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# An update from the International Sustainability Standards Board

29-30.11.2022

To: World Bank Center for Financial Reporting Reform  
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Member, International Sustainability Standards Board,  
IFRS Foundation

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# Overview

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6. How to prepare

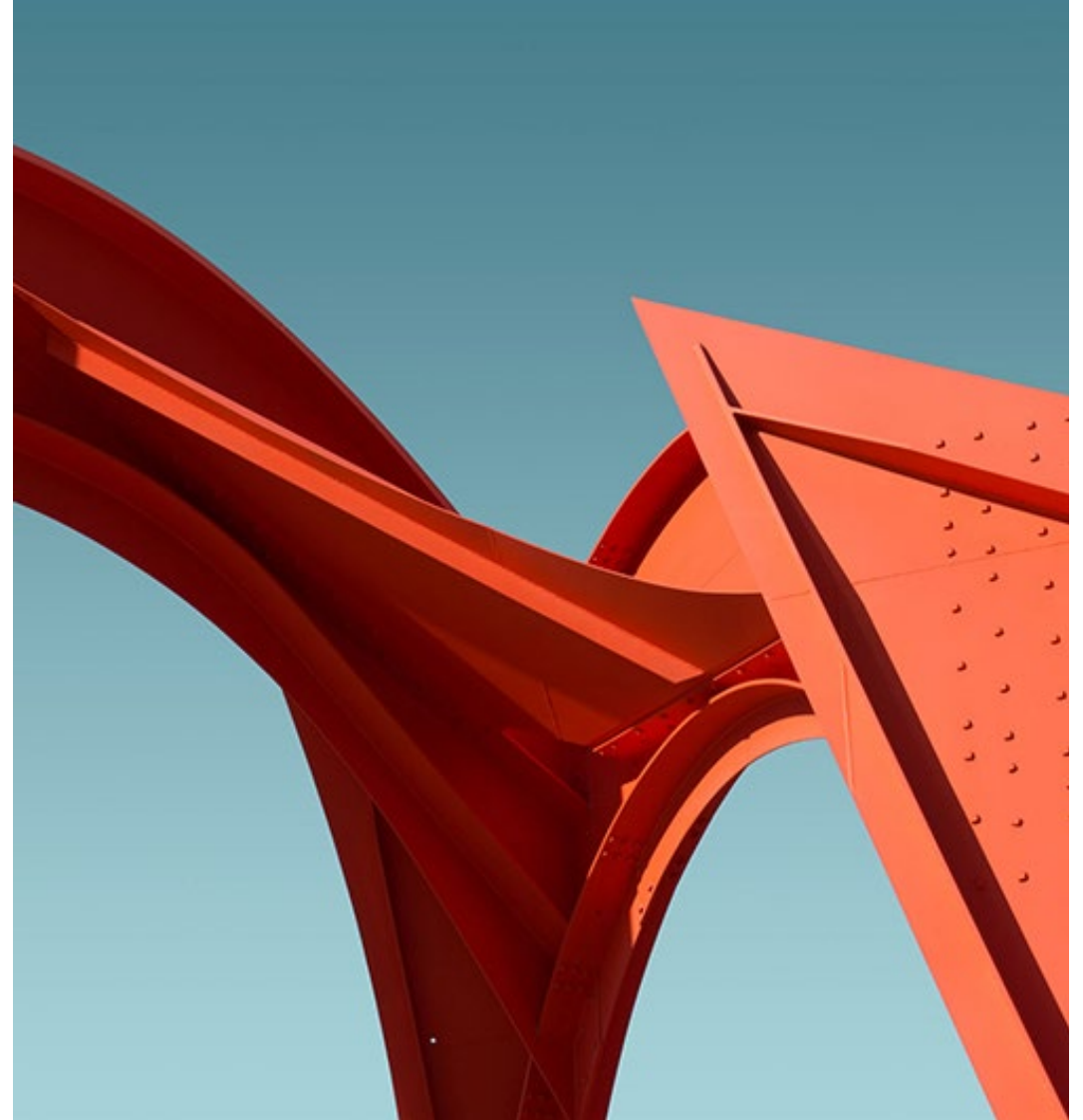
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## The IFRS Foundation develops and maintains Standards that are:

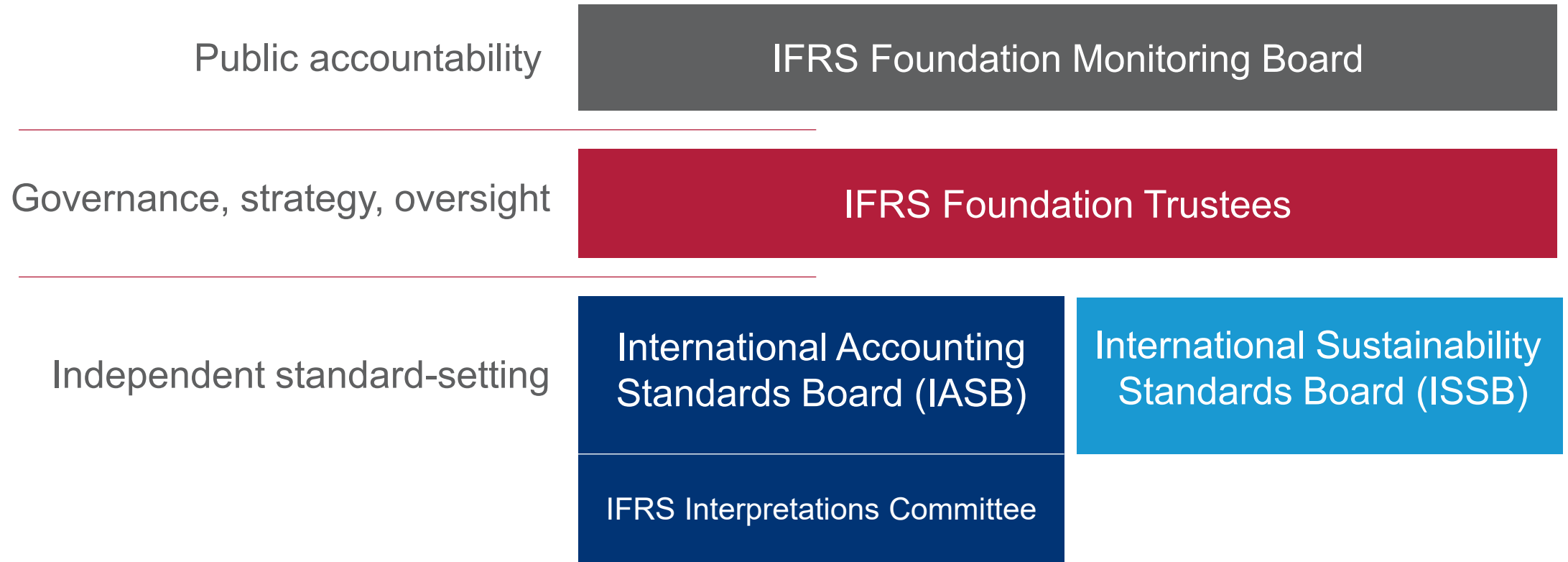
- High-quality
- Understandable
- Enforceable
- Globally acceptable

