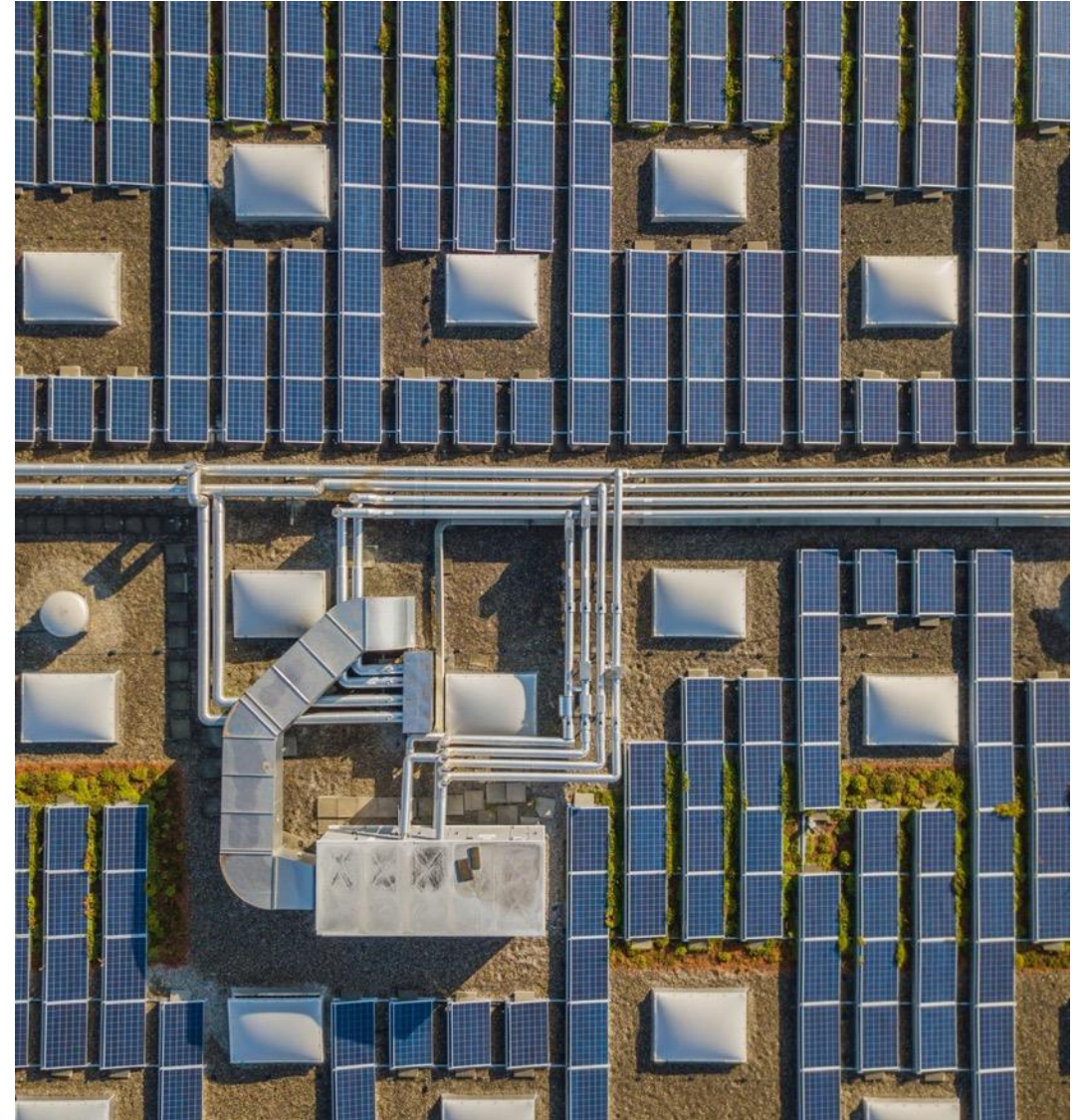

ISSB sustainability reporting

Better information for better decisions

Veronika Pountcheva
WB, Vienna November 2023

Around the world, sustainability factors are becoming – if they are not already – a mainstream part of investment decision-making.

These factors are also increasingly central to how companies plan, manage and report.

