.</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>2.4—Disclosure of judgements, assumptions and estimates</p> <p>Draft IFRS S1 proposed several requirements involving the use and disclosure of a company's assumptions and estimates, including:</p> <ul style="list-style-type: none"> (a) assumptions regarding data and sustainability-related risks and opportunities that are consistent with a company's financial statements; (b) assumptions regarding potential future events and outcomes; and (c) disclosures about estimation uncertainty in any sustainability-related metrics. <p>Draft IFRS S1 did not require a company to disclose the judgements it made in preparing and presenting its sustainability-related financial disclosures.</p> <p>Draft IFRS S1 also proposed that when sustainability-related financial disclosures included data and assumptions, that they be consistent with the corresponding data and assumptions used in a company's financial statements to the extent possible.</p>	<p>Stakeholders asked the ISSB to introduce a requirement for a company to disclose the judgements it made in preparing its sustainability-related financial disclosures. They said that it is important for investors to understand the judgements that informed a company's disclosures, as well as the judgements the company made using sources of guidance.</p> <p>Stakeholders agreed with the proposal that data and assumptions within sustainability-related financial disclosures should be consistent with corresponding data and assumptions used in a company's financial statements to the extent possible. However, some stakeholders asked for greater clarity on the meaning of 'to the extent possible'.</p>	<p>The ISSB revised the proposed requirements so that a company would be required to disclose the judgements it made and the sources of guidance it applied in preparing sustainability-related financial disclosures. The ISSB clarified that the requirements on uncertainty apply to amounts reported in the sustainability-related financial disclosures, including the disclosure of current and anticipated financial effects.</p> <p>The ISSB decided to require a company to disclose information about significant differences between the data and assumptions it used to prepare its sustainability-related financial disclosures and the data and assumptions it used to prepare its financial statements. The ISSB clarified that the words 'to the extent possible' mean to the extent possible considering the requirements of IFRS Accounting Standards or other applicable generally accepted accounting principles or practices.</p>
<p>2.5—Updated estimates and comparative information</p> <p>Draft IFRS S1 proposed requiring a company to disclose comparative information that reflects updated estimates when preparing sustainability-related financial disclosures unless it is impracticable to do so.</p>	<p>Stakeholders generally agreed that the proposed requirement would help investors to understand a company's performance, including its progress towards the targets it has set. However, some stakeholders said that the cost of revising comparative information to reflect updated estimates might outweigh the benefits.</p>	<p>The ISSB revised the proposed requirement to provide updated estimates so that a company would not need to disclose a revised comparative amount for a metric if the metric is forward-looking.</p>