Our purpose is to empower people with the right information to support better economic and investment decision-making



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# Structure



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## ISSB objectives



Develop standards for global baseline of sustainability disclosures



Meet information needs of investors



Enable companies to provide comprehensive sustainability information to global capital markets



Facilitate addition of disclosures that are jurisdiction-specific / aimed at broader stakeholder groups

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## ISSB members



**Emmanuel Faber**  
**Chair**



**Jingdong Hua**  
**Vice-Chair**



**Sue Lloyd**  
**Vice-Chair**



**Richard  
Barker**



**Jenny  
Bofinger-Schuster**



**Verity  
Chegar**



**Jeffrey  
Hales**



**Michael  
Jantzi**



**Hiroshi  
Komori**



**Bing  
Leng**



**Ndidi  
Nnoli-Edozien**



**Tae-Young  
Paik**



**Veronika  
Pountcheva**



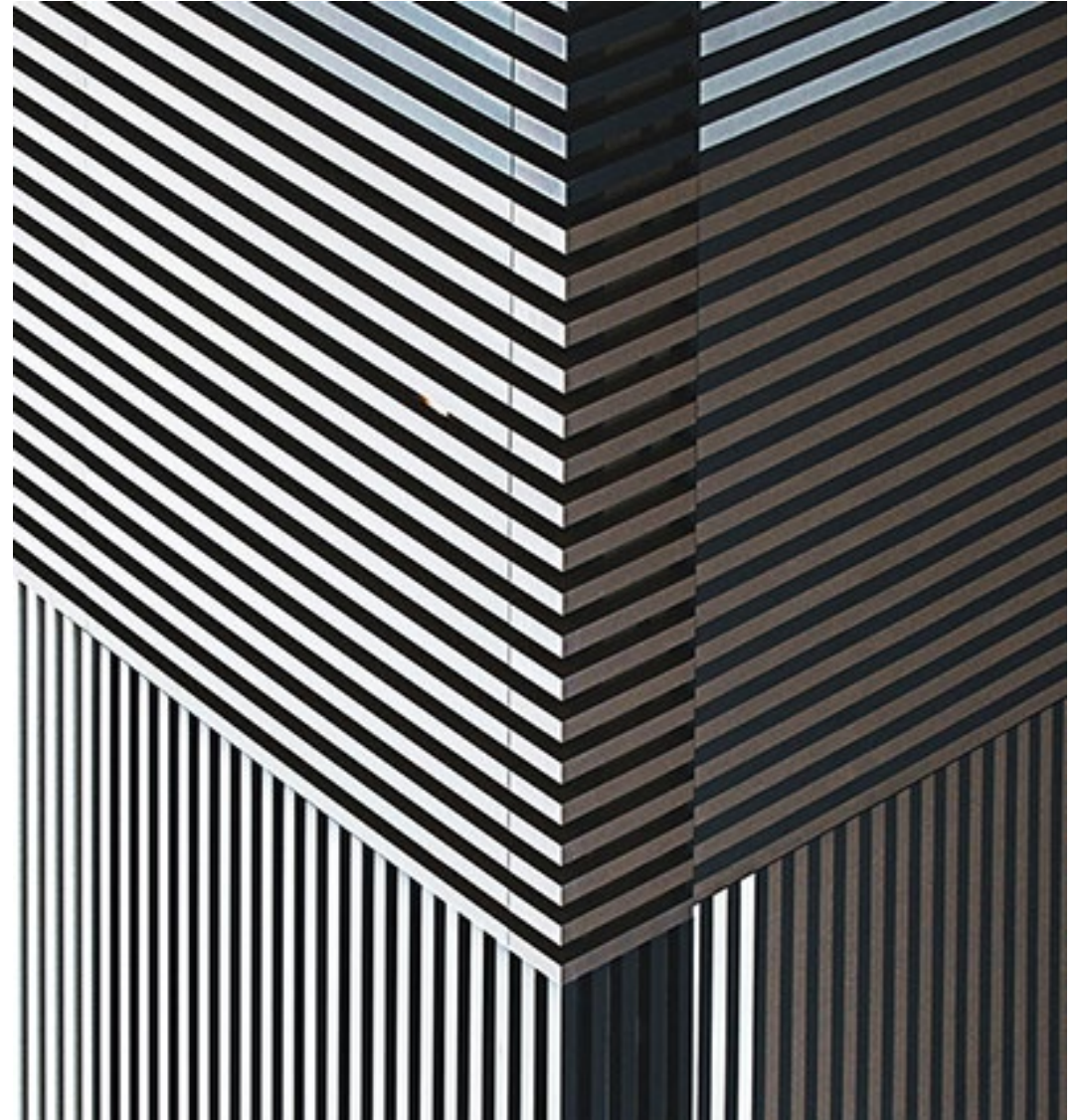
**Elizabeth  
Seeger**



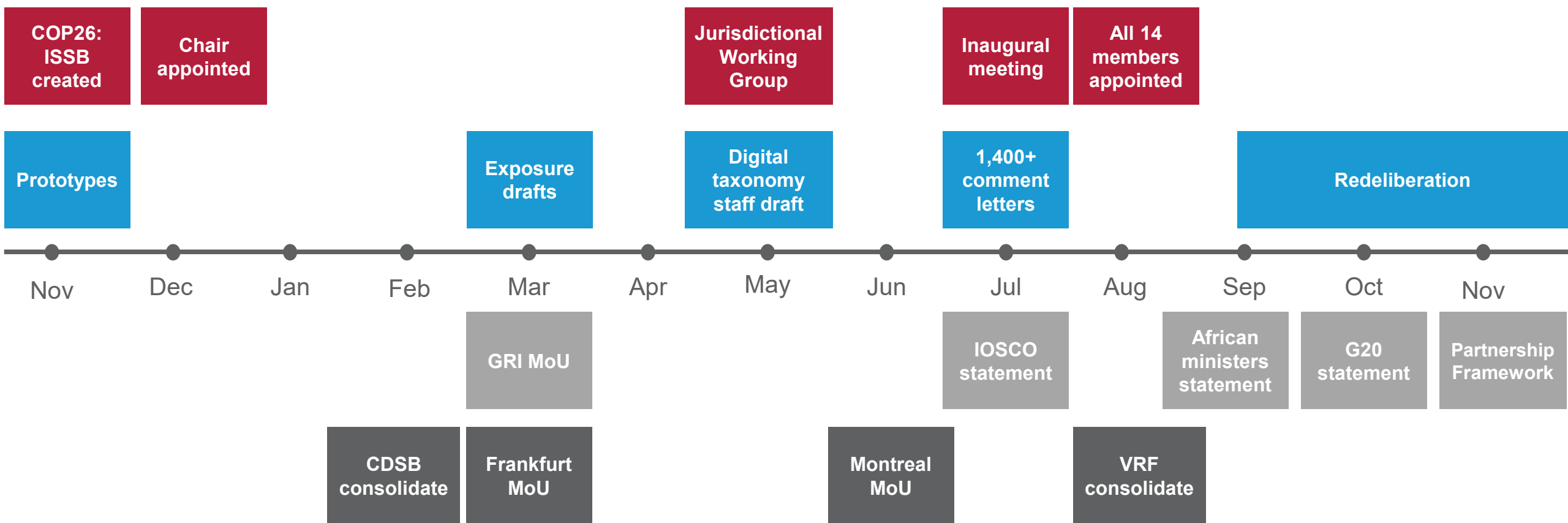
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## Current office locations

- Frankfurt
- Montreal
- London
- San Francisco
- Tokyo



# ISSB milestones





# ISSB at COP27: Towards implementation

1. Partnership Framework to **support capacity building** and implementation of IFRS Sustainability Disclosure Standards launched
2. International **cooperation** with jurisdictions
3. CDP to align platform to IFRS S2, **reducing market fragmentation** and supporting the global baseline



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## Informed by experts

### Strategic Advisory Groups

IFRS Advisory Council

Integrated Reporting and Connectivity Council

