
ISSB and Its Standards : What? Why and How?

*-An update from the International
Sustainability Standards Board*

March 2023

BETTER INFORMATION FOR BETTER DECISIONS

The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation, International Accounting Standards Board or the International Sustainability Standards Board.
Copyright © 2023 IFRS Foundation. All rights reserved.

Overview

1. Introduction

2. S1 – General requirements

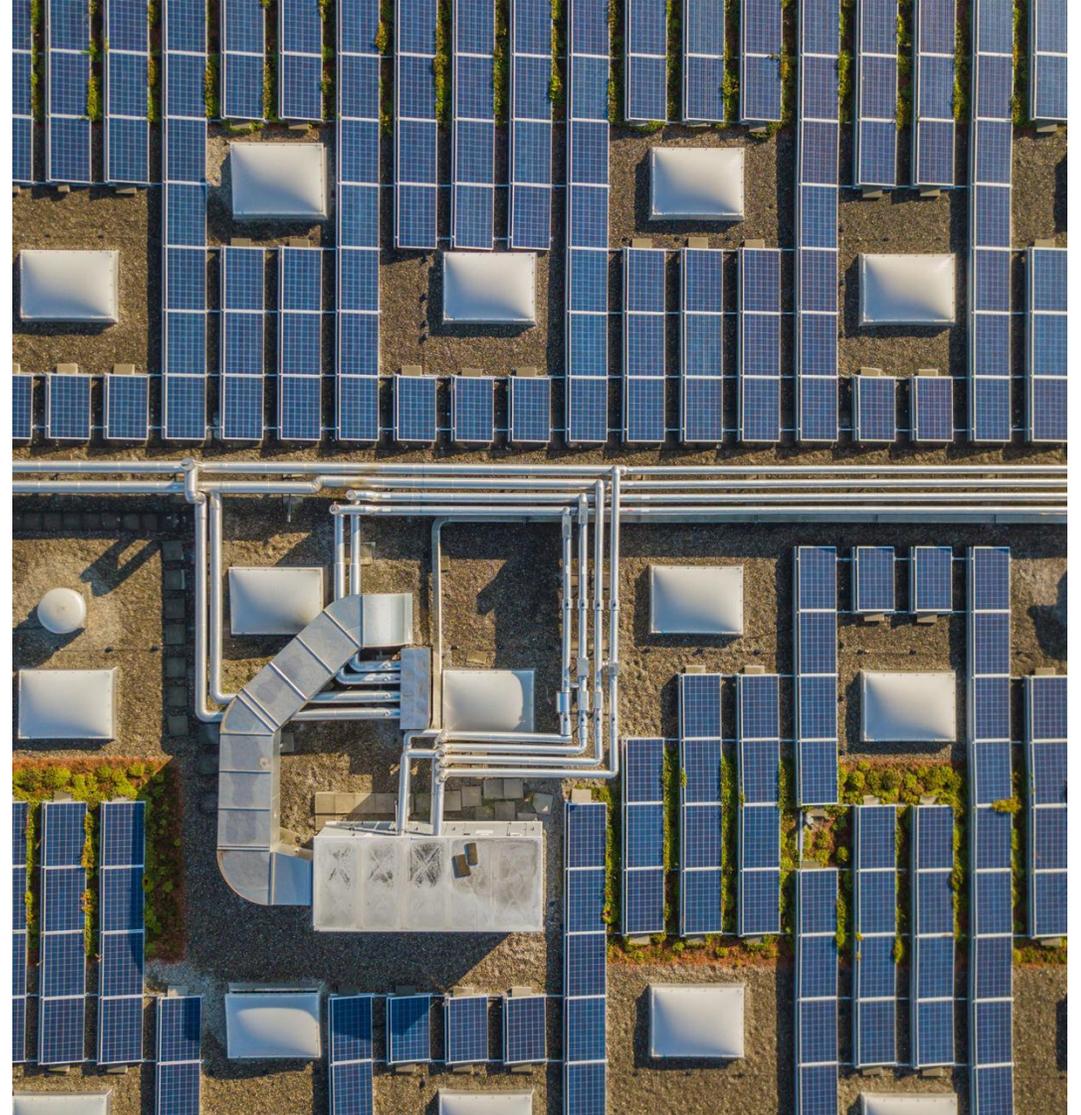
3. S2 – Climate

4. Next steps

5. Global support

Why the ISSB?

