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# Preparing to thrive in a new era of sustainability disclosure

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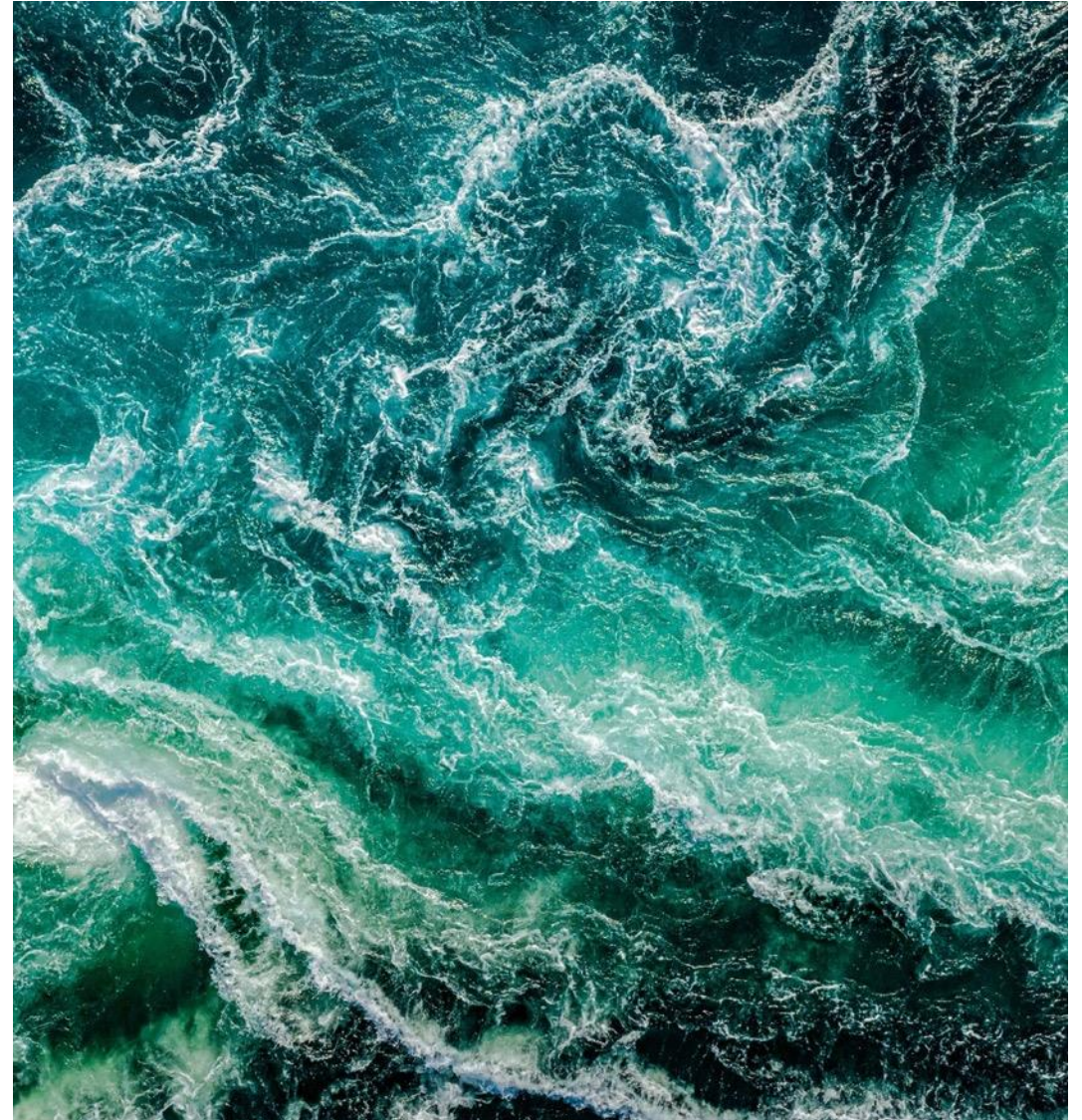
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# Strong market demand

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



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# A truly global baseline of disclosures



additional  
building blocks

- can be added to meet jurisdiction-specific requirements
- can be added to meet broader multi-stakeholder needs

## ISSB Standards

- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

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# ISSB Standards enhance investor-company dialogue



## Decision-useful

Developing globally comparable sustainability-related disclosures - that are assurable - to meet the information needs of investors