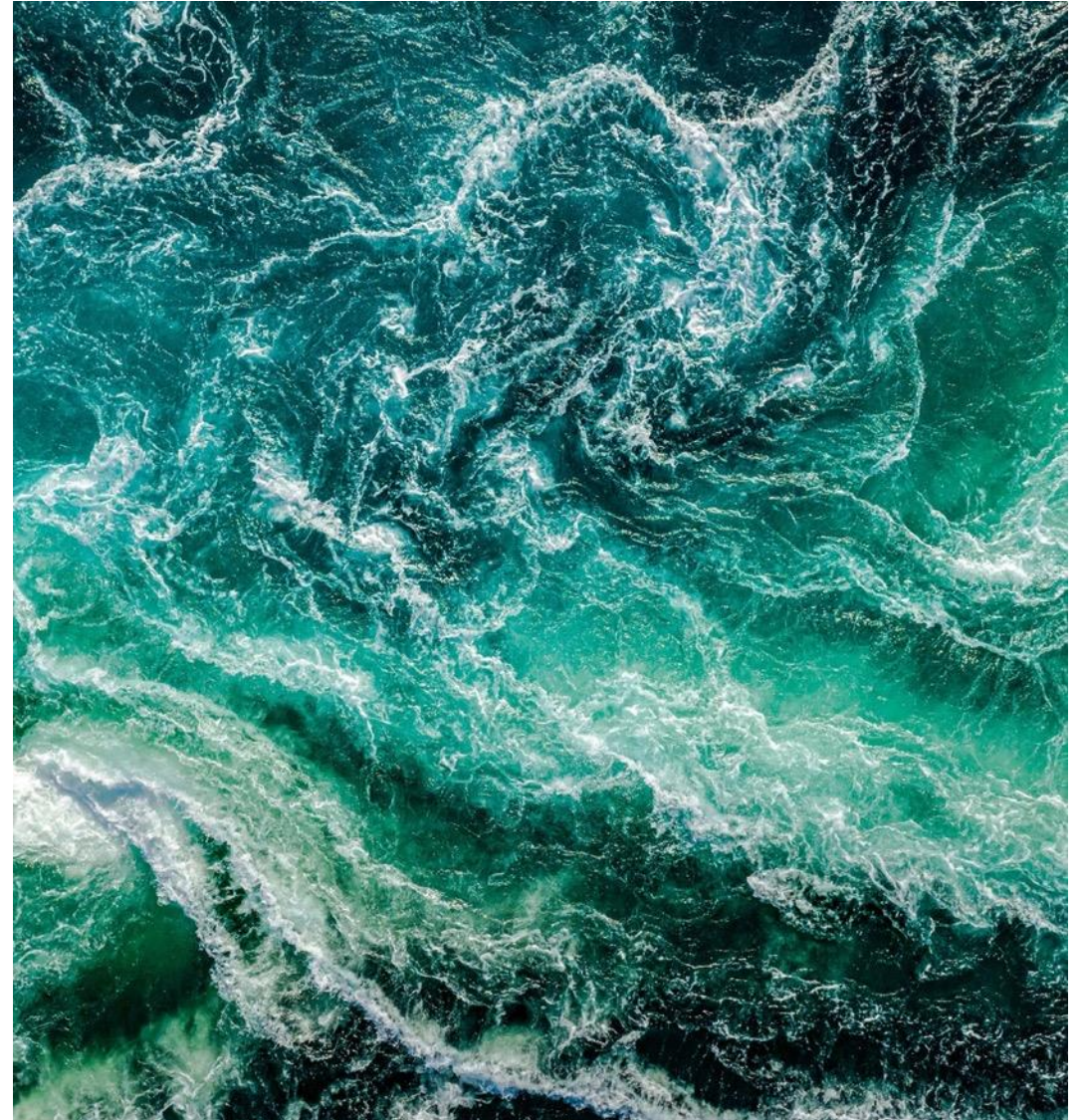


Strong market demand

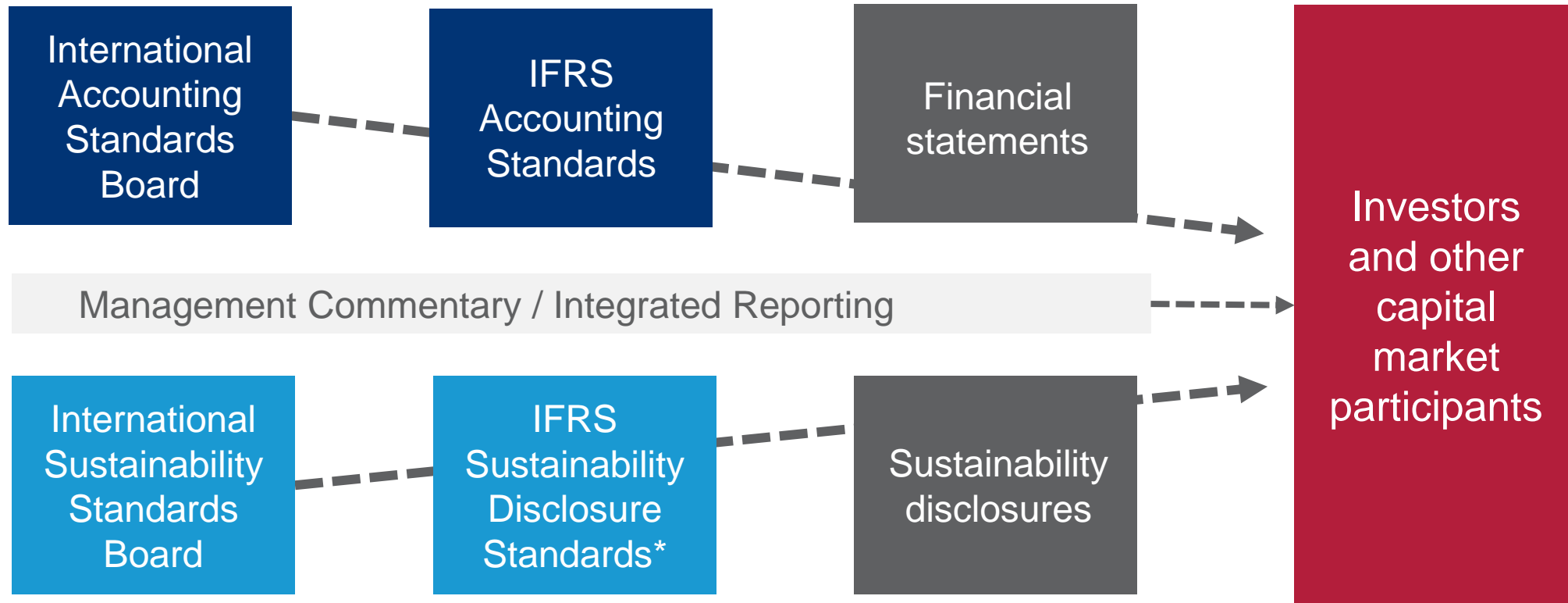
The ISSB was established as part of the IFRS Foundation because of investor, company and international policy maker (including the G20, G7, IOSCO and the Financial Stability Board) demand for:

- decision-useful, comparable information
- ending the ‘alphabet soup’ of voluntary initiatives
- an efficient reporting landscape