3–IFRS S1 and IFRS S2

Exposure draft proposals	Feedback	The ISSB's response
<p>3.1—Current and anticipated financial effects and connected information</p> <p>Draft IFRS S1 and draft IFRS S2 proposed requirements for a company to disclose the effects of sustainability- and climate-related risks and opportunities, including:</p> <ul style="list-style-type: none"> (a) current financial effects—the effects on a company's financial position, financial performance and cash flows; and (b) anticipated financial effects—the anticipated effects on a company over the short, medium and long term, including how risks and opportunities are included in a company's financial planning. <p>The proposals would require a company to provide quantitative information unless it is unable to do so, in which case it would be required to provide qualitative information.</p> <p>In addition, other proposals in draft IFRS S1 and draft IFRS S2 would require a company to provide information that enables investors to assess the connections between various sustainability-related risks and opportunities, and to assess how that information is linked to the company's financial statements ('connected information').</p>	<p>On current and anticipated financial effects, most stakeholders agreed with the proposals. Some stakeholders commented that companies could find it difficult to disclose information about anticipated financial effects because of their skills, capabilities and resources for applying the requirement.</p> <p>On quantitative and qualitative disclosures, feedback suggested the lack of a clear and shared understanding of the type of quantitative or qualitative information a company would be required to provide. Stakeholders, particularly investors, noted that a combination of quantitative and qualitative information is often most useful. They requested clear criteria to determine when quantitative information would be required and when a company would disclose qualitative information (including what 'unable to do so' means).</p> <p>On connected information, some stakeholders requested greater clarity on the distinctions and relationship between the requirements on connected information and the requirements on current and anticipated financial effects.</p>	<p>On current and anticipated financial effects, the ISSB confirmed that a company is required to disclose both current and anticipated financial effects of sustainability- and climate-related risks and opportunities. In preparing disclosures on anticipated financial effects, a company is required to use all reasonable and supportable information that is available to the company at the reporting date without undue cost or effort and to use an approach that is commensurate with its skills, capabilities and resources.</p> <p>On quantitative and qualitative disclosures, the ISSB clarified that a company is required to provide both quantitative and qualitative information about current and anticipated financial effects. The ISSB also established criteria for when a company need not provide quantitative information about the financial effects of a sustainability-related risk or opportunity. For example, quantitative information on anticipated financial effects is not required if a company lacks the skills, capabilities or resources to do so. If a company is unable to provide quantitative information, it would be required to provide qualitative information and other information, including an explanation for why it was unable to provide quantitative information.</p> <p>On connected information, the ISSB clarified that if a company's financial statements have been, or are expected to be, affected by sustainability-related risks and opportunities, the company would be required to explain the connections between those risks and opportunities and their current and anticipated financial effects.</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>3.2—Objective of metrics and targets requirements</p> <p>Draft IFRS S1 and draft IFRS S2 proposed that the objective of the metrics and targets requirements is to enable investors to understand how a company measures, monitors and manages its significant sustainability- and climate-related risks and opportunities. These proposed requirements were intended to enable investors to understand how a company assesses its performance, including progress towards the targets it has set.</p>	<p>Stakeholders commented that preparers and investors might interpret the objective as being restricted to only the metrics and targets a company uses. This misinterpretation could unintentionally limit a company's disclosures to the metrics and targets it uses, and exclude metrics required by IFRS S1 and IFRS S2 that are not used by the company, even if that information is material.</p>	<p>The ISSB clarified that the objective of the metrics and targets requirements is to require a company to disclose information about both:</p> <ul style="list-style-type: none"> (a) the metrics a company uses to measure and monitor its sustainability- and climate-related risks and opportunities and its performance in relation to those risks and opportunities, even if those metrics are not required by IFRS S1 and IFRS S2; and (b) the metrics required by IFRS S1 and IFRS S2 that are determined to be material, even if a company does not use those metrics.