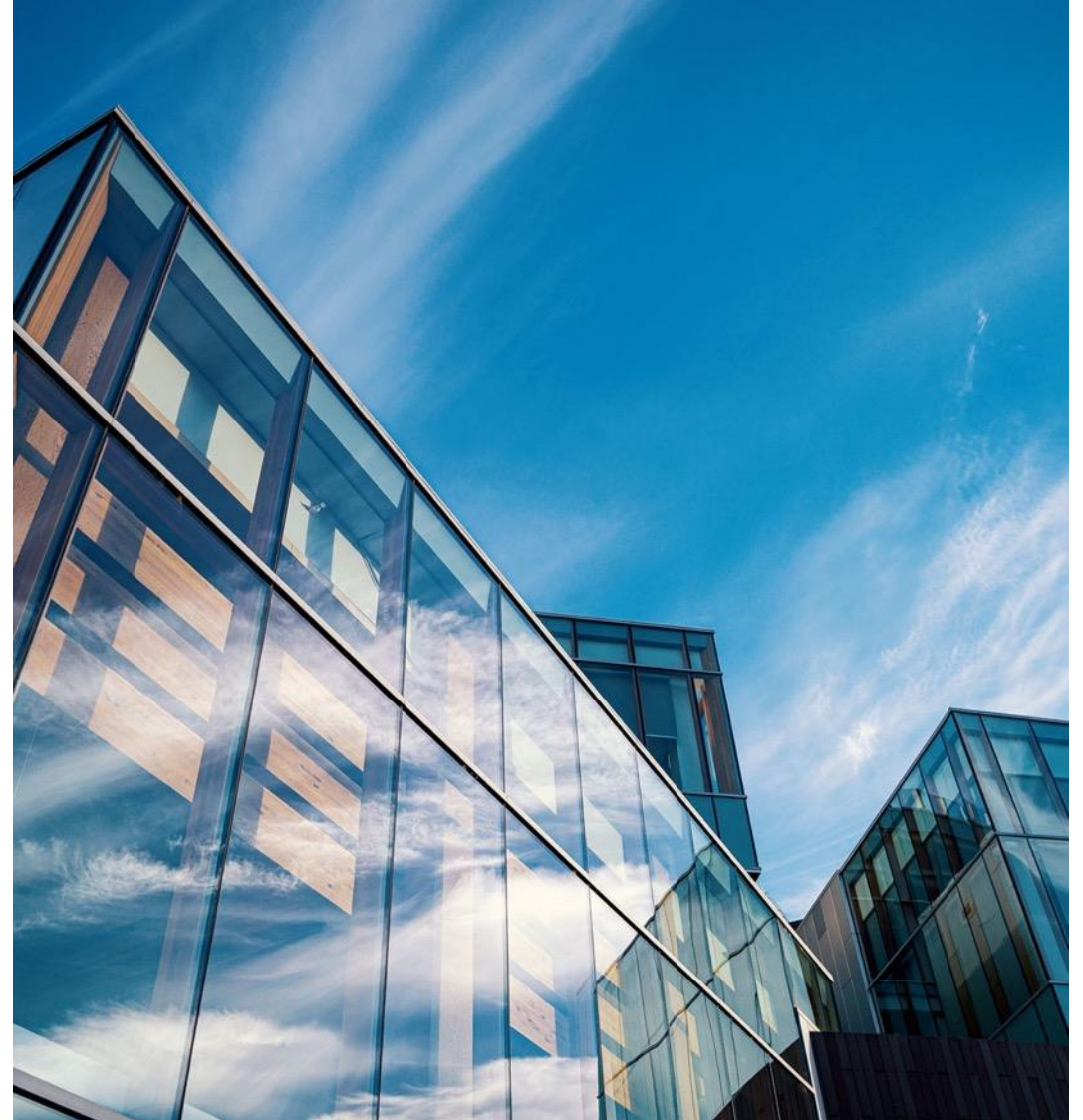
## Cost-effective

Enabling companies to communicate to investors globally comparable, comprehensive information about sustainability-related risks and opportunities

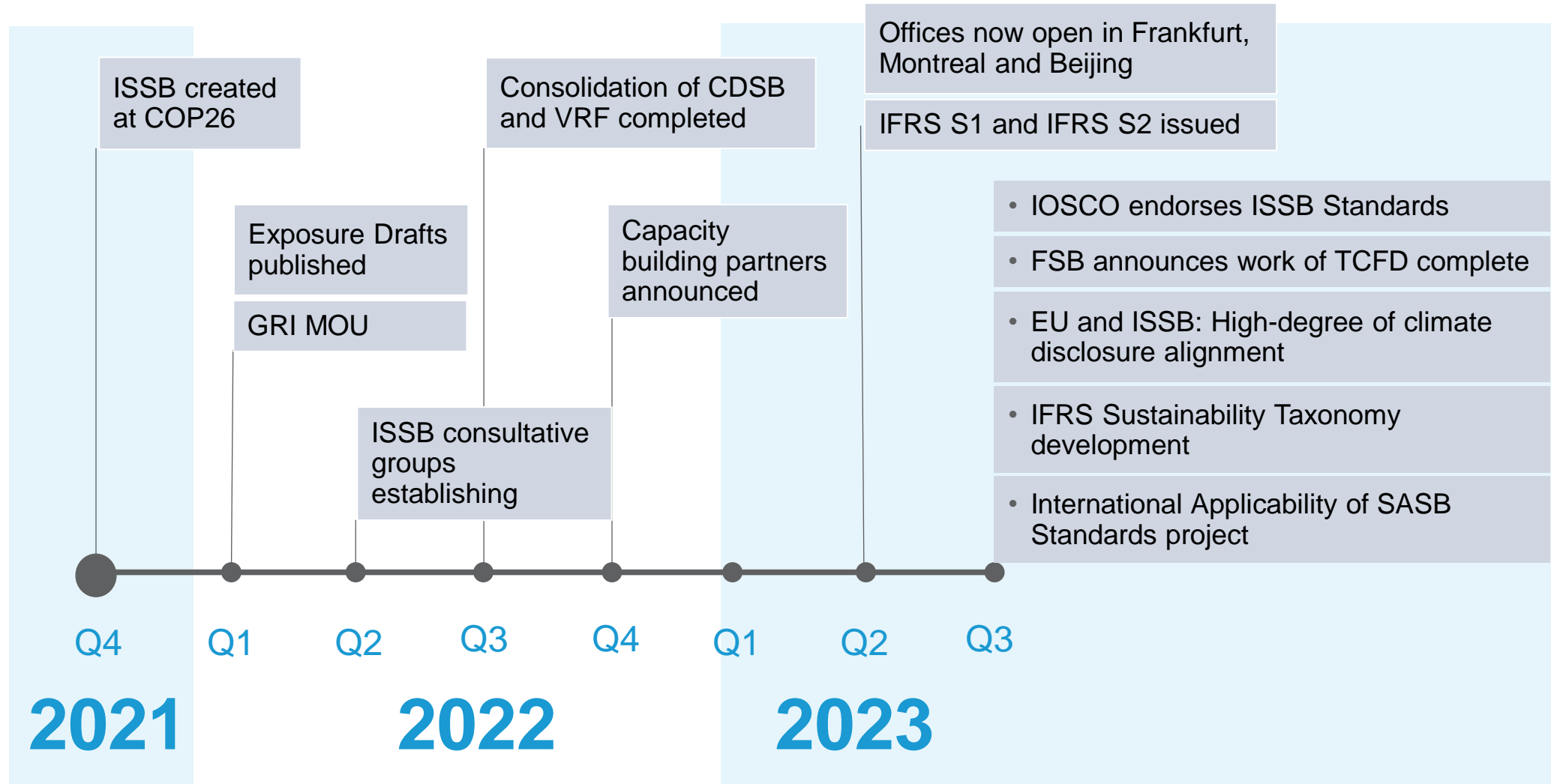
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# The ISSB Standards can deliver

- **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.



# Milestones



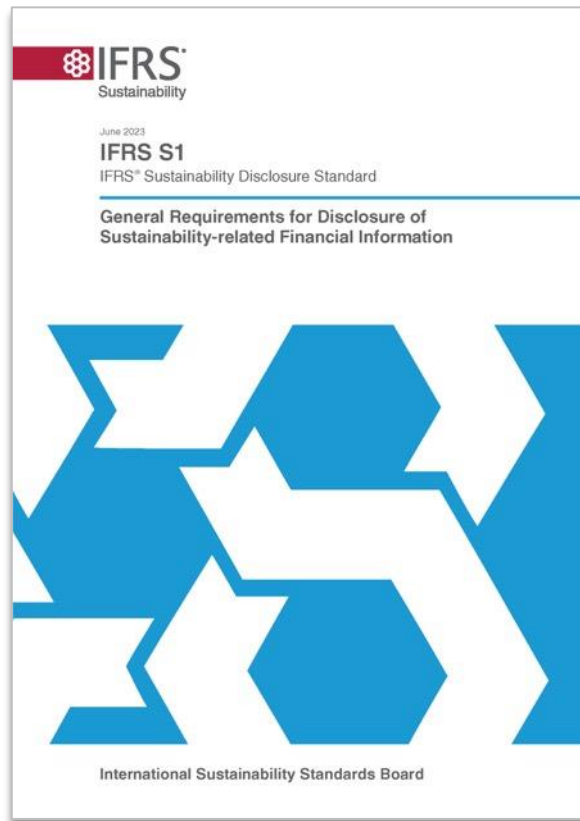
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## ISSB Standards endorsed by international securities regulators

- IOSCO endorsement sends strong signal that ISSB Standards are **fit for purpose** for capital market use
- Creates **trust** in ISSB Standards for jurisdictions
- IOSCO calling on **130 member jurisdictions** to consider how they can incorporate ISSB Standards into respective regulatory frameworks
- Historic **milestone** echoing IOSCO's sole previous endorsement, which was of IFRS Accounting Standards 20+ years ago