### ISSB Advisory Groups

Sustainability Standards Advisory Forum

Jurisdictional Working Group

Sustainability Consultative Committee

Investor Advisory Group

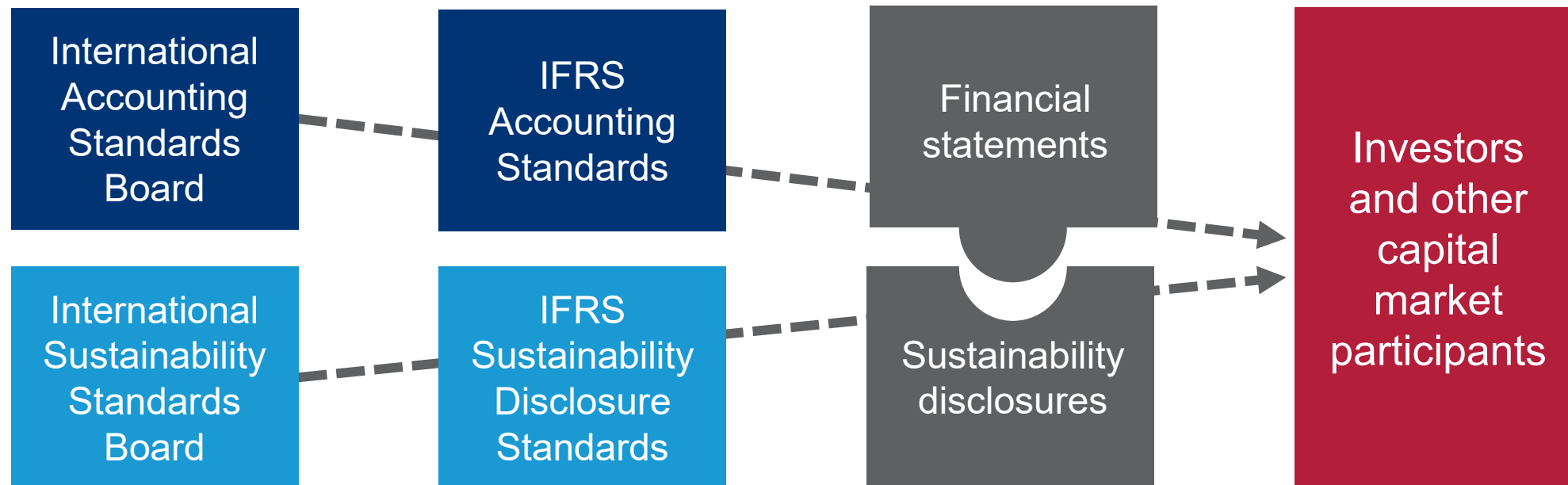
Technical Reference Group

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# Proposals



## Designed for communication to investors



Connectivity supported through the principles of integrated reporting and management commentary

# Why is connectivity between the IASB and ISSB important?

## Connectivity in **PROCESS**

*Examples:*

- *Information sharing*
- *Joint IASB-ISSB meetings*

leads to

## Connectivity in **PRODUCT**

*Examples:*

- *Shared concepts (eg materiality)*
- *Complementary requirements (eg intangibles)*

leads to

**Better general purpose financial reporting**  
**Better information for better decisions**

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# Comprehensive global baseline

## BUILDING BLOCKS:



- Possible additional requirements mandated by jurisdictions
- Voluntary standards adopted to meet broader multi-stakeholder needs (eg GRI Standards)

## BASELINE:

### IFRS Sustainability Disclosure Standards

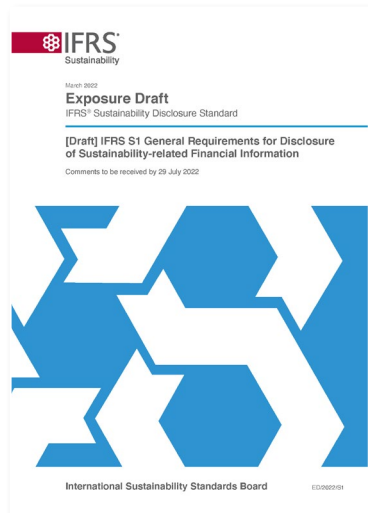
- Act as a comprehensive foundation
- Common language to deliver comparable, decision-useful disclosures
- For global capital markets, meeting investor needs globally

# IFRS Standards within the broader reporting landscape

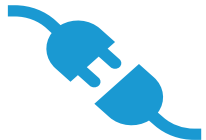




# Proposed General Requirements Standard: IFRS S1



- Sets out disclosure of material information about sustainability-related risks and opportunities
- Sets out general reporting requirements; other IFRS Sustainability Disclosure Standards (eg Climate Standard) set out specific disclosures
- Points 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

