



Progress update

IFRS[®] Sustainability Disclosure Standards

February 2023



ISSB February 2023 summary

This month's focus

Making the **last major decisions** before finalising the first two standards¹.

The ISSB confirmed the:

- **effective date** as 1 January 2024,
- available transition options and **proportionality** mechanisms; and
- **sources of guidance** to be used in the absence of IFRS Sustainability Disclosure Standards.

**Final standards
expected
June 2023**

Latest status on topics discussed

At the International Sustainability Standards Board (ISSB) meeting in February

Effective date



IFRS S1 and IFRS S2 will be effective from **1 January 2024**, subject to local jurisdictions adopting.

Companies may use transition options in the first year of reporting, including relief from disclosing comparative information and Scope 3 greenhouse gas emissions.

Sources of guidance

The ISSB confirmed that companies 'may consider' **GRI**² standards and **ESRSs**³ when identifying information to report in the absence of specific IFRS Sustainability Disclosure Standards. Metrics selected need to be material to investors.

The ISSB previously confirmed that companies 'shall consider' **SASB**⁴ standards.

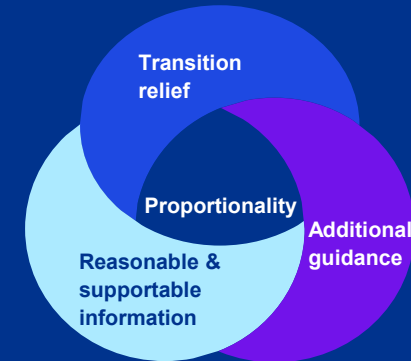


For more information, visit our sustainability reporting resource centre

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

Proportionality

The ISSB agreed ways to make the standards proportionate so that they can be applied by all types of company.



1. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. 2. Global Reporting Initiative; 3. European Sustainability Reporting Standards; 4. Sustainability Accounting Standards Board.

Journey to the first IFRS Sustainability Disclosure Standards



1. Task Force on Climate-related Financial Disclosures

The original proposals

The proposals build on the four-pillar structure of the TCFD¹.

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

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



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.

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

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.

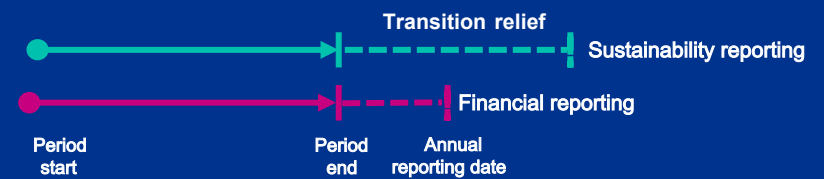
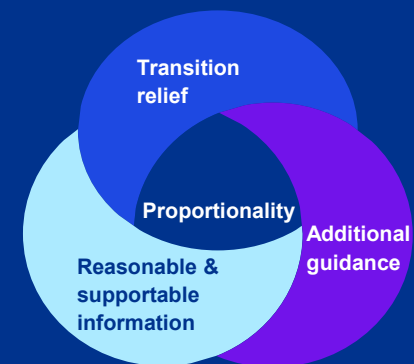
However, companies would need to revise comparatives to reflect updated estimates in some but not all circumstances.

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 they can be applied by all types of company.



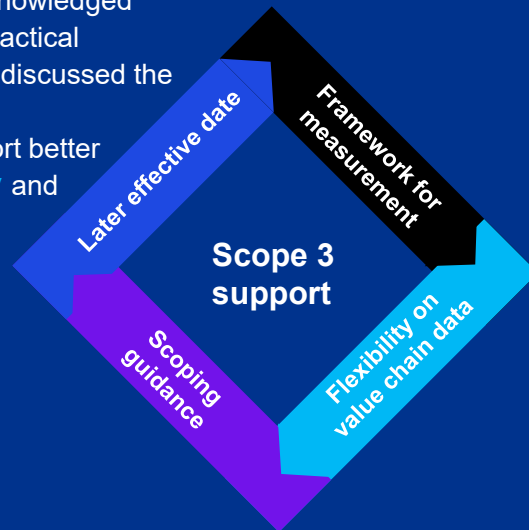
Key decisions – Climate-related requirements

Greenhouse gas emissions

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

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 would classify 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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