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



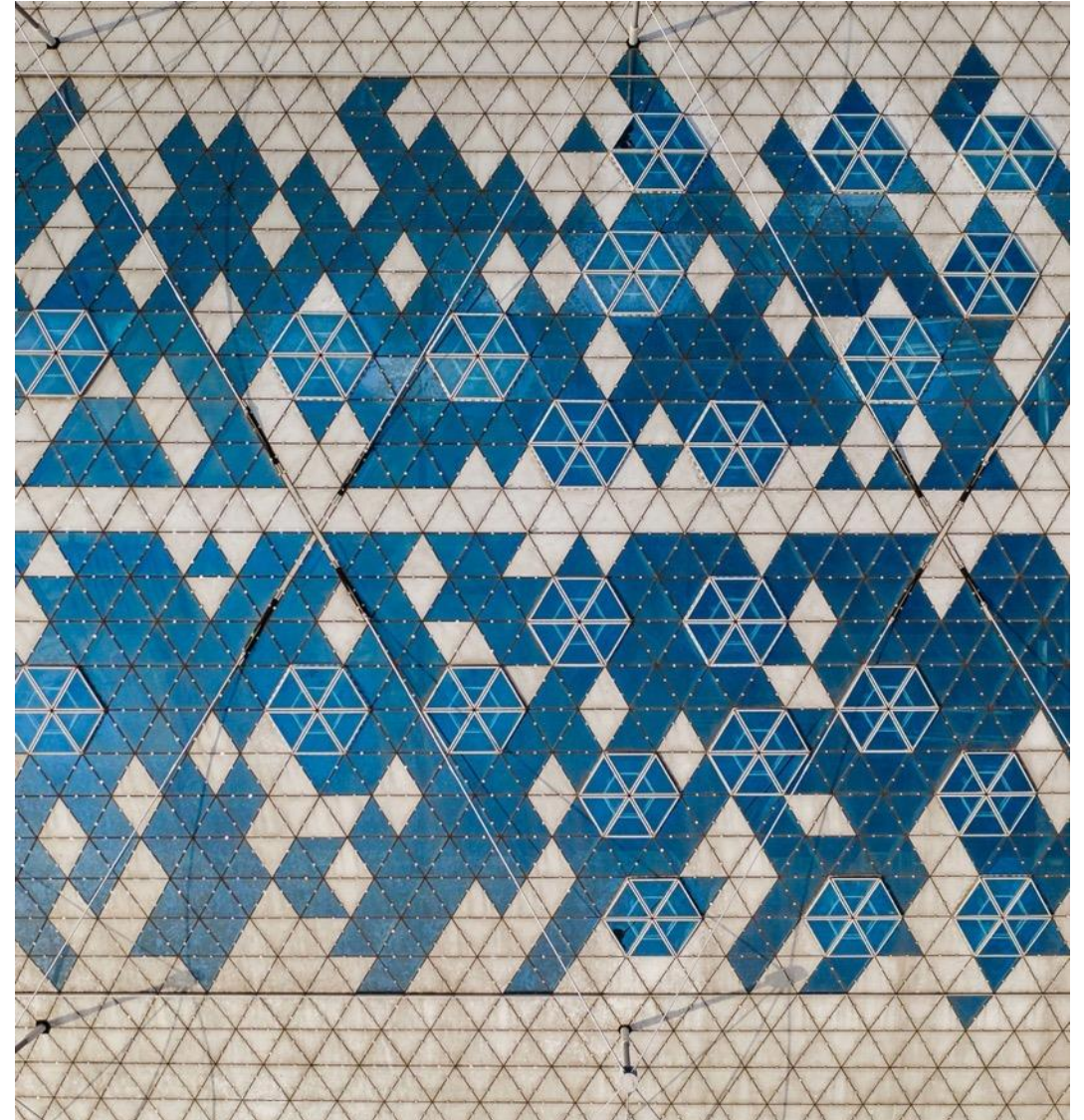
- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** with the financial statements, to meet investor information needs
- Applies **TCFD architecture** whenever providing information about sustainability
- Requires **industry-specific disclosures**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



## How companies identify material sustainability information

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

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



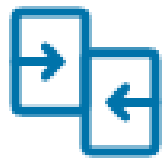
# Timing, location and comparatives



Financial statements and sustainability disclosures published **at the same time**, but with transitional relief in the first year of reporting

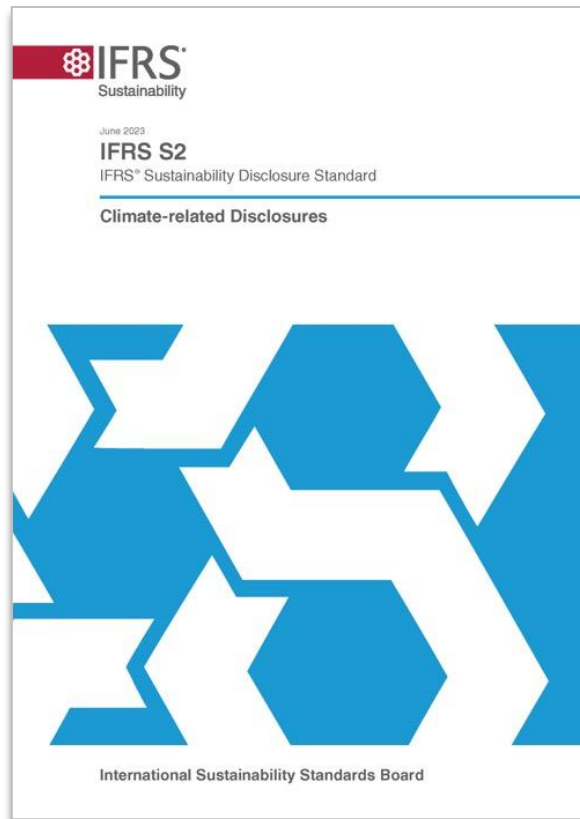


Does **not specify a location** for disclosure within general purpose financial reports and **allows for additional information**, to facilitate application in different jurisdictions



Asks for **comparative information** for the preceding period for amounts disclosed. This might relate to metrics and targets or to current and anticipated financial effects. Also asks for comparatives on narrative and descriptive information if useful to investors.