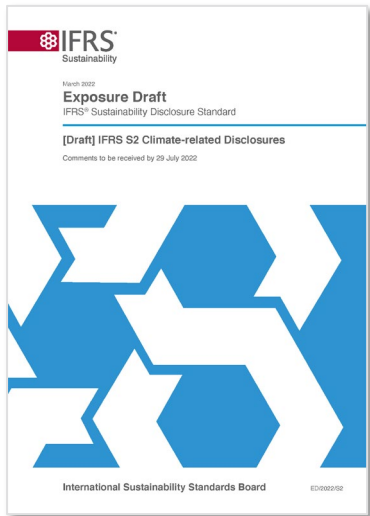


Requires financial statements and sustainability disclosures to be published **at the same time**



Does **not specify a location** for disclosure and **allows additional information** to be provided, to facilitate application in different jurisdictions

# Proposed Climate-related Disclosures Standard: IFRS S2



- Disclosure of material information about climate-related risks and opportunities
- Incorporates TCFD Recommendations
- Includes SASB Standards climate-related industry-based requirements
- 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

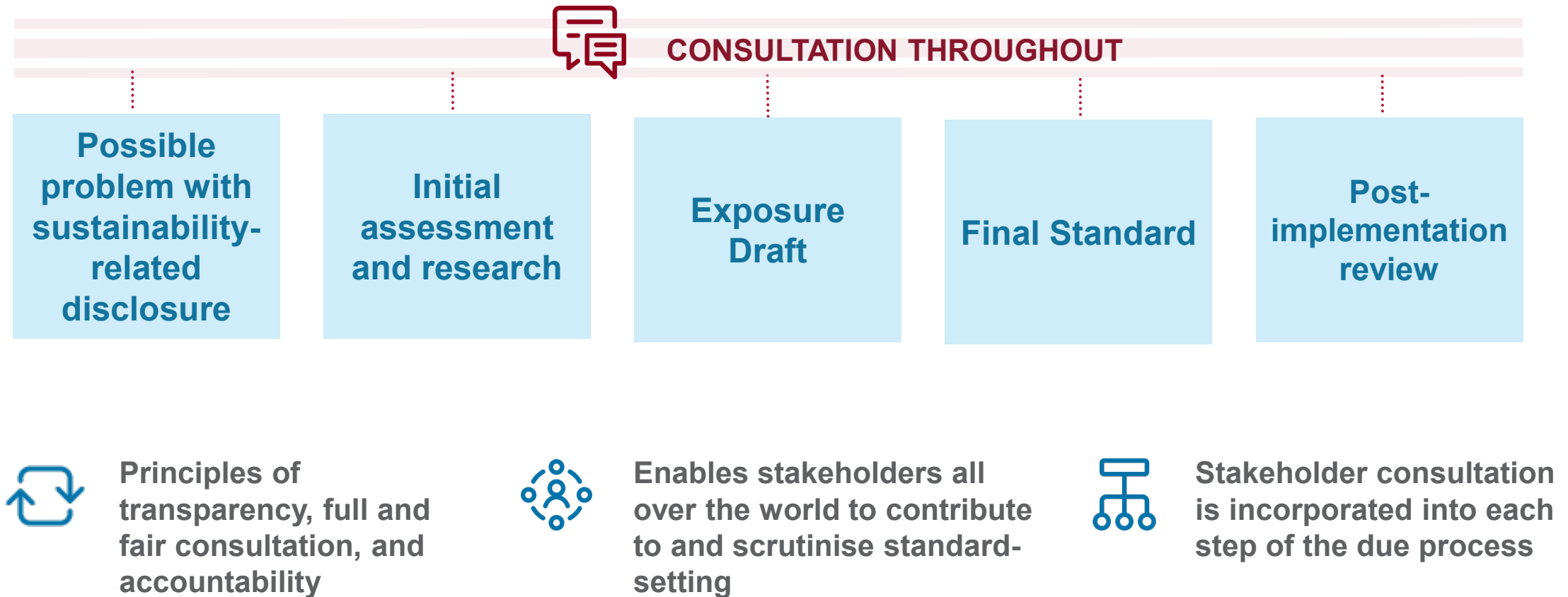
Requirement to disclose GHG emissions in accordance with the GHG Protocol Corporate Standard