- Sustainability factors becoming a mainstream part of investment decision-making
- End the alphabet soup of voluntary initiatives
- International policy support



Delivering Standards that are:

Cost-effective

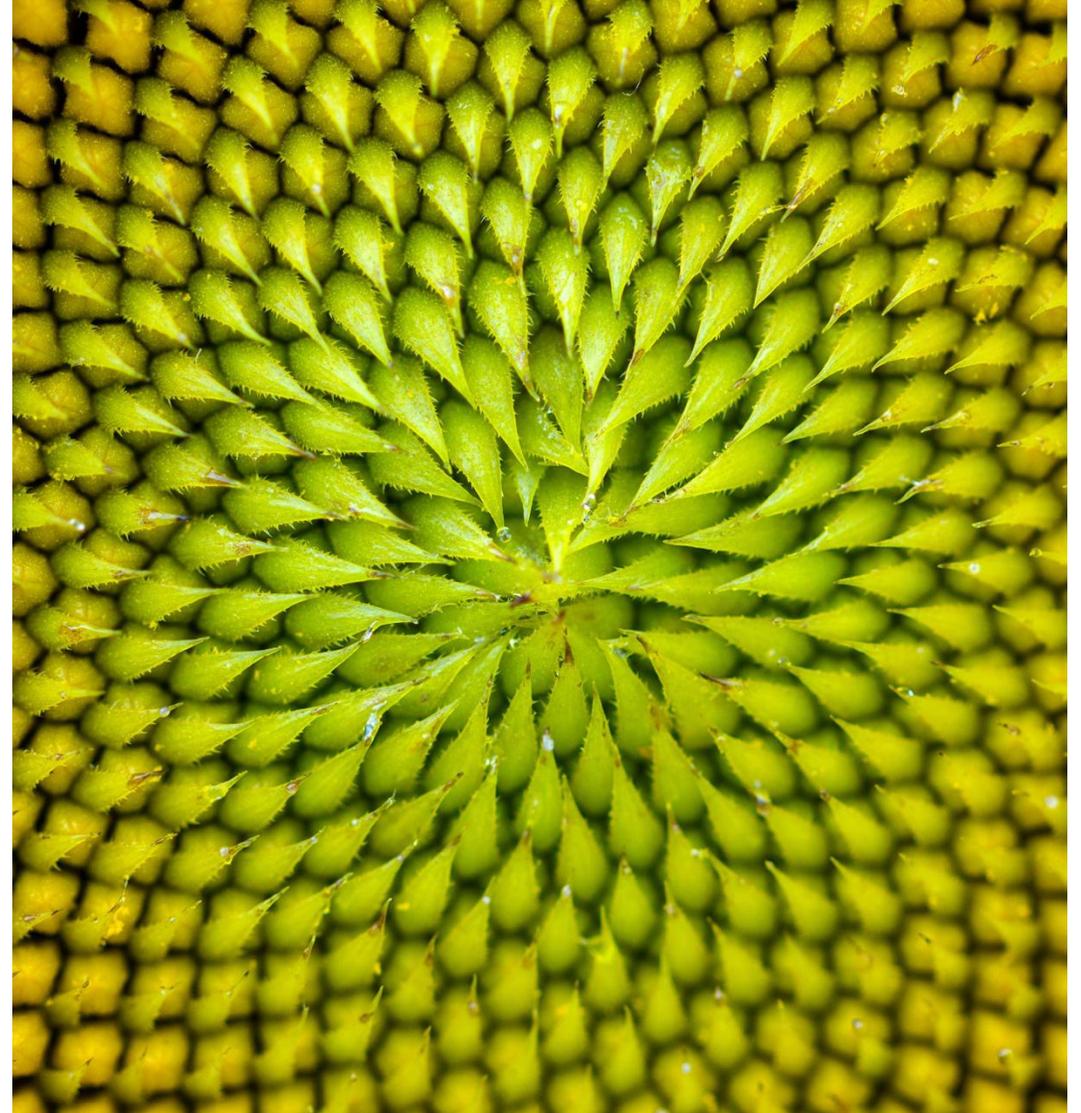
Developed with efficiency in mind

Decision-useful

Designed to provide the right information to support investor decision-making

Market-informed

Rigorous, international due process to deliver a common language for efficient disclosure.