The ISSB has a transparent, rigorous due process to develop market-informed Standards that respond to these needs



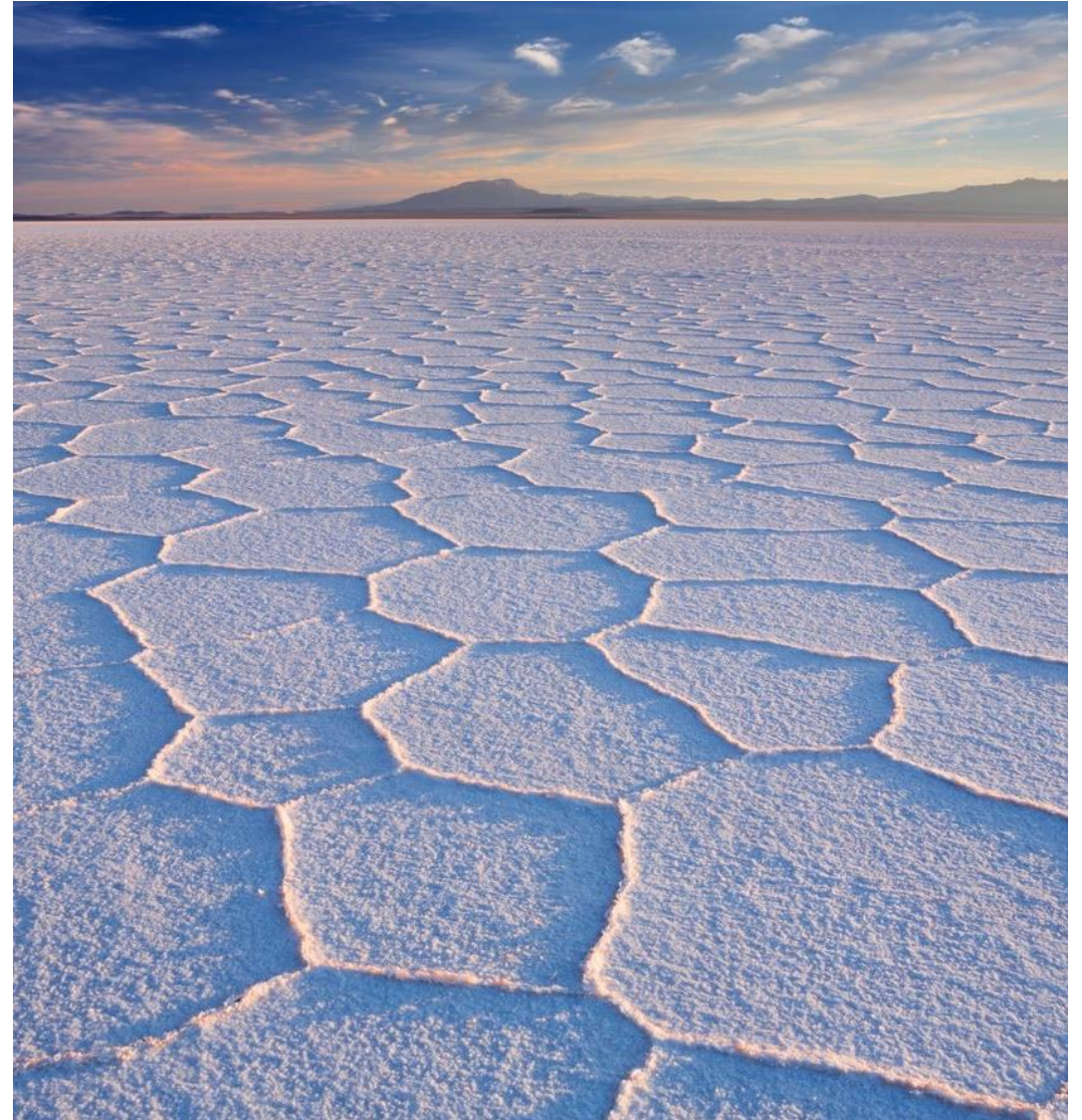
Designed for communication to investors



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

Achieving efficient reporting through interoperability

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



Informed by experts

Strategic Advisory Groups

IFRS Advisory Council

Integrated Reporting and Connectivity Council

ISSB Advisory Groups

Sustainability Standards Advisory Forum