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# Feedback



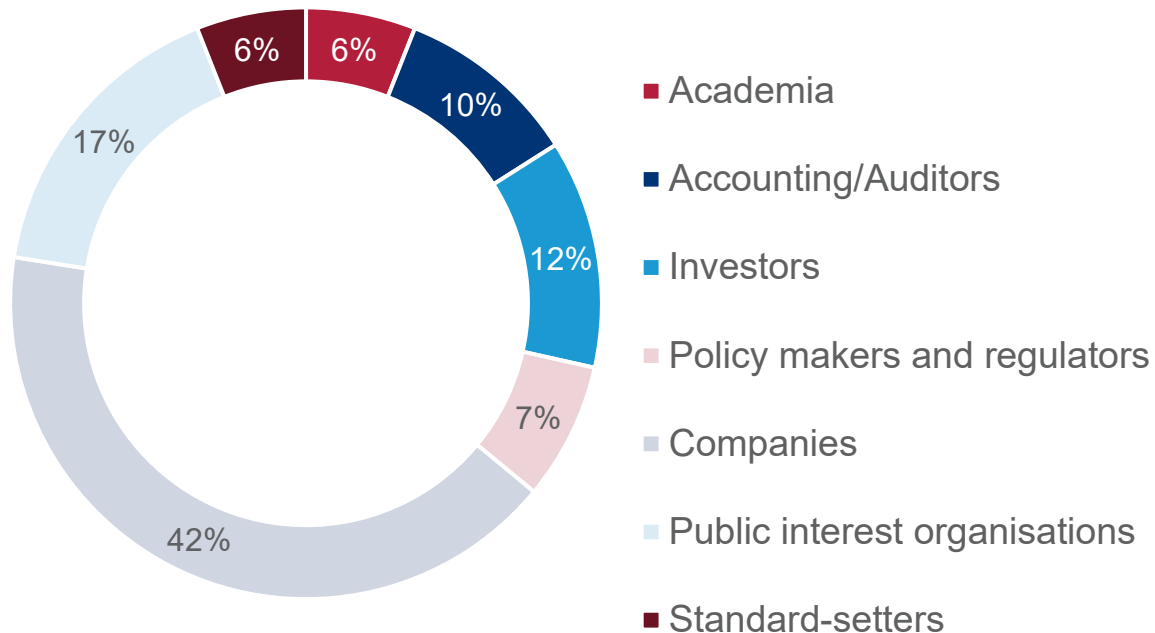
## Standard-setting cycle



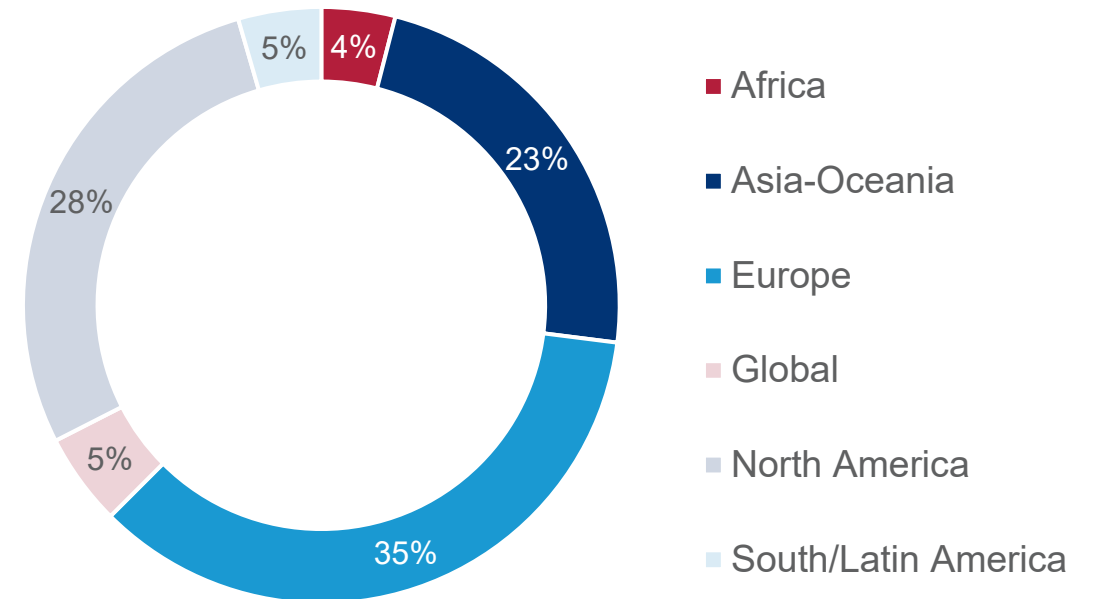
# Widespread interest:

1,400+ responses to the consultation on Draft Standards

**Stakeholder Group**



**Geographies**



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## High-level messages



Support for **timely publication** and encouragement to continue to move at pace. Support for IFRS S1 as the **overarching standard**, with IFRS S2 well received, especially by **investors**



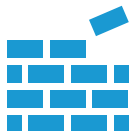
**Need for urgency**, citing significant risks that climate change presents to individual companies, as well as to financial stability



Need for **greater support, guidance and examples** to enable effective application



Importance of **connected standard-setting (IASB and ISSB)** to facilitate a package of financial and sustainability-related disclosures that work as a package and can be assurable



Challenges with some specific proposed requirements in IFRS S2, with call for **proportional reporting requirements** for smaller companies and in emerging economies

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## How we are refining the Standards

| Topic  | Challenges raised   | Board decisions   |
|--|---|---|
| <b>Proportionality – tools to support application</b>  | Support needed, especially for emerging economies and smaller companies                                   | Prioritise <b>supporting application</b> , including application guidance and consider possible reliefs |
| <b>Current and anticipated effects of sustainability-related risks and opportunities on financial statements</b> | Clarity needed to understand the type of quantitative or qualitative information companies should provide | Decision on how to clarify to follow at a future meeting  |



# How we are refining IFRS S1

| Topic  | Challenges raised  | Board decisions  |
|--|--|--|
| Terms ‘enterprise value’ and ‘significant’ when used to describe materiality | While intent is supported, language is confusing   | No change in concept. Remove terms and <b>use IFRS Accounting Standards materiality definition</b> . Look at using the Integrated Reporting Framework to help <b>articulate the scope of information required</b> .  |
| Breadth of reporting   | Need clarity on scope of sustainability-related information required   | Decision to follow at a future meeting   |
| Connected information  | Guidance and clarity needed  | Decision to follow at a future meeting   |
| Timing of reporting  | Support for sustainability-related and financial statements to be published at the same time. Challenges around delivering this. | <b>Confirm timing</b> requirements but allow companies to report their annual sustainability-related financial disclosures at the same time as its H1/Q2 earnings reporting for a short period of time as a <b>transition relief</b> . The length of the relief will be decided at a future meeting. |
| Comparative information and updated estimates                                | Challenges in updating comparative information on forward-looking information  | Clarify that the requirement to revise comparative information to reflect updated estimates applies to <b>current period estimates</b> disclosed in prior periods, not forward-looking information, when that information is material. Provide illustrative <b>guidance</b> .                        |