4-IFRS S2

Exposure draft proposals	Feedback	The ISSB's response
<p>4.1—Strategy and decision-making and climate-related targets</p> <p>Draft IFRS S2 proposed requirements related to a company's strategy and decision-making (including transition planning) and its climate-related targets. This included proposals for a company to disclose:</p> <ul style="list-style-type: none"> (a) information to enable investors to understand the effects of significant climate-related risks and opportunities on the company's strategy and decision-making, including its transition plans; and (b) its climate-related targets to enable investors to understand how the company assesses its performance, including its progress towards any climate-related targets it has set and any it is required to meet by law or regulation. 	<p>On strategy and decision-making (including transition planning), stakeholders generally agreed with the proposals, but some noted that the proposed requirements for strategy and decision-making overlapped with the proposed requirements for climate-related targets. They also said that the proposed requirements for transition plans lacked sufficient detail and clarity and that additional requirements were needed.</p> <p>On climate-related targets, stakeholders generally agreed with the proposal that a company would be required to disclose its climate-related targets. They noted that the proposal for a company to disclose how its targets compare with those created in relation to 'the latest international agreement on climate change' was unclear. Stakeholders also suggested that a company should be required to disclose additional information about the targets it has set (or is required to set).</p>	<p>On strategy and decision-making (including transition planning), the ISSB confirmed the proposed requirements and clarified that these proposed requirements are distinct from, but related to, the proposed requirements for climate-related targets. The ISSB also decided to require a company to disclose the assumptions it makes and the dependencies it identifies in developing its transition plans.</p> <p>On climate-related targets, the ISSB confirmed the proposed requirements. The ISSB also more clearly distinguished between the requirements that would apply to all climate-related targets and those that would apply to GHG emissions targets in particular. The ISSB decided to revise the proposed requirements so that a company is required to disclose how any climate-related targets it has set have been informed by the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement. The ISSB also confirmed that a company would be required to disclose any climate-related targets it has set and any it is required to meet by law or regulation. Furthermore, the ISSB decided to require a company to disclose additional information about its climate-related targets, including additional information about its GHG emissions targets (both net and gross emissions targets).</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>4.2—Climate resilience</p> <p>Draft IFRS S2 proposed requirements for a company to disclose information to enable investors to understand the resilience of the company's strategy (including its business model) to climate-related changes, developments or uncertainties. A company would be required to disclose information about:</p> <ul style="list-style-type: none"> (a) the results of a climate resilience assessment (and the areas of uncertainty) to enable investors to understand the adaptive capacity of, and strategic implications for, a company; and (b) the method used to conduct the climate resilience assessment, including whether a company used climate-related scenario analysis or, if unable to do so, an alternative method. 	<p>Stakeholders agreed that the proposed requirements would provide investors with the information they need to understand the climate resilience of a company's strategy and business model.</p> <p>Stakeholders had mixed views about the method of conducting the assessment. Some stakeholders said that requiring climate-related scenario analysis would be feasible and useful for many companies, whereas others said that some companies (because of their skills, capabilities and resources) would face an undue burden in conducting climate-related scenario analysis. The feedback showed inconsistencies in stakeholders' understanding of climate-related scenario analysis. Some stakeholders requested additional guidance and clarity on the use of scenario analysis.</p>	<p>The ISSB confirmed the requirements for a company to disclose the results of, and information about the method used to conduct, its climate resilience assessment.</p> <p>On the method of conducting the assessment, the ISSB decided that all companies must support their resilience disclosures with climate-related scenario analysis. The ISSB further clarified that the method of climate-related scenario analysis might range from solely qualitative scenario narratives to sophisticated quantitative modelling. A company would be required to use a method of scenario analysis commensurate with its skills, capabilities and resources, and the degree to which the company is exposed to climate-related risks and opportunities.</p> <p>The ISSB committed to developing guidance to assist companies in applying the requirements, building on materials published by the Task Force on Climate-Related Financial Disclosures (TCFD) and putting companies on a path to develop their capabilities and strengthen their disclosures over time as needed. The ISSB also noted that TCFD guidance might be a useful resource for companies (namely, <i>Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities</i> (June 2017) and <i>Guidance on Scenario Analysis for Non-Financial Companies</i> (October 2020)).</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>4.3—Greenhouse gas (GHG) emissions</p> <p>Draft IFRS S2 included proposals that would require a company to disclose:</p> <ul style="list-style-type: none"> (a) its absolute gross GHG emissions, classified as Scope 1, Scope 2 and Scope 3, generated during the reporting period and measured in accordance with the <i>Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol Corporate Standard)</i>; and (b) the intensity of each scope of GHG emissions, expressed as metric tonnes of CO₂ equivalent per unit of physical or economic output. 	<p>Stakeholders agreed with the proposals for a company to disclose its absolute gross Scope 1, Scope 2 and Scope 3 GHG emissions measured in accordance with the <i>GHG Protocol Corporate Standard</i>. Some stakeholders noted that, because of convention or regulation, some companies already use alternative GHG emissions measurement methods such as ISO 14064. These stakeholders said it would be costly to require a company to change its measurement method and that the proposals could result in duplicate reporting for some companies because of their jurisdictional requirements.</p> <p>Stakeholders provided mixed feedback on the proposal to disclose GHG emissions intensity. They commented that a company selecting its own denominator with a lack of standardisation might impair the comparability and usefulness of the disclosure.</p>	<p>In response to feedback, the ISSB confirmed the proposed requirement for a company to disclose its absolute gross Scope 1, Scope 2 and Scope 3 GHG emissions and decided not to proceed with the proposed requirement on the disclosure of GHG emissions intensity.</p> <p>To address some of the challenges raised about the measurement methods for Scope 1, Scope 2 and in particular Scope 3 GHG emissions, the ISSB provided various reliefs. The ISSB provided a temporary relief from using the <i>GHG Protocol Corporate Standard</i> if a company has previously used another GHG measurement method, allowing the company to continue using that alternative method in the first annual reporting period in which it applies IFRS S2. In addition, to prevent duplication in reporting, the ISSB introduced a relief for companies that are required in their jurisdiction to use an alternative GHG measurement method to the <i>GHG Protocol Corporate Standard</i> to use that alternative method.</p> <p>A relief was also introduced for companies whose reporting period is different from the reporting periods of companies in their value chain.</p>