# IFRS S2: Climate-related Disclosures

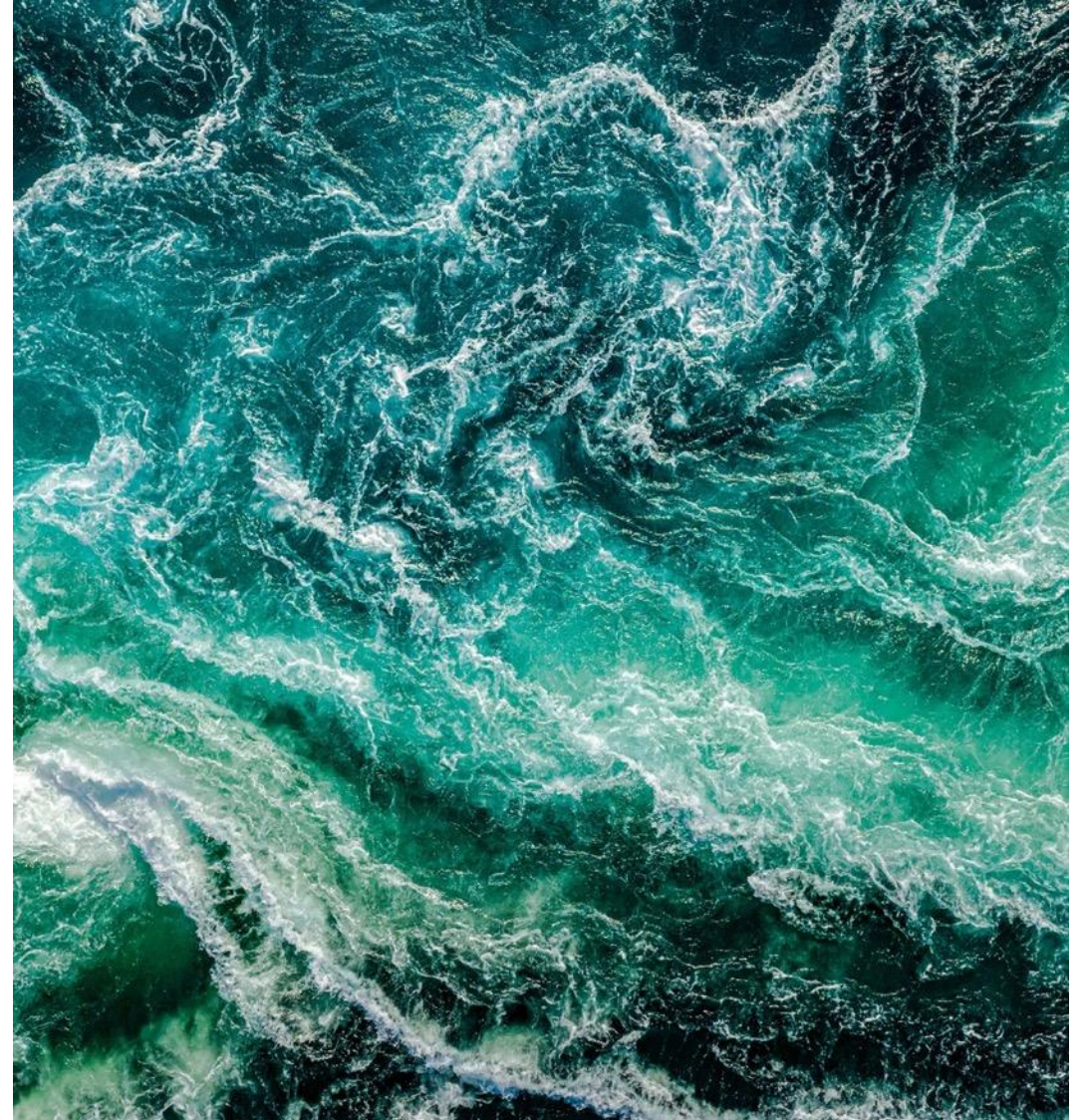


- Incorporates the **TCFD recommendations**
- To meet investor information needs, IFRS S2:
  - is used in accordance with **IFRS S1**
  - requires disclosure of **material information about climate-related risks and opportunities**, including physical and transition risks
  - requires **industry-specific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

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## Material climate-related information enables investors to:

- Determine the effects of climate-related risks and opportunities on the company's performance and prospects
- Understand the company's response to, and strategy for, managing its climate-related risks and opportunities, including its climate-related transition planning
- Evaluate the ability of the company to adapt its planning, business model and operations to climate-related risks and opportunities
- Understand climate-related risks and opportunities in a company's value chain



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# IFRS S2 needs to be applied with IFRS S1

## IFRS S1:

- establishes **key concepts** such as connected information, value chains, and which sustainability- and climate-related risks and opportunities to report on
- provides vital guidance on the **assessment of materiality**
- sets out the **qualitative characteristics** of the information to be provided, eg that it needs to be relevant and represented faithfully
- sets out **requirements** for reporting, such as:
  - the reporting entity
  - timing and location of reporting
  - connections and comparatives in reporting
- sets out how to deal with changes in estimates and errors, disclosures on judgements, assumptions and estimates, requirements on when to aggregate and disaggregate information, focussed exemptions from disclosing commercially sensitive opportunities, and the interaction with law and regulation

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# 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

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# Current and anticipated financial effects



The effects of climate-related risks and opportunities on a company's current and anticipated financial performance, financial position and cash flows

- A company is required to disclose **both quantitative and qualitative** information. The quantitative information may be a single amount or a range
- A company can provide qualitative rather than quantitative information when:
  - Not **separately identifiable**;
  - There is a **high level of measurement uncertainty**; or
  - For anticipated effects, this is **not commensurate** with the company's skills, expertise and resources

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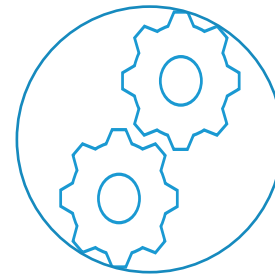
# Climate resilience



The resilience of a company's strategy and business model to climate-related changes, developments and uncertainties



Climate resilience  
assessment



Inputs and key  
assumptions used in  
the scenario analysis



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# Climate resilience: scenario analysis

Companies need to use climate-related scenario analysis when reporting on climate resilience



## **IFRS S2 includes application guidance on how to apply scenario analysis**

Building on TCFD materials

The guidance requires:

- a method of climate-related scenario analysis **commensurate** with a company's circumstances
- the use of **all reasonable and supportable information** that is available to a company at the reporting date without **undue cost or effort**

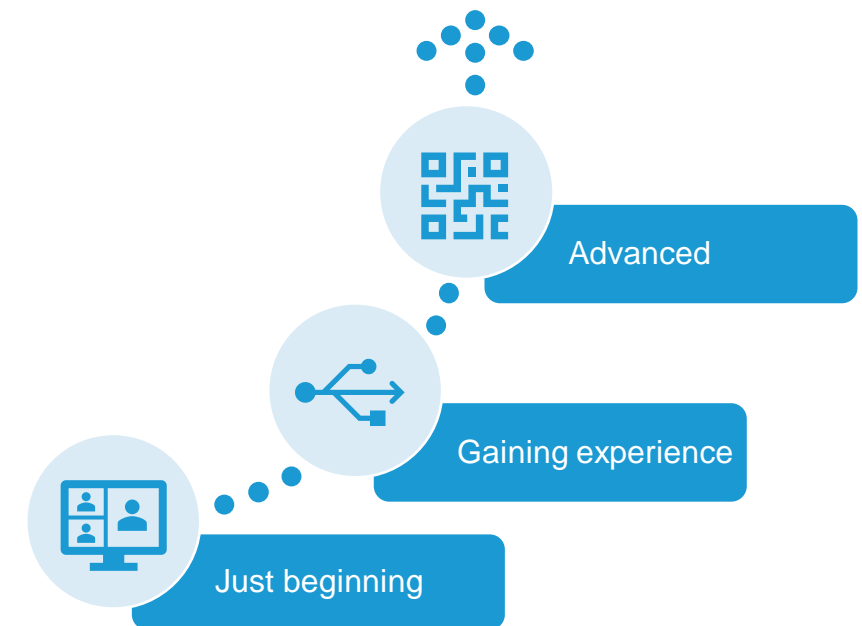
# Commensurate approach to scenario analysis