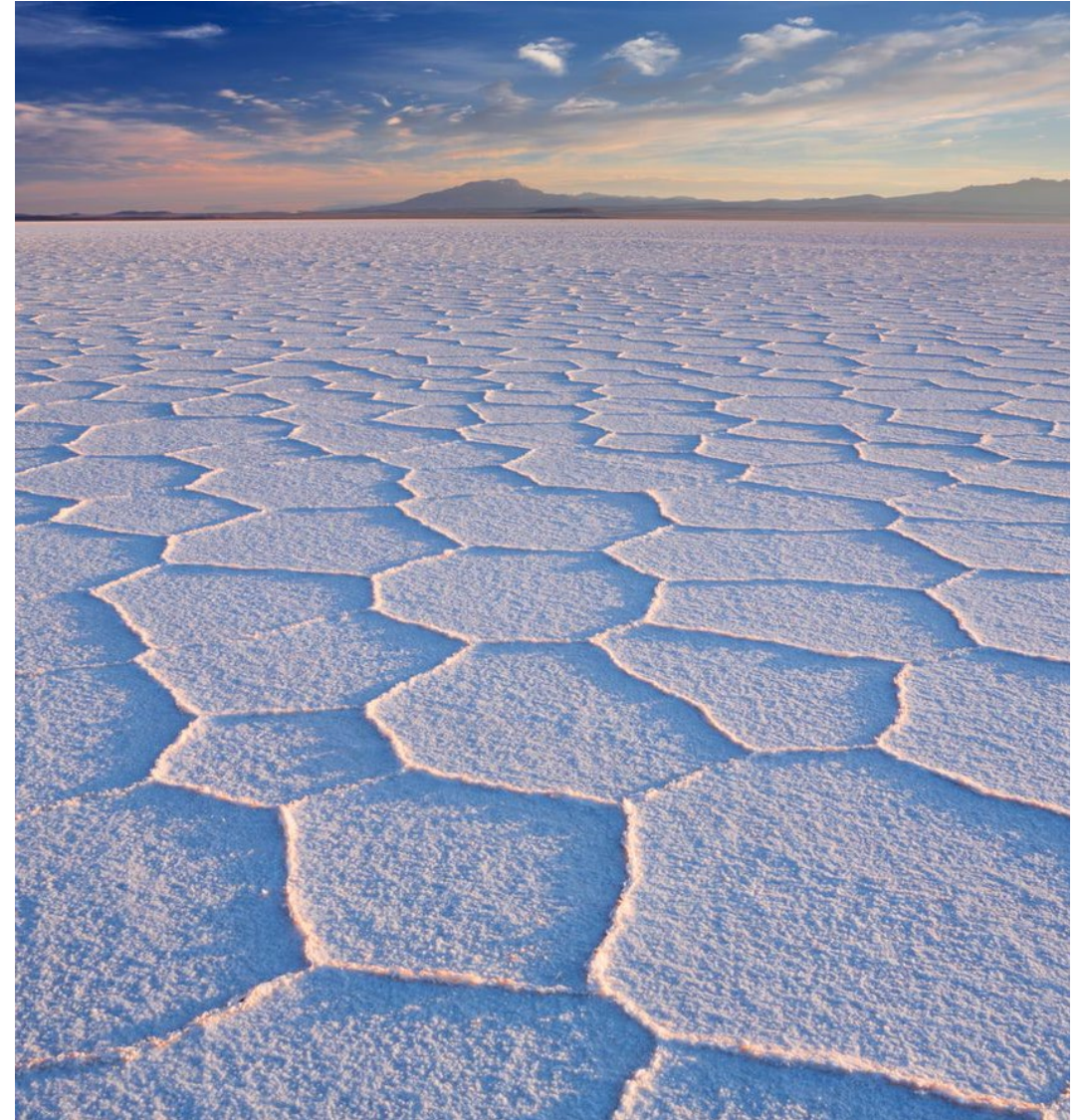
## How we are refining IFRS S2

| Topic                              | Challenges raised   | Board decisions  |
|------------------------------------|---|--|
| <b>Climate transition planning</b> | Request for further granularity in the proposals  | Clarify and modify language in relation to <b>transition plans, including how it effects strategy and decision-making</b>  |
| <b>Climate resilience</b>          | Allowing varying methods for assessing climate resilience could affect consistency and comparability. Need guidance to undertake scenario analysis.                             | Confirmed that companies are required to use <b>climate-related scenario analysis</b> when reporting on climate resilience and to explain whether and how this was used to identify climate-related risks and opportunities, scaled based on what a company is able to do. Provide application support using TCFD guidance |
| <b>GHG emissions</b>               | Support proposals for a company to disclose its absolute gross emissions. Challenges about how to measure this.   | Confirmed disclosure of <b>Scope 1-3 emissions when material</b> , with Scope 3 <b>relief provisions and guidance</b> to be decided at a future meeting  |
| <b>Industry-based requirements</b> | Industry-specific disclosures are decision-useful, but time is needed to consider implementation challenges and ensure disclosures provide relevant information internationally | Appendix B as <b>illustrative examples</b> , with view to make the topics and metrics <b>mandatory in the future</b> following further consultation. Take time to further ensure that disclosures are relevant across jurisdictions and consider alignment with others   |

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# Facilitating interoperability

- **Ongoing dialogue with jurisdictions** 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 European Commission toward a **shared objective** to agree a framework for maximising interoperability



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## Next steps



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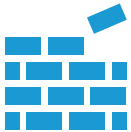
## Next steps



Complete discussions on consultation feedback around end of 2022



Issue final Standards as early as possible in 2023



Work to support adoption and application



Consult on proposed digital taxonomy



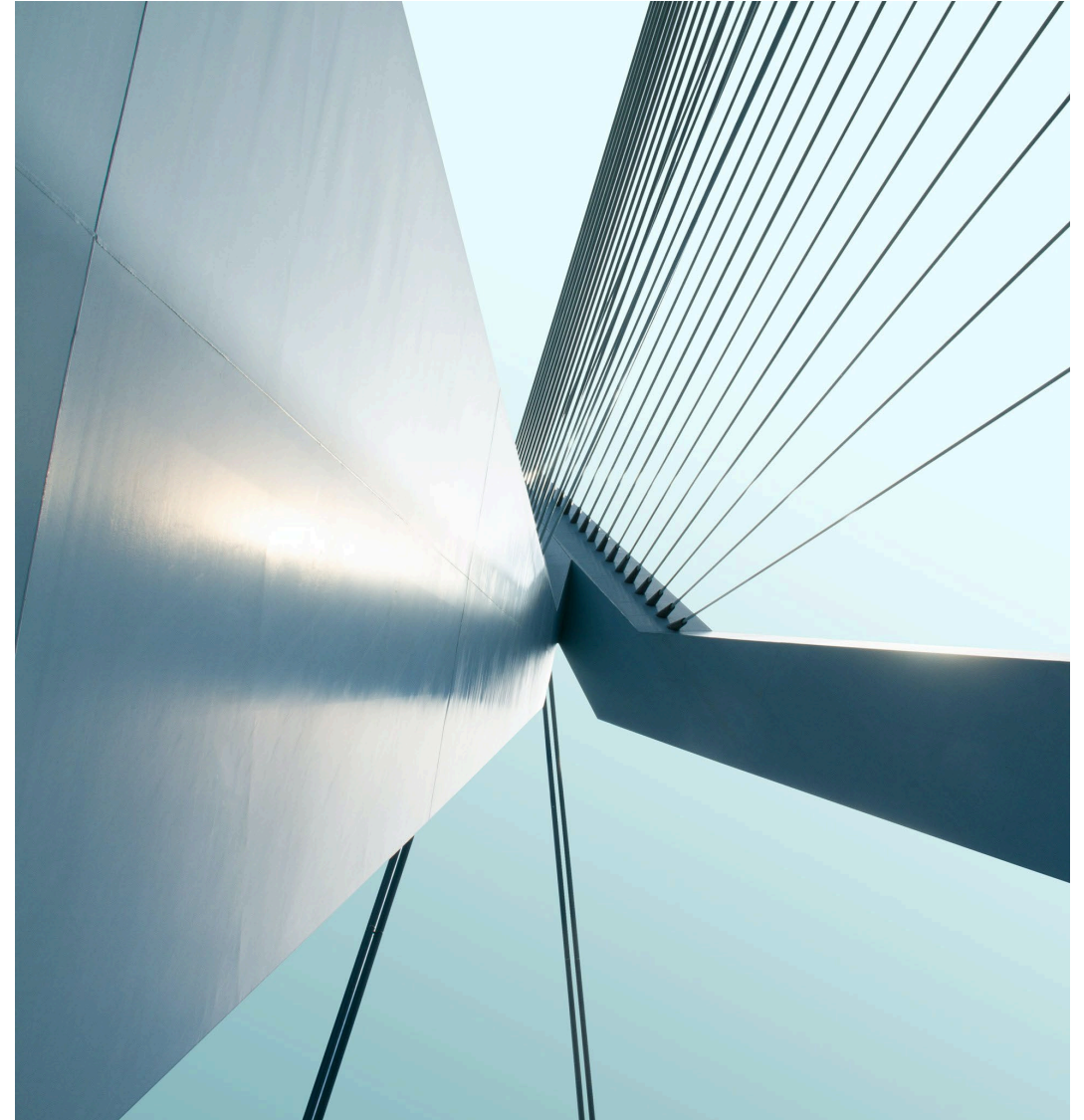
Consult on future priorities, early 2023