ISSB objectives



Develop standards for a **global baseline of sustainability disclosures** meeting information needs of global investors



Enable companies to provide comprehensive, decision-useful sustainability information to global capital markets



Deliver a common language of sustainability disclosures, with the flexibility for regional ‘**building blocks**’ to be added by regulators when necessary **to meet local and multi-stakeholder information needs.**

ISSB builds on investor-focused standards and frameworks

Simplifying the sustainability disclosure landscape

Consolidated into the IFRS Foundation

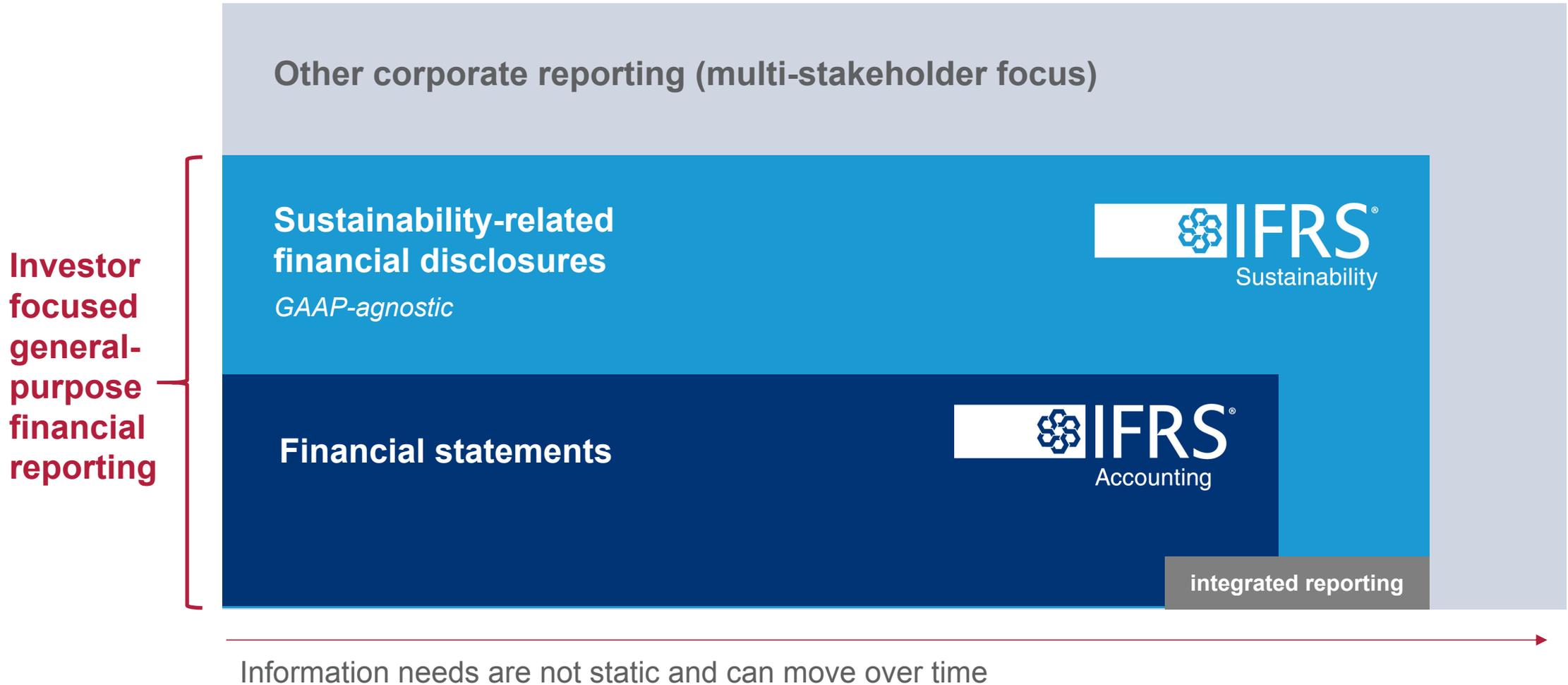


**CDSB
Framework**

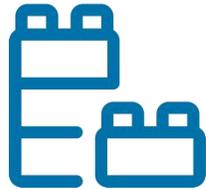


ISSB Standards build off market-leading frameworks and standards.

ISSB work within the broader reporting landscape



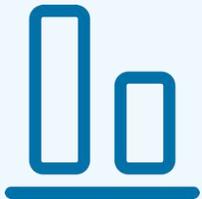
Towards a comprehensive global baseline for disclosure



BUILDING BLOCKS

- May be added to meet jurisdiction-specific requirements (eg ESRS)
- May be adopted to meet broader multi-stakeholder needs (eg GRI Standards)