The ISSB's application guidance draws on the range of practice outlined in documents published by the TCFD

Designed to help companies:

- ✓ identify the appropriate stage to use
- ✓ navigate toward a more robust resilience assessment and related disclosures over time

## TCFD's stages of progression



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# GHG emissions



Disclose a company's absolute gross Scope 1, Scope 2 and Scope 3 GHG emissions

- **Scope 1:** direct emissions
- **Scope 2:** indirect emissions from the generation of purchased energy consumed by the company
- **Scope 3:** all other indirect emissions that occur in the company's value chain

**Measured in accordance with the GHG  
Protocol Corporate Standard**

Disclosure of how and why a company has used specific inputs, assumptions and estimation techniques to measure its GHG emissions, including any changes to these

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## Scope 3 GHG emissions: Financed emissions

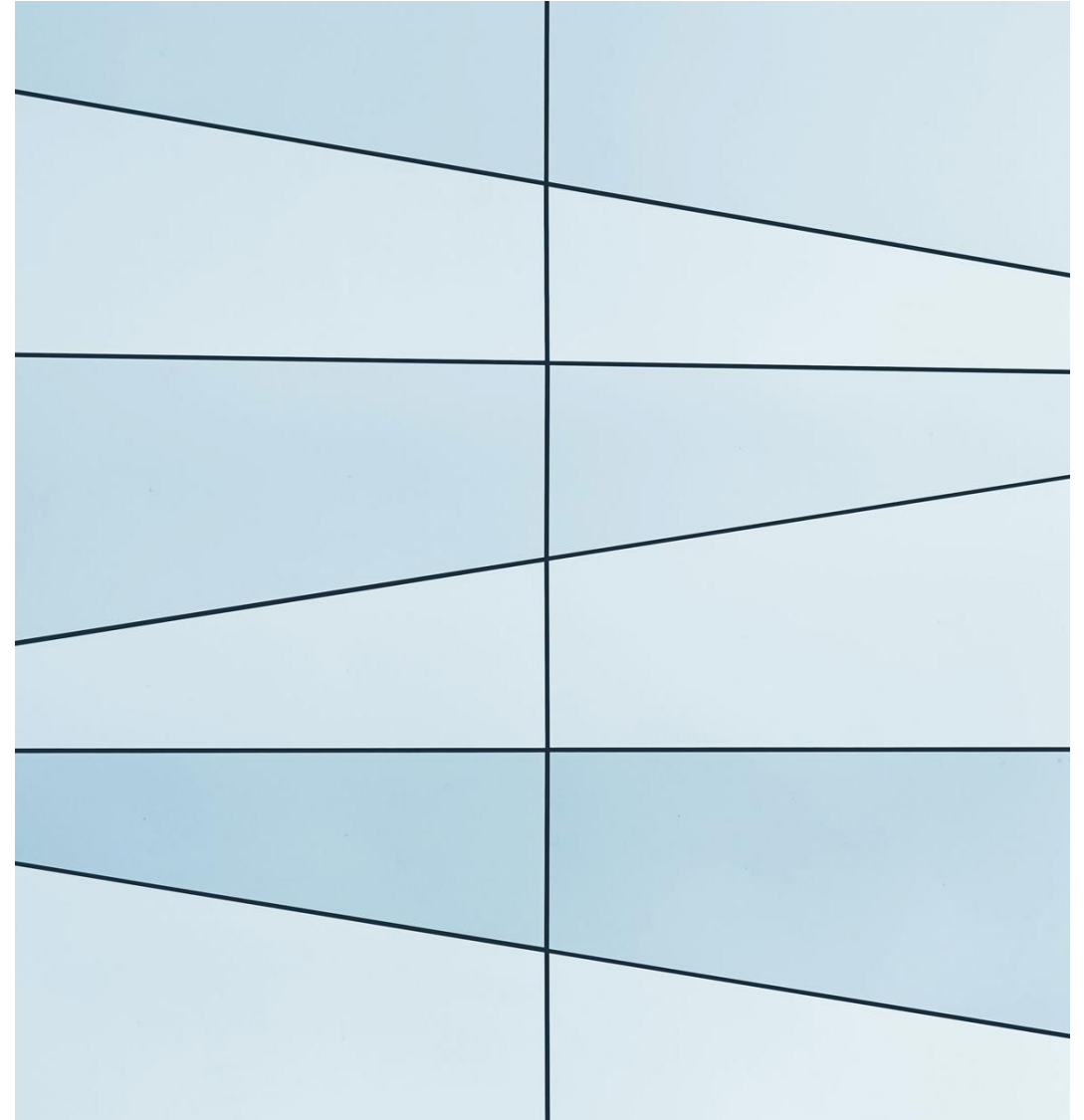


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Companies with emissions associated with investments (or other forms of financing) are required to report on financed emissions.

Applies to companies with activities associated with:

- Asset Management
- Commercial Banks
- Insurance



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## Four-pillar strategy to support adoption and use of ISSB Standards