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# Priorities

- Foundation building:
  - Support **adoption and application**, including supporting materials
  - Develop a digital **taxonomy**
  - **International applicability** of SASB Standards
  - **Connectivity** with IASB
  - **Interoperability** with others  
eg GRI / EFRAG
  - **Research** incremental enhancements to Climate Standard
- **Consult** on new areas of work in H1 2023



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## Global support





## G20 Bali, Leaders' Declaration 15-16 November 2022

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**"We look forward to the finalisation of standards by the International Sustainability Standards Board (ISSB) in support of globally consistent, comparable and reliable climate-related financial disclosures and its work beyond climate; and we welcome the efforts to achieve interoperability across disclosure frameworks."**

“We are seeing huge enthusiasm for IOSCO to contribute to the ISSB’s consultation so that the final versions of these crucial standards fulfil the requirements of our securities regulator membership[...]

Establishing a global baseline for corporate sustainability disclosures is a key ambition of IOSCO’s Workplan for Sustainable Finance, which aims to increase transparency and mitigate greenwashing in financial markets.

The review of the ISSB’s finalized standards for potential IOSCO endorsement will be a crucial step towards increased comparability in sustainability reporting under either voluntary or mandatory reporting regimes.”

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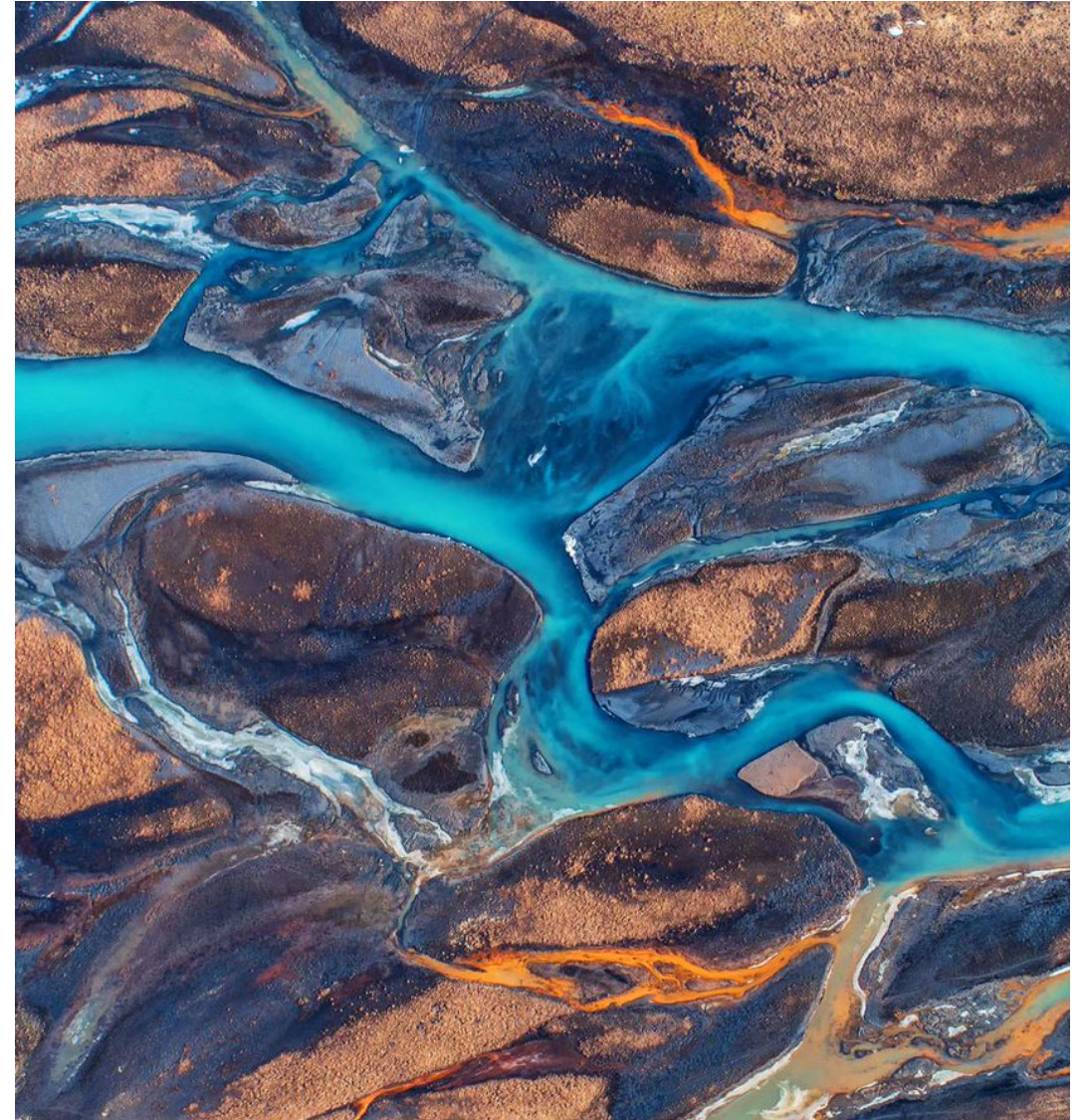
# How to prepare



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## Partnership Framework for capacity building

- ~30 partners - global and local - committed to ensuring readiness
- Considering specific circumstances of emerging and developing economies and smaller companies
- Focused on enabling consistent and comparable high-quality disclosures to bring benefits of sustainability-related disclosures to all



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# Three reasons to prepare for IFRS Sustainability Disclosure Standards

1. **Cost-effective:** Developed with efficiency in mind
2. **Decision-useful:** Designed to provide the right information to support investor decision-making
3. **Market-informed:** Rigorous, international due process to deliver a common language for disclosure.