Jurisdictional Working Group

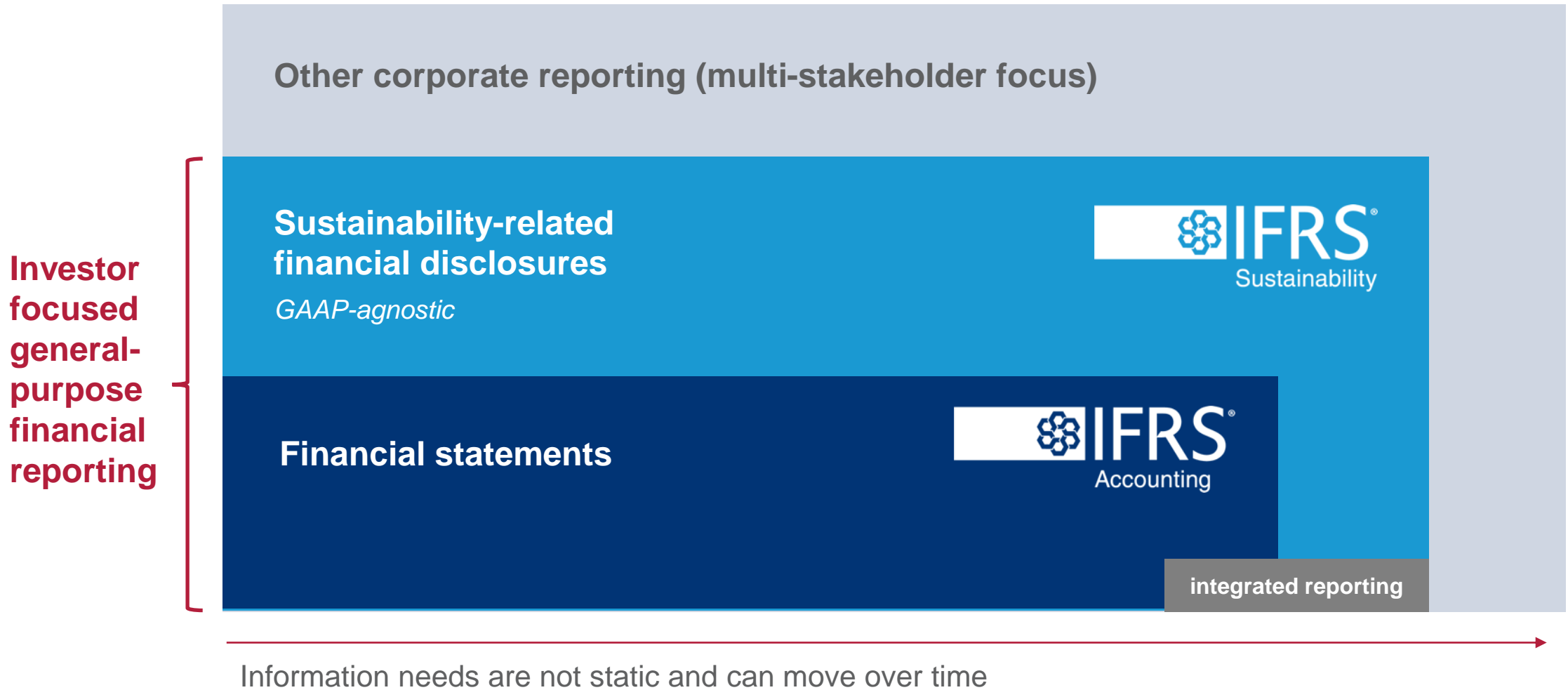
Sustainability Consultative Committee

Investor Advisory Group

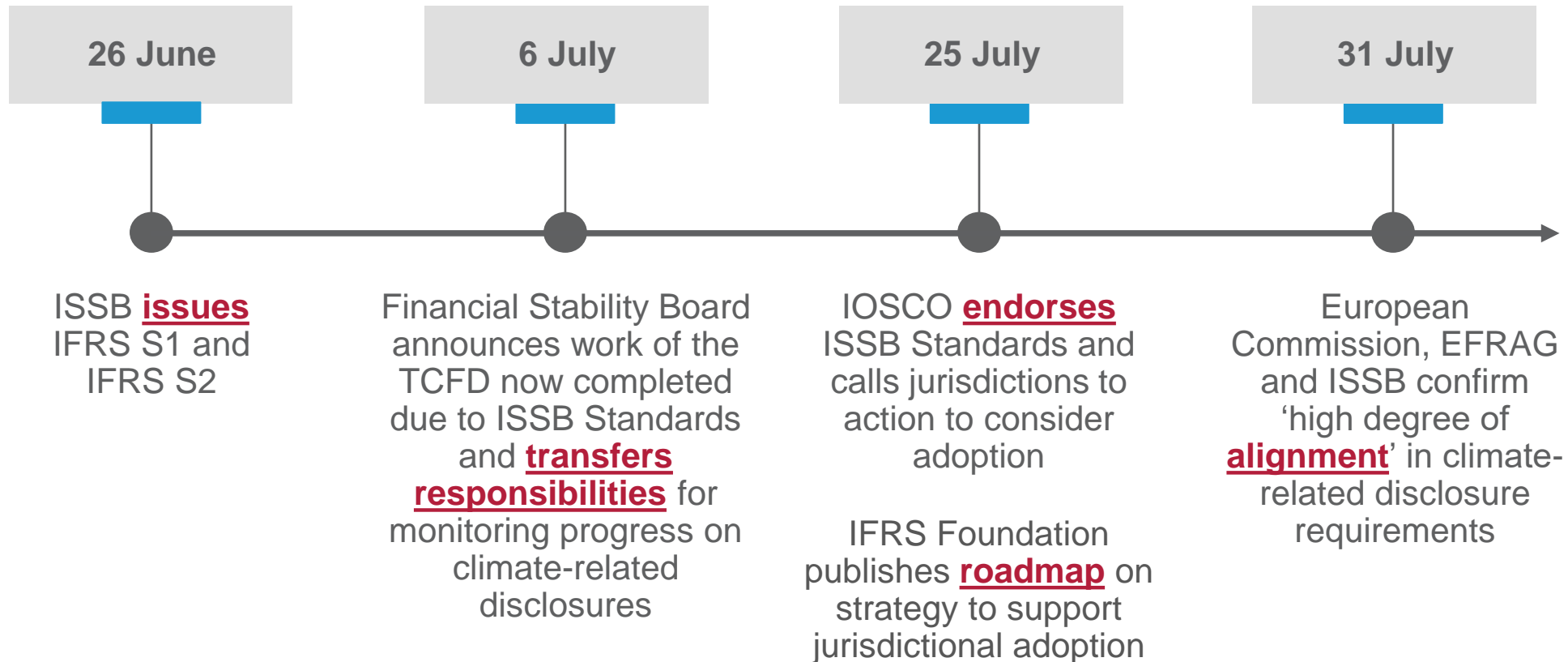
Technical Reference Group

Transition Implementation Group

Sustainability information tailored to audience needs

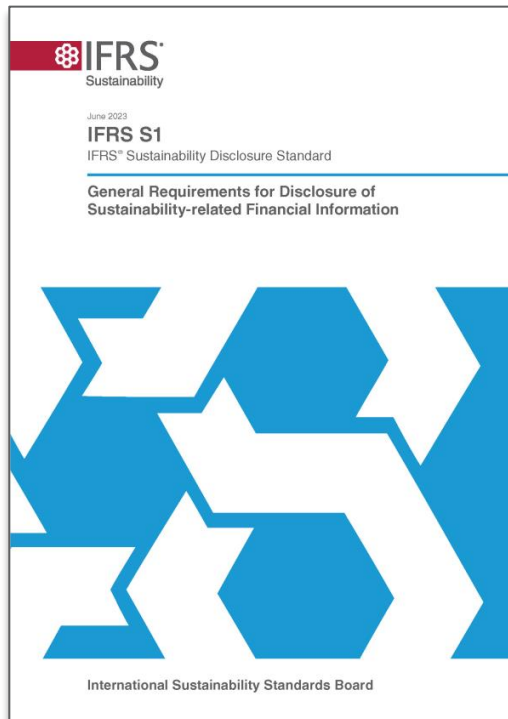


Key milestones in delivering truly global baseline



IFRS sustainability disclosure standards

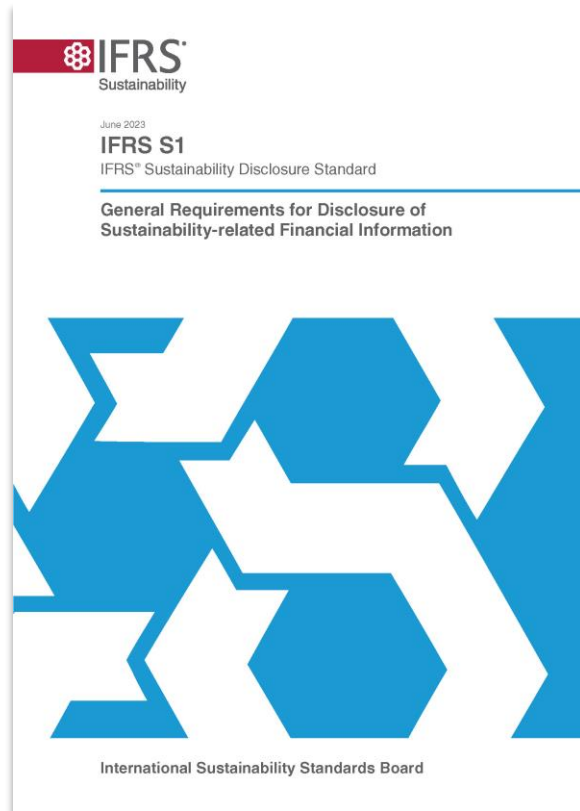
IFRS S1 : General Requirements for Disclosure of Sustainability-related Financial Information