Proportionality and guidance built into IFRS S1 and IFRS S2

Transition reliefs - with possibility of jurisdictional extensions

**Implementation strategy for ISSB Standards**

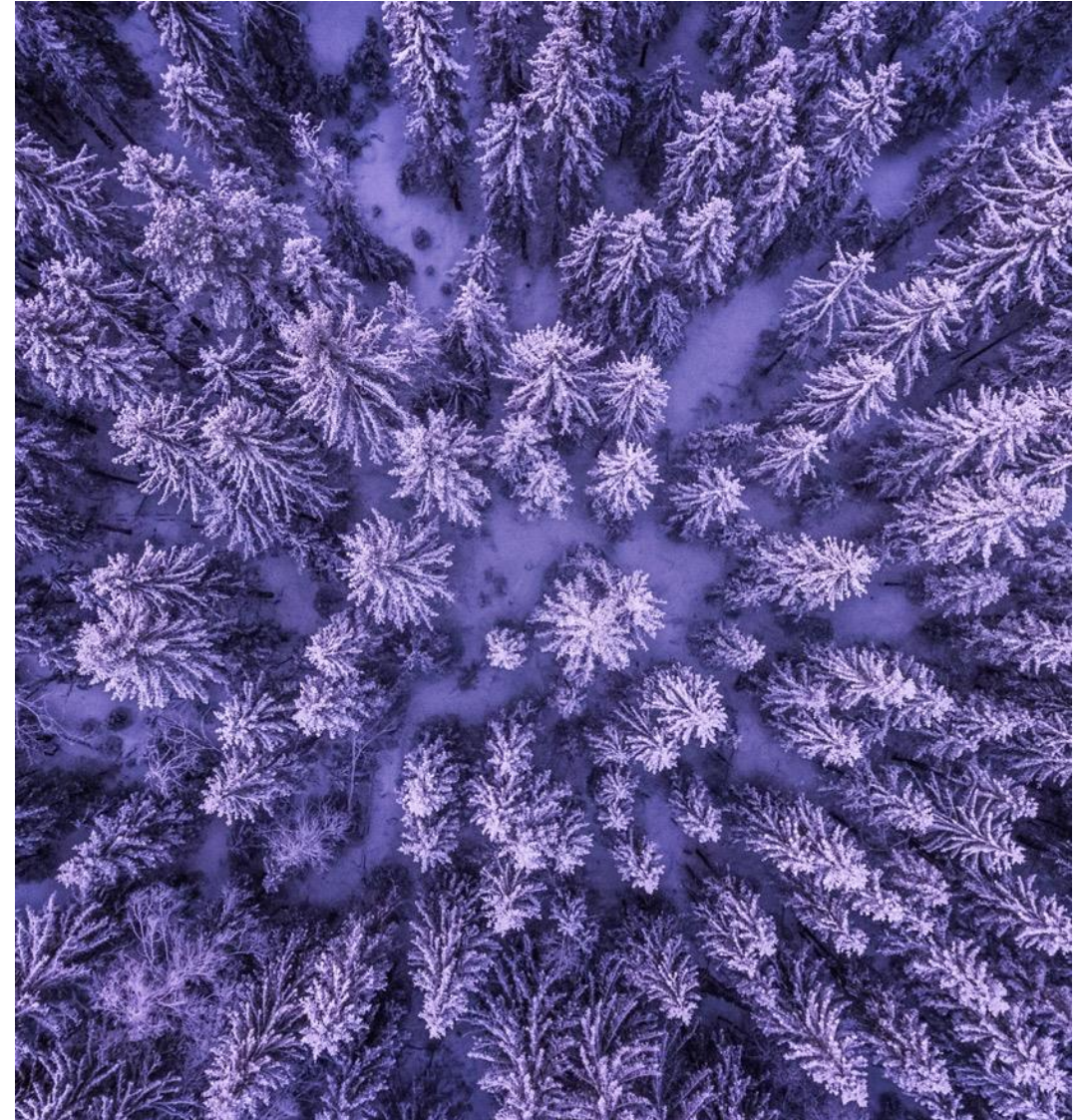
Adoption Guide to support scalability and jurisdictional phasing in

Additional support – including Capacity Building for companies and regulators

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# Mechanisms that support application

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



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# Supporting IFRS S1 application

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## Application Guidance

- Identifying sustainability-related risks and opportunities and disclosing material information about such risks and opportunities
- Material information
- Connected information



## Accompanying Guidance

- Guidance on who 'primary users' are and how companies should apply sources of guidance
- Examples of considering and applying the SASB Standards

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# IFRS S2 guidance

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## Application Guidance

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



## Accompanying Guidance

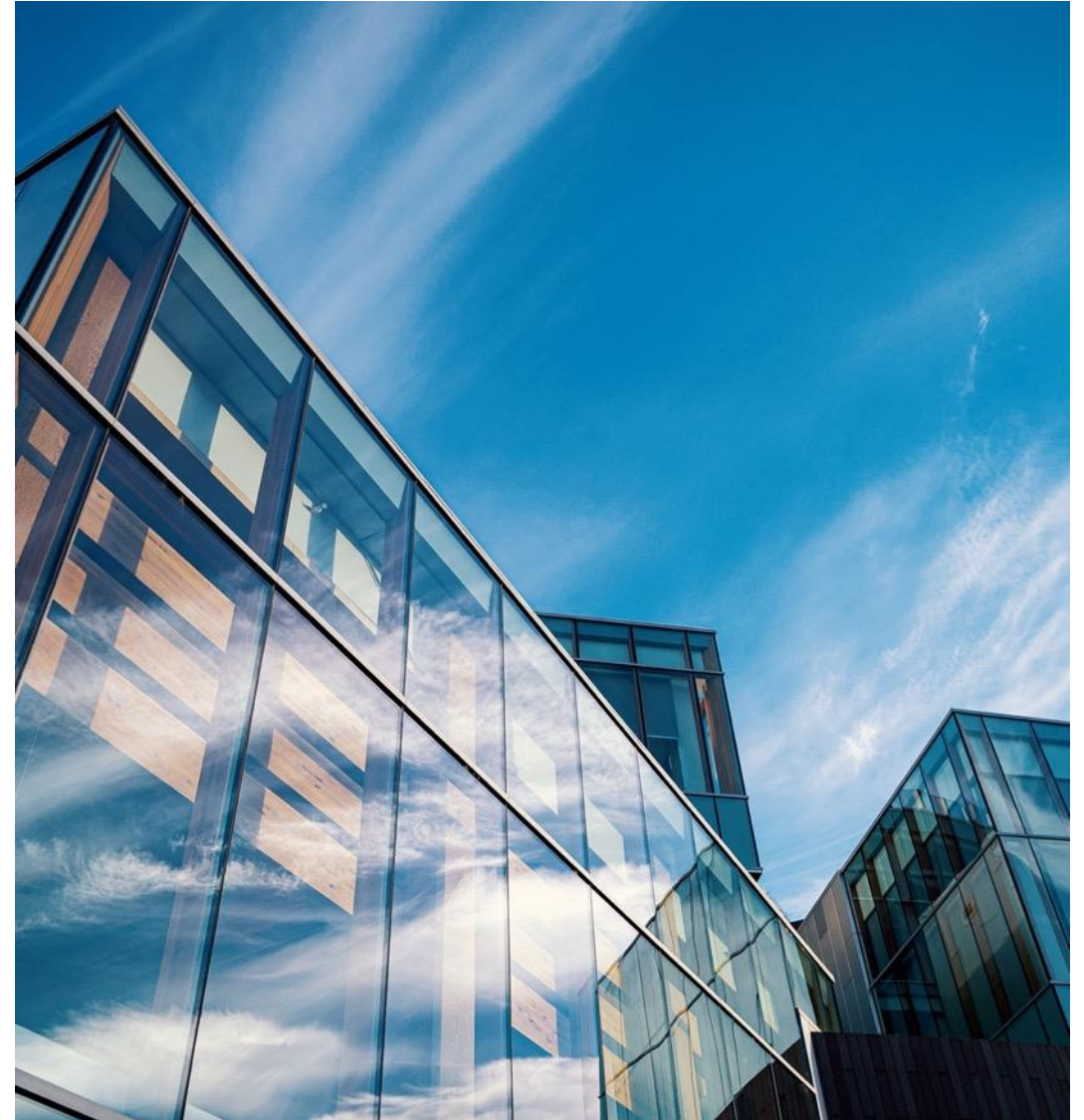
- Metrics that could be disclosed relevant to cross-industry metric categories
- Examples of disclosing GHG emissions information applying the principles in IFRS S1 for aggregation and disaggregation
- Industry-based guidance on identifying appropriate disclosures associated with common business models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



# Reliefs for first year of application

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

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



# Prioritise climate-related disclosures



In the first year of reporting using the ISSB Standards, companies can choose to limit disclosures to climate-related information

Companies using this relief:

- **focus** initial efforts on ensuring they meet investor **information needs around climate change**
- **prioritise** putting in place reporting practices and structures to provide high-quality, decision-useful information about **climate-related risks and opportunities**
- provide full reporting on sustainability-related risks and opportunities, **beyond climate**, from the second year
- use their first year of reporting to **get familiar with concepts and requirements** within the ISSB Standards—undertaking important exercises to get their systems in place—using climate first, before reporting on other sustainability-related risks and opportunities

# Scope 3 GHG emissions

## Reliefs and support



**Relief:**

Exemption from this disclosure in first year applying S2



**Relief:**

Permission to include information obtained from companies in the value chain with a different reporting cycle



**Support:**

Use of reasonable and supportable information available without undue cost or effort



**Guidance:**

Framework for Scope 3 measurement that incorporates use of estimation

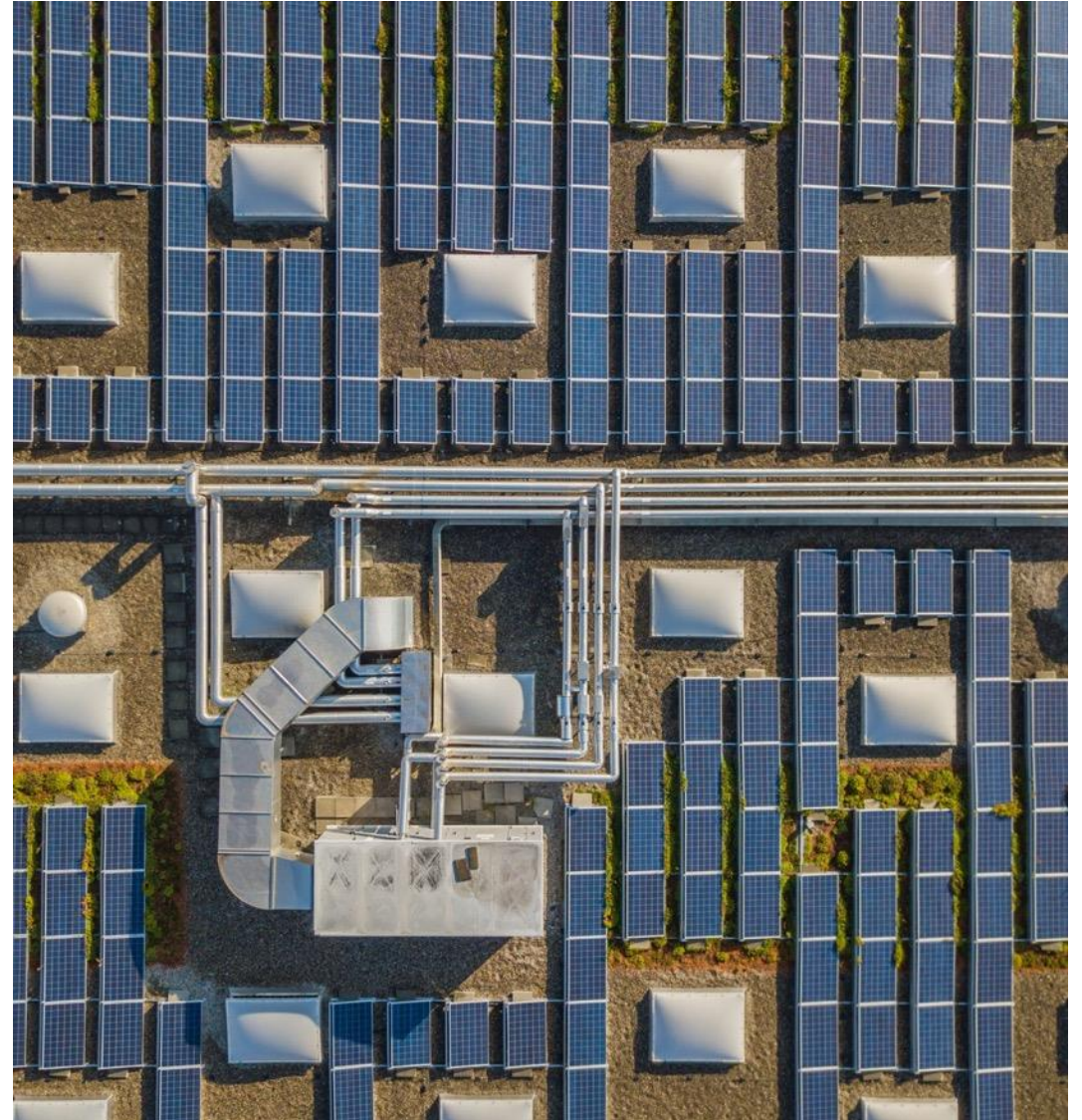


*We recognise that companies need help, as best practice develops, in measuring Scope 3 GHG emissions. These reliefs and guidance provide companies with time to get their processes in place, and the guidance to support this disclosure.*

**Sue Lloyd**  
Vice-Chair, ISSB

# Supporting implementation of IFRS S1 and IFRS S2

- Transition Implementation Group
- Educational material
- Knowledge Hub
- Interoperability
- IFRS Sustainability Disclosure Taxonomy



## Transition Implementation Group - objective

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

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

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

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

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

## Submit a question to the Transition Implementation Group on IFRS S1 and IFRS S2

- **Any stakeholder** can submit a question, so long as the issues raised:
  - **are related to, or arise from**, the implementation of IFRS S1 and/or IFRS S2
  - may result in possible **diversity in practice**
  - are expected to be **pervasive**, i.e. relevant to a wide group of stakeholders
- In your submission, include a **detailed description** of the possible ways in which the Standard(s) could be applied
- The form and your name will **not be made public**

[Submission guidelines and form](#) are available at [ifrs.org](https://www.ifrs.org)

### Submission form

#### Potential implementation question

Click here to enter text.

#### Paragraph(s) of IFRS S1 and/or IFRS S2

Click here to enter text.

#### Analysis of the matter

Click here to enter text.

#### Is the matter pervasive?

Explain why or how the matter covered by the question is expected to be relevant to a wide group of stakeholders.

Click here to enter text.

Email the completed form to [issb\\_tig@ifrs.org](mailto:issb_tig@ifrs.org)

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## Jurisdictional journey: Adopting ISSB Standards

- Supporting regulators adopt the Standards in a timely, consistent and comprehensive manner
- Adoption Guide to be published later this year - supporting jurisdictional regulatory pathways to adoption
- IFRS Foundation [High-level roadmap](#) (a precursor to the Adoption Guide) outlines approach to adoption considerations

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Jurisdictions on the adoption journey include:



- Australia
- Brazil
- Canada
- Hong Kong
- Japan
- Kenya
- Nigeria
- Mexico
- Philippines
- Singapore
- UK

