



Progress update

IFRS[®] Sustainability Disclosure Standards

April 2023



ISSB April 2023 summary

This month's focus

The ISSB agreed:

- a **climate-first option** as an additional transition relief; and
- the approach for its upcoming **consultations**.

Upcoming consultations

In May 2023, the ISSB will consult on the following.

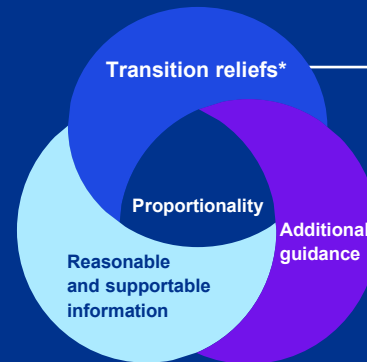


1. Sustainability Accounting Standards Board.

Latest status on topics discussed

At the International Sustainability Standards Board (ISSB) meeting in April:

Transition reliefs



Climate-first option – allowing companies to report **only** on climate-related risks and opportunities in the first year of reporting.

Comparative information – allowing companies an additional year to report the related comparative information.

Greenhouse gas (GHG) disclosures – providing relief in the first year of reporting from:

- disclosing Scope 3 greenhouse gas emissions; and
- using the GHG Protocol Standards for companies that currently use other methodologies**.

Timing of reporting – allowing companies to report sustainability-related financial disclosures after their financial statements in the first year of reporting.

* Reliefs would be limited to the first year of reporting and subject to jurisdictional requirements.

** Additional relief is available for companies that are required to use alternative methodologies by their jurisdiction.



For more information, visit our sustainability reporting resource centre

Bookmark the page to read our insights and follow the development of the standards.

Journey to the first IFRS Sustainability Disclosure Standards



The original proposals

The proposals build on the four-pillar structure of the **TCFD**³.

The **general requirements** proposal defines the scope and objectives of reporting and provides core content, presentation and practical requirements.

It requires disclosure of material information on all significant sustainability-related risks and opportunities – not just on climate.

The **climate proposal** replicates the core content requirements and supplements them with climate-specific reporting requirements.



Focus areas for change

General requirements

- Fundamental topics, including materiality and sources of guidance
- Practicalities of reporting, including timing of reporting and proportionality

Climate

- Greenhouse gas emissions
- Transition plans and targets
- Climate resilience
- Industry-specific materials

2. Proposed IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and proposed IFRS S2 *Climate-related Disclosures*. 3. Task Force on Climate-related Financial Disclosures.

Key decisions – General requirements

Fundamental topics

Materiality

The ISSB confirmed that it will:

- base **materiality** on the International Accounting Standards Board description of materiality and will remove references to assess ‘enterprise value’;
- provide **guidance** on how a company assesses what information is material; and
- Clarify the objective of reporting and its link to **value creation**.

Reporting on topics other than climate

Step 1:
Identifying sustainability-related risks and opportunities

There is a **two-step framework** for companies to disclose material information across all sustainability-related topics, not just climate.

The ISSB confirmed that companies ‘**shall consider**’ disclosure topics and metrics in the industry-based **SASB** standards in Steps 1 and 2.

Step 2:
Identifying disclosures (including metrics)

It also provided **guidance** on materials companies ‘**may consider**’ for Step 2, which includes GRI⁴ standards and ESRs⁵.

4. Global Reporting Initiative; 5. European Sustainability Reporting Standards.

Practicalities of reporting

Applying existing concepts

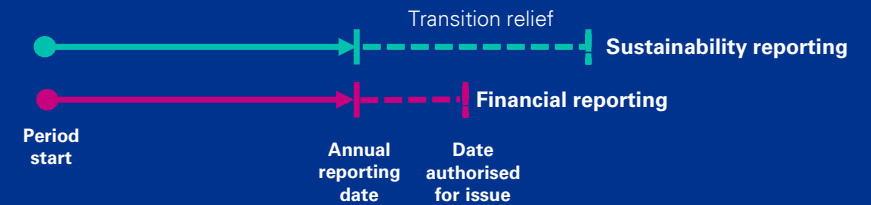
The ISSB is leveraging existing accounting concepts to support companies to:

- disclose useful information about **judgements, assumptions and estimates**;
- identify what information is **reasonable and supportable** at the reporting date without undue cost or effort; and
- use an exemption from providing **commercially sensitive information** about opportunities in limited circumstances.

However, companies would need to revise comparatives to reflect updated estimates in some but not all circumstances.

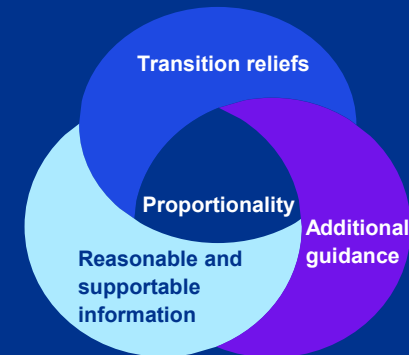
Timing of reporting

Companies would need to report at the same time as the financial statements, with relief available in the first year of reporting.



Proportionality

The ISSB agreed ways to make the standards proportionate so that all types of company can apply them – e.g. transition reliefs such as the climate-first option.



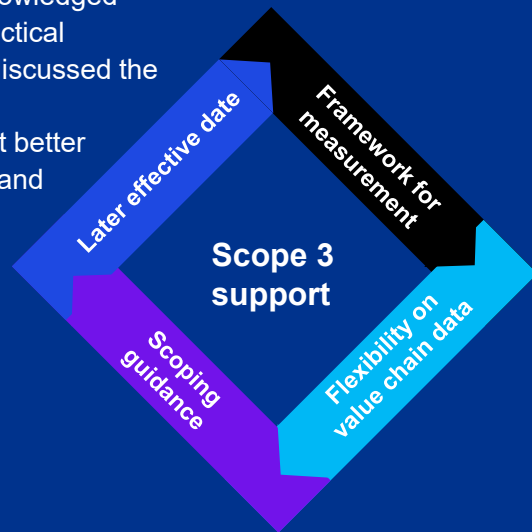
Key decisions – Climate-related requirements

Greenhouse gas emissions

The ISSB agreed to retain its requirement to report Scope 1, 2 and 3* emissions using the **GHG Protocol Standards**.

Scope 3 emissions disclosures are fundamental for understanding a company's exposure to transition risks.

The ISSB acknowledged companies' practical concerns and discussed the following ways to support better **data quality** and **availability**.



*Certain industries will be required to disclose financed emissions

Climate resilience

Companies will be required to use **scenario analysis** when describing their assessment of climate resilience.

The ISSB is taking a **proportionate** approach to ensure that all types of company can disclose decision-useful information for investors.

The type of analysis will depend on the company's exposure to climate-related risks and the approach would use 'reasonable and supportable' information.

The ISSB plans to provide guidance, building on TCFD requirements and setting out a **range of approaches** to scenario analysis.



Transition plans and targets

Investors want to understand companies' readiness to transition to a lower-carbon economy. More **transparent** and **granular** disclosures can achieve this.

The ISSB has agreed additional requirements to disclose information on **transition plans** and **climate-related targets** in response to stakeholder feedback.

Industry-specific materials

The ISSB will require industry-specific disclosures, but for now it classified the content in Appendix B of the climate standard as **illustrative examples**.

The ISSB plans to make content based on SASB **mandatory in future**, after further consultation.



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