IFRS S2: Climate-related Disclosures

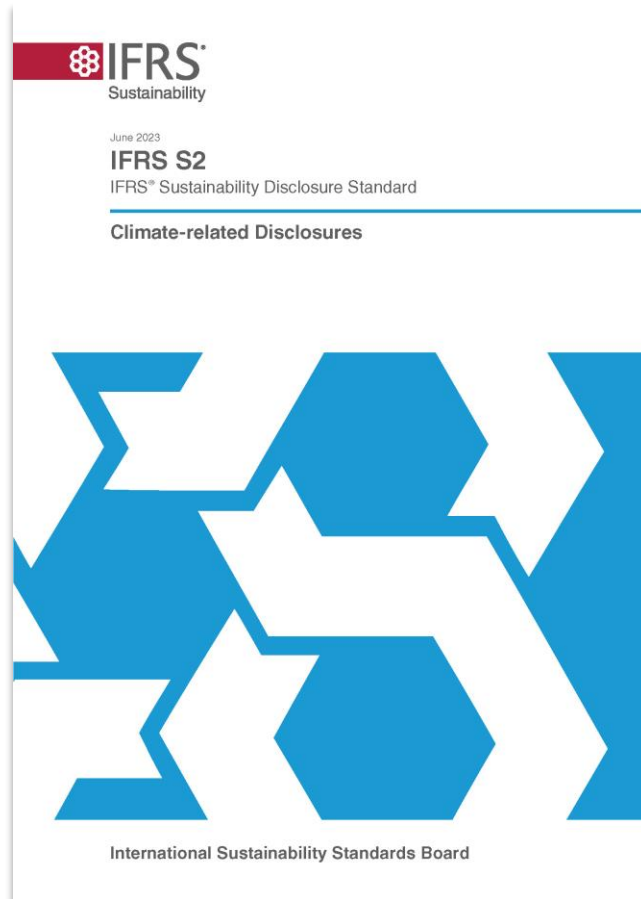


IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information



- 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)**

IFRS S2: Climate-related Disclosures



- Fully 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

1. Strategy and decision-making
2. Current and anticipated financial effects
3. Climate resilience



Metrics and targets

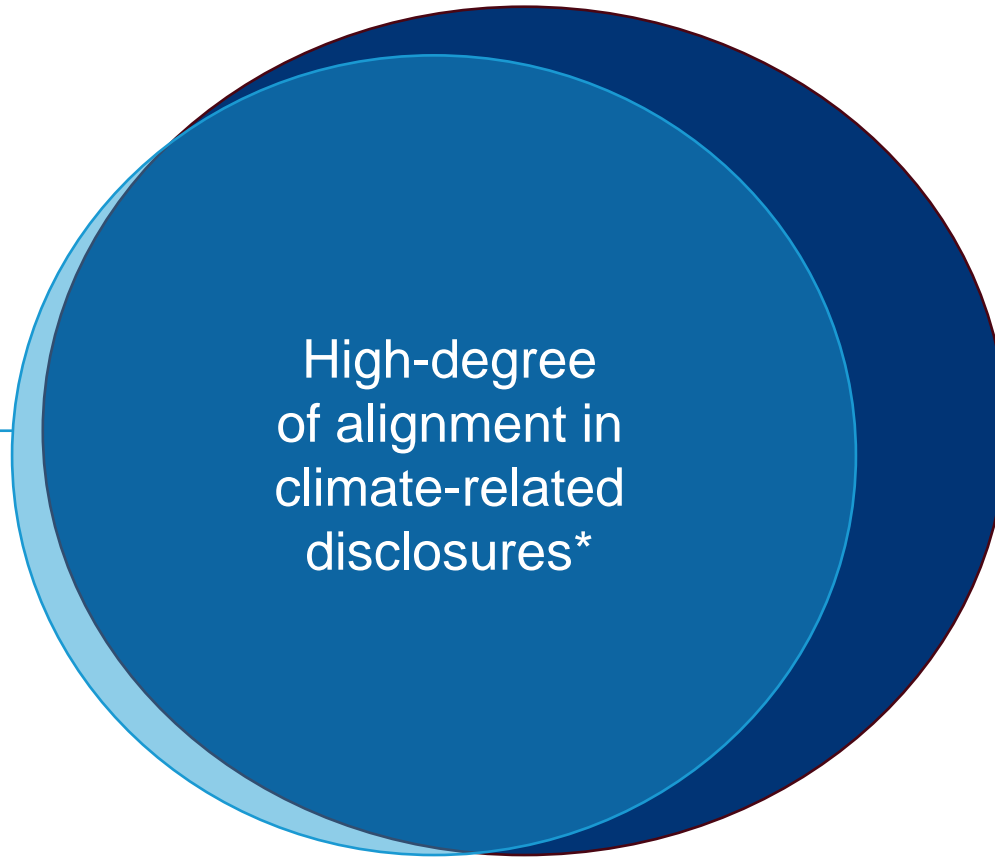
4. Scope 1-3 GHG emissions
5. Industry-based disclosures
6. Climate-related targets

The value of sustainability standards for business leaders



- Effective management of complex risks requires integrated thinking and a broader information set than traditional financial information
- ISSB Standards:
 - facilitate identification of business-relevant risks and opportunities and material information
 - enable the implementation of strong control environments and data governance, ensuring reliable information
 - enable business leaders to provide comparable, consistent and reliable information to investors and other providers of capital

ISSB Standards: ←
Additional requirements
(eg financed emissions)




ESRS:
Additional requirements for stakeholders interested in impacts (that do not create risks or opportunities for a company's prospects) and information that, if missing or obscured, is not reasonably expected to affect investor decisions

High-degree of alignment around disclosures to provide decision-useful information for investors on risk management and how dependencies and impacts create risks and opportunities for a company's financial position and prospects

* The ISSB, the European Commission and EFRAG are discussing how to explain the alignment and interoperability between the respective standards, including the choices a company needs to make to enhance alignment and where the standards have specific requirements.

Making ISSB Standards the global baseline



ISSB

provide comprehensive global baseline through Standards



IOSCO

endorses the 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

The journey towards implementation of IFRS S1 and IFRS S2

- The ISSB was established in response to **strong global demand**, including calls from investors, stakeholders and bodies such as the G7, G20, IOSCO and the FSB to:
 - deliver a global baseline of sustainability disclosures of decision-useful comparable information that support capital markets and investors' decisions about providing resources to companies