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Exposure draft proposals	Feedback	The ISSB's response
<p>Furthermore, draft IFRS S2 proposed that a company would be required to provide additional information associated with its Scope 1, Scope 2 and Scope 3 GHG emissions.</p> <p>On Scope 1 and Scope 2 GHG emissions, a company would also be required to provide separate emissions for the consolidated accounting group and other investees not included in the consolidated accounting group.</p> <p>On Scope 3 GHG emissions, a company would also be required to provide:</p> <ul style="list-style-type: none"> (a) the Scope 3 emissions categories included within its measure of Scope 3 GHG emissions; and (b) an explanation of the basis for measurement when a company's measure of Scope 3 GHG emissions includes information provided by a company in its value chain. 	<p>On Scope 1 and Scope 2 GHG emissions, stakeholders agreed with the proposals to disaggregate emissions for the consolidated accounting group and other investees. Stakeholders asked for clarification on whether a company would be expected to use a market-based or location-based approach to calculate Scope 2 GHG emissions.</p> <p>On Scope 3 GHG emissions, stakeholders agreed with the proposals but expressed a range of concerns about the availability of the data needed to measure Scope 3 GHG emissions, and, when data is available, its quality. Investors emphasised the importance of Scope 3 GHG emissions disclosures, arguing that a company is exposed to transition risks associated with its GHG emissions—and that this is not limited to the GHG emissions within the company's control. Limiting disclosures to a company's Scope 1 and Scope 2 GHG emissions would result in investors having an incomplete picture of a company's exposure to transition risks, particularly in industries associated with significant Scope 3 GHG emissions.</p>	<p>On Scope 1 and Scope 2 GHG emissions, the ISSB confirmed the proposed requirements and decided to provide illustrative examples to help preparers understand the requirement to disaggregate GHG emissions for the consolidated accounting group and other investees. The ISSB also revised the proposed Scope 2 GHG emissions requirement so that a company would be required to provide:</p> <ul style="list-style-type: none"> (a) information that reflects the average emissions intensity of the grid(s) on which a company's energy consumption occurred (location-based Scope 2 GHG emissions); and (b) information that would help investors understand any contractual instruments related to a company's Scope 2 GHG emissions (this may include market-based Scope 2 GHG emissions). <p>On Scope 3 GHG emissions, the ISSB confirmed the proposed requirements and introduced guidance and reliefs to address the data availability and data quality challenges raised by stakeholders. For the first annual reporting period in which a company applies the IFRS S2 requirements, the ISSB provided a temporary relief from the requirement to disclose Scope 3 GHG emissions. The ISSB also introduced a framework for measuring a company's Scope 3 GHG emissions that acknowledges the role of estimation in measuring Scope 3 GHG emissions. To support understanding, the ISSB introduced requirements for a company to disclose information that would enable investors to understand how the company measured its Scope 3 GHG emissions.</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>4.4—Financed and facilitated emissions</p> <p>Draft IFRS S2 included proposals that would require a company that participates in activities associated with the Financials sector to disclose information about its:</p> <ul style="list-style-type: none"> (a) 'financed emissions'—the absolute GHG emissions that banks and investors finance through their loans, commitments to lend and investments; and (b) 'facilitated emissions'—GHG emissions associated with activities performed by financial institutions when arranging finance, such as underwriting, securitisation and advisory services. <p>Draft IFRS S2 proposed requirements for activities associated with four industries in the Financials sector: Asset Management (financed emissions), Commercial Banks (financed emissions), Insurance (financed emissions) and Investment Banking & Brokerage (facilitated emissions) in the industry-based requirements of draft IFRS S2.</p>	<p>On financed emissions, stakeholders generally agreed with the proposed industry-based requirements. However, stakeholders had mixed views about aspects of the proposals.</p> <p>On facilitated emissions, some stakeholders expressed concerns about the proposed requirement for a company participating in Investment Banking & Brokerage activities to disclose facilitated emissions. There were mixed views on whether such disclosures would provide material information for investors. Furthermore, there was little consensus on whether an accepted calculation methodology has clearly emerged or whether one is even necessary or desirable.</p>	<p>On financed emissions, the ISSB confirmed the proposed requirements for companies participating in activities associated with three industries—Asset Management, Commercial Banks and Insurance—to disclose information about financed emissions as part of their Scope 3 GHG emissions disclosures. These requirements would be included in IFRS S2 as part of the required disclosures about Scope 3 GHG emissions.</p> <p>On facilitated emissions, the ISSB decided not to proceed with the proposed requirement for a company participating in Investment Banking & Brokerage activities to disclose its facilitated emissions. The ISSB made this decision in light of feedback on the lack of a widely accepted calculation methodology and the additional work needed to establish one.</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>4.5—Industry-based materials</p> <p>Draft IFRS S2 proposed industry-based requirements derived from the SASB Standards.</p>	<p>Stakeholders agreed with the inclusion of industry-based requirements, noting that sustainability-related risks and opportunities often vary by business model, economic activity or other common features that characterise participation in an industry. Some stakeholders commented that additional improvements are needed before the industry-based requirements can be applied in some jurisdictions, and that some companies might initially lack the capacity to provide such industry-based disclosures.</p>	<p>The ISSB confirmed the proposed requirement for a company to provide industry-based disclosures. The ISSB introduced the requirement for a company to 'refer to and consider the applicability of' the industry-based disclosure topics and industry-based metrics described in the <i>Industry-based guidance on implementing IFRS S2</i> in identifying risks and opportunities and preparing its industry-based disclosures. The ISSB also committed to making <i>Industry-based guidance on implementing IFRS S2</i> part of the ISSB's body of requirements (rather than being 'non-mandatory' guidance), subject to further consultation and consideration of the need to further enhance the industry-based materials.</p>