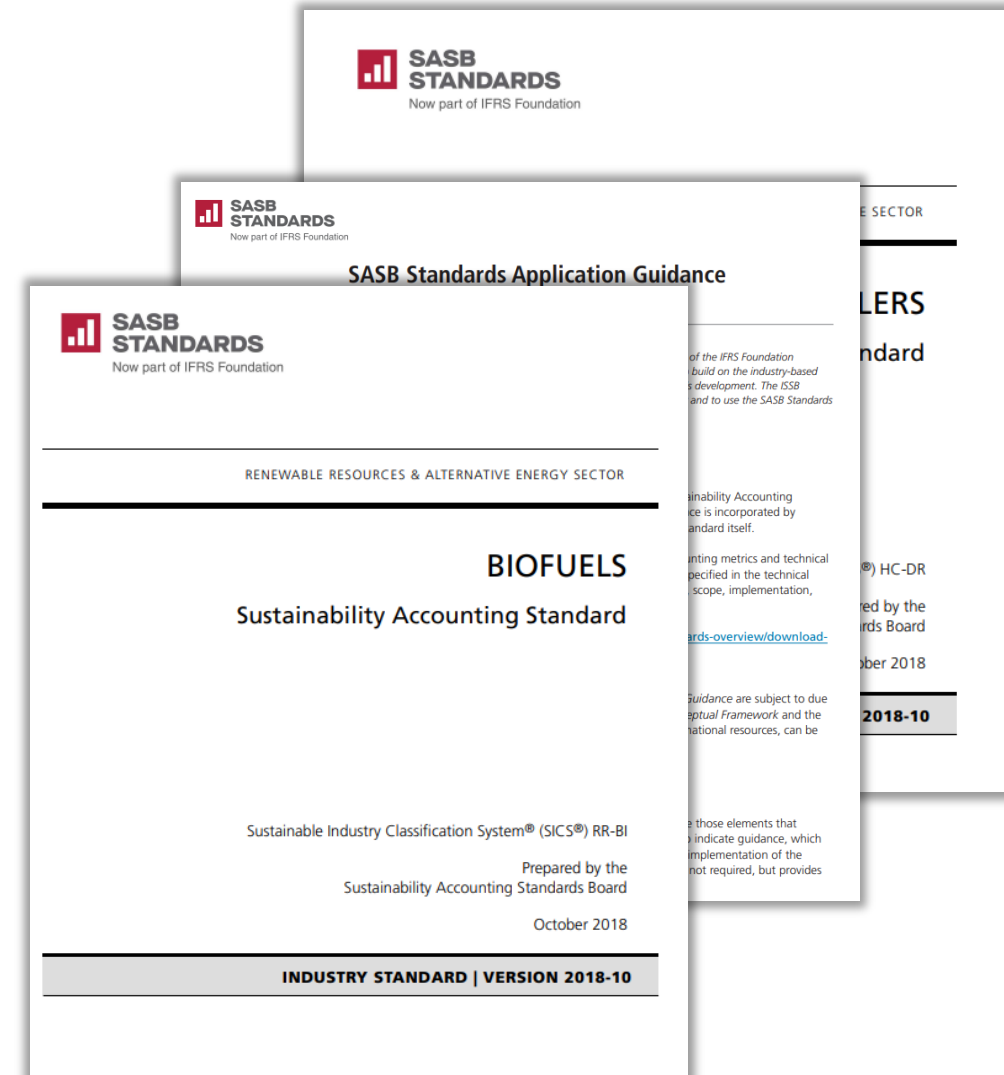
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## Three ways to prepare for IFRS Sustainability Disclosure Standards

1. Evaluate **internal systems and processes** for collecting, aggregating, validating sustainability-related information across the organisation and its value chain
2. Consider the sustainability-related **risks and opportunities** that affect the business
3. Review the ISSB's **proposed standards and supporting materials**, including the SASB Standards, CDSB Framework and TCFD Recommendations

# Get ahead: Adopt the SASB Standards

- IFRS S1 to include requirement to consider SASB Standards
- 77 industry-based disclosure standards
- Provide investors with comparable information on the sustainability factors most relevant to financial performance and enterprise value
- Developed through rigorous, market-informed, due process





# Get ahead: Implement the TCFD Recommendations

- IFRS Sustainability Disclosure Standards adopt TCFD architecture
- Designed to solicit decision-useful, forward looking information that can be included in mainstream financial filings
- Focused on governance, strategy, risk management, and metrics and targets
- Recommends that organisations describe the resilience of their strategy, taking into consideration different climate-related scenarios

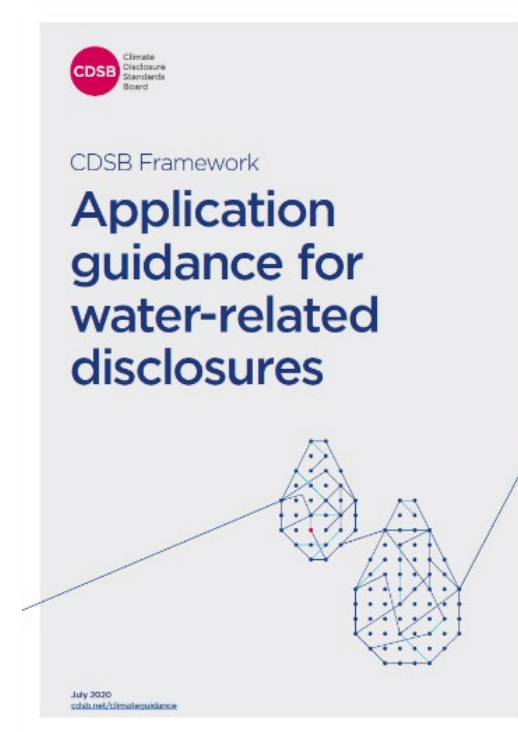


# Get ahead: Use CDSB Guidance

Application guidance that may be considered by companies, as referenced in IFRS S1



Assists in disclosure about risks and opportunities that biodiversity presents to an organisation's strategy, financial performance and condition



Offers a means of ensuring investors receive material water-related information needed

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# Get ahead: Drive connectivity through the Integrated Reporting Framework



Drives connectivity between financial statements and sustainability-related financial disclosures



Supports high-quality corporate reporting



Underpinned by Integrated Thinking Principles, that enhance quality of corporate governance

*The IASB and ISSB will work to align the Integrated Reporting Framework and Management Commentary*

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# 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



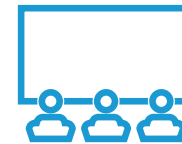
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## Observe

ISSB meetings –  
the next is w/c 12  
December

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