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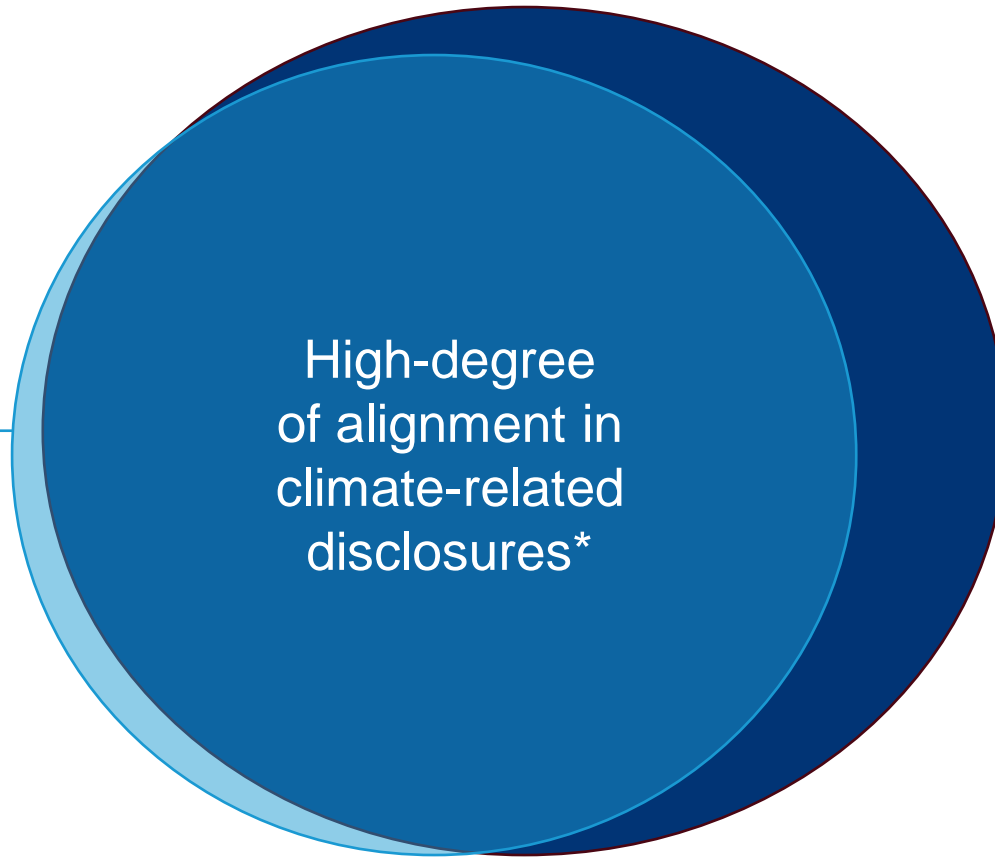
## Achieving efficient reporting through interoperability

- Ongoing dialogue with **jurisdictions** to ensure consistency across reporting requirements, eg the European Commission
- ISSB Standards mark “**culmination of the work** of the TCFD”
- **CDP** to align platform to IFRS S2
- Work with **GRI** to further harmonise the sustainability reporting landscape





**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.

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# Agenda consultation

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

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

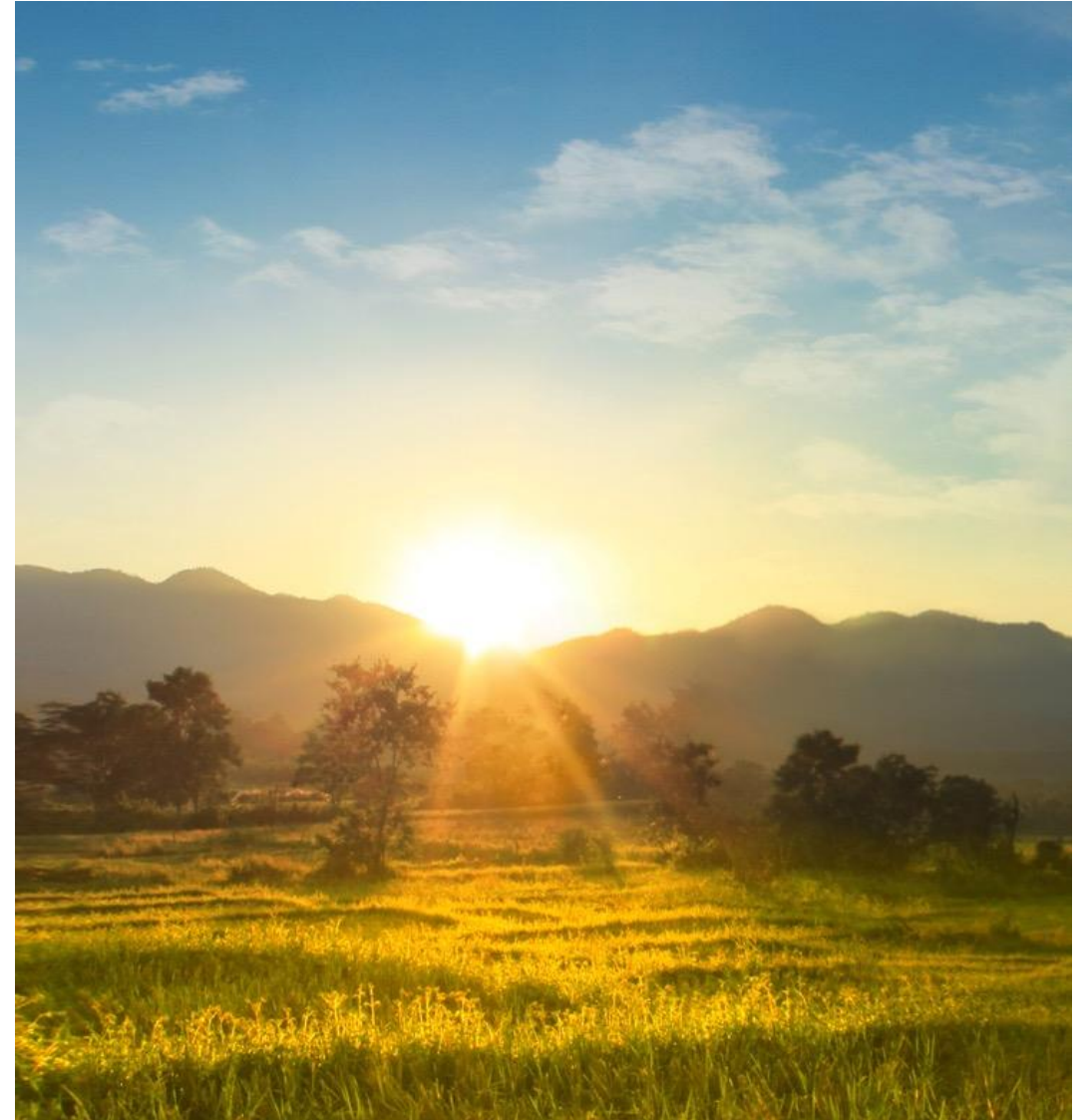
*Comment period ended on 1 September with over 400 submissions provided.*



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## Agenda feedback: preliminary common themes

- Desire for a **roadmap** showing ISSB overall strategic direction
- Demand for the ISSB to pursue **interoperability** to reduce duplication for preparers and secure consistency and comparability for investors
- Need to balance different views on **timelines**:
  - many noted it is important to take time to support implementation of IFRS S1 and IFRS S2 – focus on capacity building initiatives
  - those already well advanced with disclosures are more keen for the ISSB to move more quickly to develop new ISSB Standards
- General support for **research** in areas related to the four potential research projects discussed in the Request for Information – to balance with different views on timelines



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