5–Effective date

Exposure draft proposals	Feedback	The ISSB's response
<p>5.1—Effective date</p> <p>Draft IFRS S1 and draft IFRS S2 did not propose specific dates on which the requirements would take effect, consistent with the approach taken by the IASB.</p> <p>The proposals would permit early application of IFRS S1 and IFRS S2—a company that applied the requirements early would be required to disclose that fact.</p>	<p>Stakeholders said that IFRS S1 and IFRS S2 should have the same effective date because a company could only apply the proposed requirements in draft IFRS S2 if it were also applying the proposed requirements in draft IFRS S1. Some investors asked for accelerated effective dates for IFRS S1 and IFRS S2 (no more than 12 months after being issued). They reasoned that the proposed requirements build on well-established standards and frameworks, and noted the pace of other similar proposals being developed in other jurisdictions.</p> <p>Stakeholders generally agreed with the proposal that early application be permitted.</p>	<p>The ISSB decided that both IFRS S1 and IFRS S2 will take effect for annual reporting periods beginning on or after 1 January 2024. This approach is consistent with the ISSB's current urgency in meeting investor needs for sustainability-related and climate-related financial disclosures, and is also aligned with the timetable in other jurisdictions that are moving at pace to establish jurisdictional reporting requirements. In addition, to enable companies to focus their initial efforts on providing climate-related information for investor needs, the ISSB decided to provide a temporary relief allowing a company to choose to report only on climate-related risks and opportunities in its first year of reporting.</p> <p>The ISSB confirmed that a company would be permitted to apply IFRS S1 and IFRS S2 early, but only if it discloses that fact and applies both IFRS S1 and IFRS S2 at the same time.</p>