 - end the alphabet soup of voluntary frameworks and reduce fragmentation in disclosures
 - promote transparency, comparability and consistency
 - provide an efficient reporting landscape
- The ISSB acknowledges the significant **change management exercise** for preparers and regulators and has balanced the initial implementation challenges preparers could face with investors' information needs
- **Benefits** of implementation to **outweigh the costs** by reducing fragmentation, promoting transparency and comparability and streamlining process for preparers
- ISSB adopting a **four-pillar strategy** to balance these considerations

Four-pillar strategy to support adoption

Proportionality and guidance
built into
IFRS S1 and IFRS S2

Transition Reliefs – with possibility of
Jurisdictional extensions

**Implementation
strategy of ISSB
Standards**

Adoption Guide
to support
scalability and jurisdictional phasing in

Additional support –
including Capacity Building
for industry and jurisdictions

Jurisdictional journey towards implementing IFRS S1 and IFRS S2

- The IFRS Foundation is committed to supporting regulators around the world in adopting the Standards in a timely and consistent manner
- This year the IFRS Foundation will complete its Adoption Guide to support jurisdictions in their adoption of IFRS S1 and IFRS S2
- [High-level roadmap](#) (as a precursor to the Adoption Guide itself) provides information on how the IFRS Foundation and the ISSB are approaching adoption considerations

Jurisdictions that have sought, are currently seeking or have announced they will seek feedback on their draft sustainability reporting requirements include:

- Australia, Hong Kong, Singapore, UK, Japan

Jurisdictions that have publicly announced their intention to adopt the ISSB Standards early include:

- Brazil, Nigeria, Kenya



Shaping jurisdictional journeys – Adoption Guide

- The Adoption Guide objective is to **facilitate consistent jurisdictional adoption approaches** while supporting jurisdictions to full application of IFRS S1 and IFRS S2.
- Balance jurisdictional phasing-in with **need to achieve global consistency and comparability**.
- **Set expectations** on scope of application of ISSB requirements and pace for the introduction of requirements.
- Develop **principles for assessing jurisdictional adoption**.
- Jurisdictions may consider providing **brief extensions of transition reliefs** beyond the provisions included in ISSB Standards to facilitate the first-time implementation of ISSB Standards.