Exposure draft proposals	Feedback	The ISSB's response
<p>5.2—Temporary reliefs</p> <p>Draft IFRS S1 and draft IFRS S2 proposed a temporary relief from the requirement to disclose comparative information in the first annual reporting period in which a company applies the IFRS S1 and IFRS S2 requirements. The ISSB recognised the challenges in initially applying the requirements because of data availability and preparer readiness.</p>	<p>In addition to the relief proposed, some stakeholders observed that it would be challenging for companies to begin reporting on the full range of sustainability-related risks and opportunities in accordance with draft IFRS S1. Companies would need more time to do so as compared to the time it would take to report on climate-related risks and opportunities in accordance with draft IFRS S2. Some stakeholders also commented that reporting on climate-related risks and opportunities is the highest priority at this time.</p> <p>Stakeholders agreed with the proposed temporary relief from the requirement to disclose comparative information in the first year of application. Stakeholders identified additional proposed requirements that might prove particularly challenging for some companies to apply initially. The possible challenges included difficulties in reporting sustainability-related financial disclosures at the same time as financial statements, and measuring Scope 3 GHG emissions given data availability and data quality.</p>	<p>To enable companies to focus their initial efforts on providing climate-related information for investor needs, the ISSB decided to provide a temporary relief allowing a company to elect to report on only climate-related risks and opportunities in accordance with IFRS S2 in the first year it applies IFRS S1 and IFRS S2. The company would have to report in full on its sustainability-related risks and opportunities from the second year. This relief would enable a company to familiarise itself with important concepts in the Standards and to understand its value chain in the context of climate first.</p> <p>The ISSB established other temporary reliefs in the first annual reporting period in which a company applies the IFRS S1 and IFRS S2 requirements. These include reliefs from the requirements to:</p> <ul style="list-style-type: none"> (a) disclose comparative information; (b) report sustainability-related financial disclosures at the same time as a company's financial statements; (c) apply the <i>GHG Protocol Corporate Standard</i> to measure GHG emissions under specific conditions; and (d) disclose Scope 3 GHG emissions, including the requirements for companies that have asset management, commercial banking or insurance activities to provide additional information about financed emissions.

Important information

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Other relevant documents

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*—specifies the requirements for the disclosure of sustainability-related financial information.

IFRS S2 *Climate-related Disclosures*—specifies the requirements for the disclosure of climate-related financial information.

Basis for Conclusions on IFRS S1—summarises the ISSB’s considerations in developing the requirements in IFRS S1.

Basis for Conclusions on IFRS S2—summarises the ISSB’s considerations in developing the requirements in IFRS S2.

Accompanying Guidance on IFRS S1—illustrates aspects of IFRS S1 but provides no interpretative guidance.

Accompanying Guidance on IFRS S2—illustrates aspects of IFRS S2 but provides no interpretative guidance.

Effects Analysis on IFRS S1 and IFRS S2—describes the likely benefits and costs of IFRS S1 and IFRS S2.

Project Summary of IFRS S1 and IFRS S2—provides an overview of the project to develop IFRS S1 and IFRS S2.

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