The **Adoption Guide** will consider:

- **legal standing of the jurisdictional requirements** to use ISSB Standards;
- focus on **publicly accountable entities (PAEs)**, listed on prime and main boards;
- focus on **consolidated information**;
- requirements to **remove optional treatments** and alternatives that are otherwise made available in IFRS Standards; and
- the ability of entities to **assert compliance with ISSB Standards** as issued by the ISSB.

IFRS S1 and IFRS S2 transition reliefs

- Intended to facilitate initial implementation of IFRS S1 and IFRS S2
- **Climate first:** preparers can limit disclosures to climate-related information in first year IFRS S1 is used (other sustainability-related risks and opportunities from second year)
- **Scope 3 GHG** disclosure not required in first year
- **Timing of reporting:** sustainability reporting can be provided later than financial statements in first year - annual information can be provided with half year financial reports
- **Comparative reporting:** not required in first annual reporting period (and if only report on climate in year one – in the second year, comparative information only required for climate information)
- **GHG Protocol:** need not apply Greenhouse Gas Protocol in first year if preparer already using a different measurement approach

Illustration of possible components of a jurisdictional roadmap – Scope of reporting requirements

Component	Description
What?	Determination on scope of sustainability topics (i.e. climate, all sustainability topics, metrics, industry-specific etc).
Who?	Determination on scope of entities subject to requirements by nature, size or industry (i.e. listed entities, financial institutions including banks, private entities, SMEs, parent, subsidiary).
When?	Determination of timelines for requirements: effective dates, early application, transition reliefs, phasing-in of requirements. Determination of timelines for reporting: together with AR.
Where?	Determination of location and placement: within annual report? Supplement financial statements? For consolidated?

Illustration of possible components of a jurisdictional roadmap – Scope of entities

Scope of entities	Elements
Listed entities	Market tier Thresholds Shareholder base
Reporting boundaries	Consolidated information – parent level Sperate information – subsidiary level
Gradual implementation	Accelerated path for larger listed entities and banks Transition reliefs for others

Supporting implementation of IFRS S1 and IFRS S2

Establishment of the Transition Implementation Group

- Composition of the Group announced in September 2023: 17 members, of which 13 preparers and 4 assurance providers; 3 official observers
- Questions submitted to the group and the actions will be publicly available
- Meetings will be chaired by ISSB Vice-Chair – a total of 5 ISSB members will officially participate in the meetings

Development of educational material

- Explain and illustrate how a company might apply requirements in IFRS S1 and IFRS S2

Development of Knowledge Hub

- Free online resources to help preparers get ready for applying IFRS S1 and IFRS S2 (including an archive of key resources from consolidated organisations' (IR, SASB and CDSB))

Work on interoperability

- Developing material to support the interoperability of ISSB Standards with other relevant standards, including:
 - work on interoperability with European Sustainability Reporting Standards (ESRS)
 - work in relation to GHG emissions disclosures in the Global Reporting Initiative (GRI) Standards

IFRS Sustainability Disclosure Taxonomy

- **Objective:** enable digital reporting of IFRS S1 and IFRS S2 information
- **Current stage:** analysis of feedback on the Exposure Draft of the IFRS Sustainability Disclosure Taxonomy based on final IFRS S1 and IFRS S2, which was open for comment until 26 September 2023
- **Next step:** the ISSB will consider feedback on the proposals and the need for further changes before publishing the IFRS Sustainability Disclosure Taxonomy

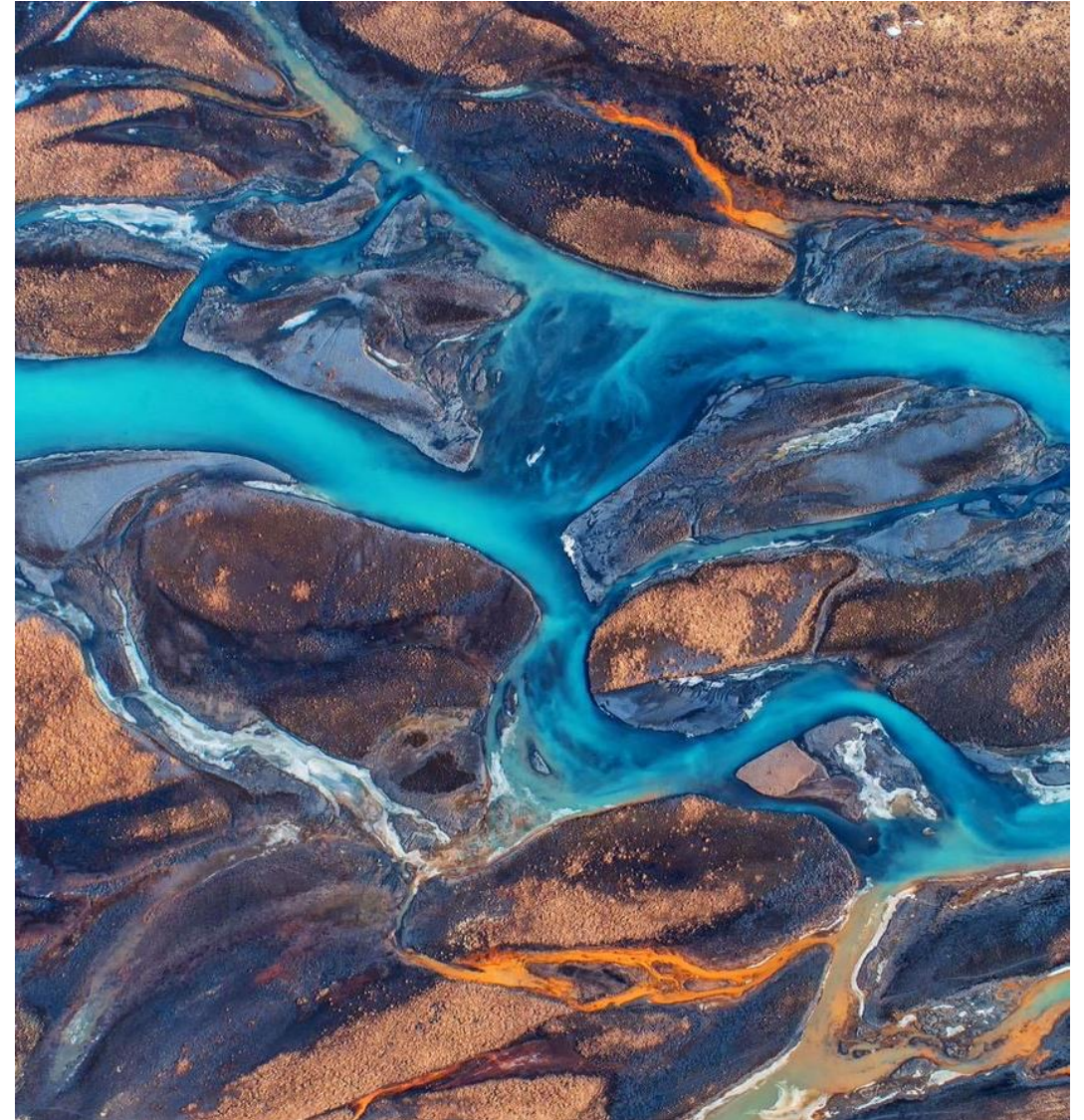
Implementation support and education

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

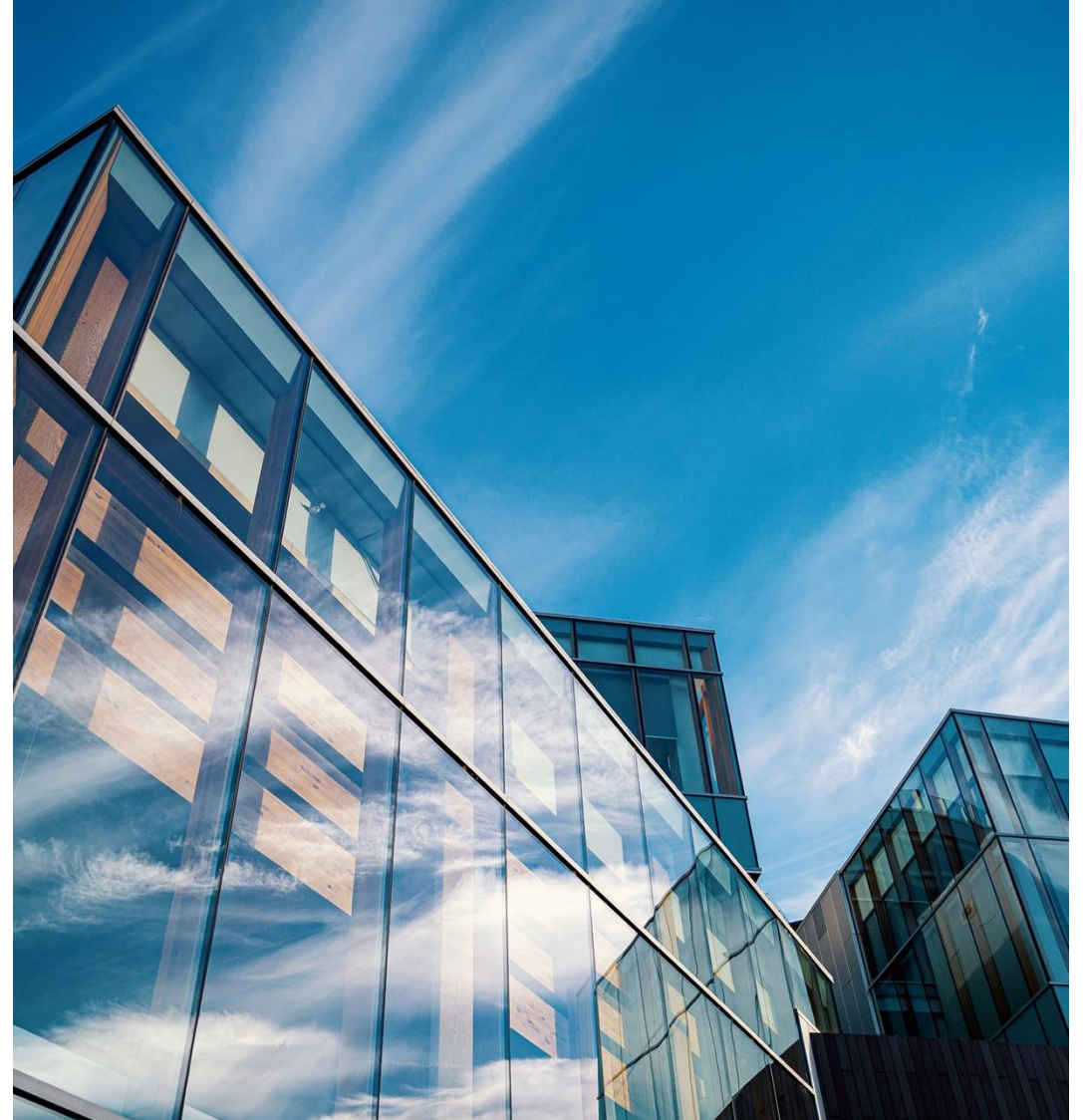
Support implementation by companies

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



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.



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

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