ISSB Standards



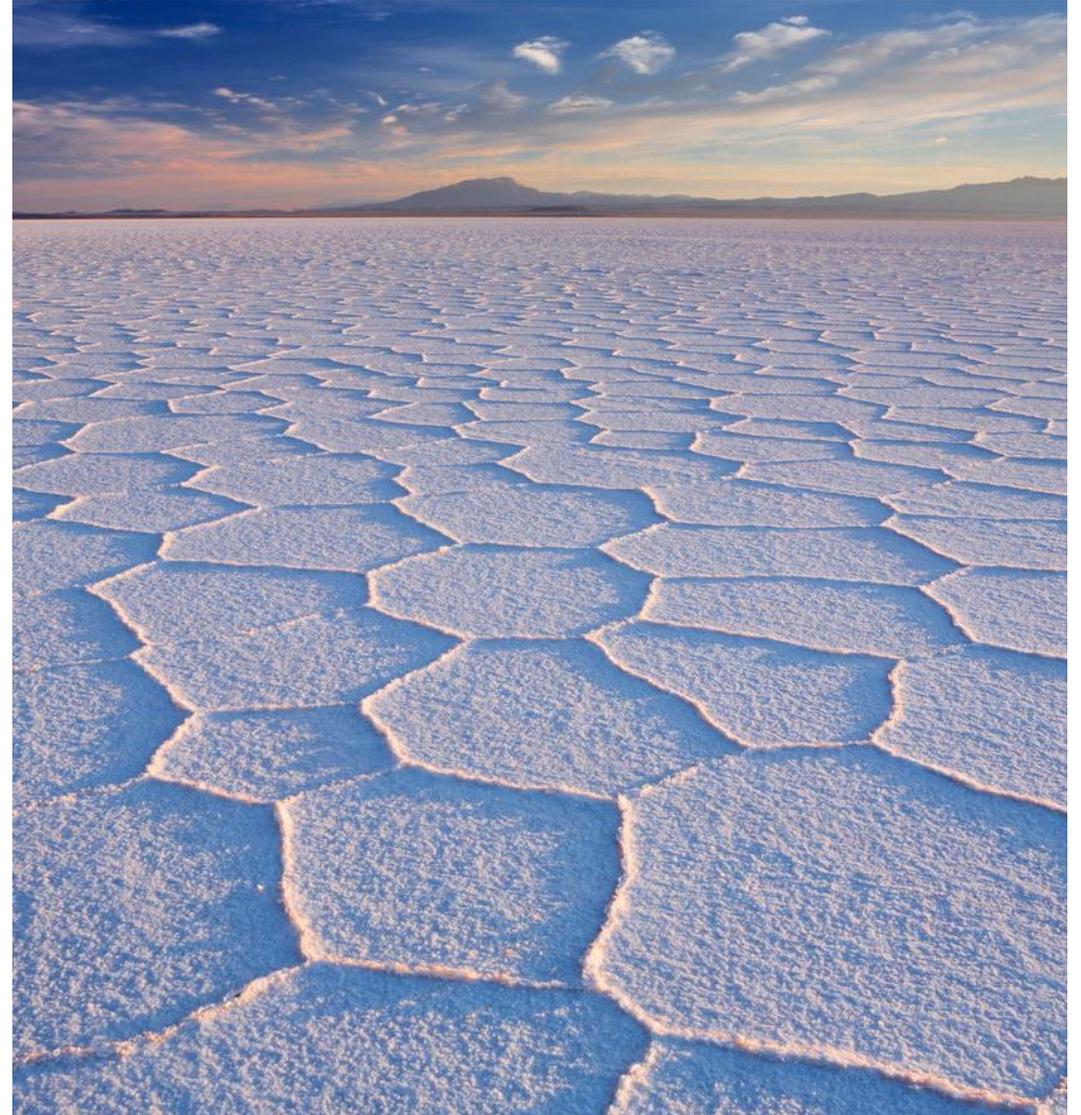
BASELINE

- Provides a comprehensive foundation of disclosure
- Common language for comparable, cost effective, decision-useful disclosures
- Designed to meet investor needs across global capital markets

Efficiency through interoperability

A critical focus

- **Ongoing dialogue with jurisdictions**, eg the European Commission, working on jurisdiction-specific disclosure requirements
- Many redeliberation decisions – eg enterprise value, Scope 3 – **support interoperability**
- Adopted the **TCFD architecture** to drive alignment
- Working with **GRI** to deliver a comprehensive sustainability reporting regime
- CDP to align platform to S2, **reducing market fragmentation** for CDP users



ISSB members



Sue Lloyd
Vice-Chair

From: **New Zealand**
Region: **At large**
Former: Vice Chair
IASB



Emmanuel Faber
Chair

From: **France**
Region: **At large**
Former: Chair and
CEO, **Danone**



Jingdong Hua
Vice-Chair

From: **China**
Region: **At large**
Former: Vice
President and
Treasurer, **World Bank**



Richard Barker

From: **UK**
Region: **Europe**
Former: Deputy
Dean and
professor of
accounting at
Saïd Business
School,
University of
Oxford



Jenny Bofinger-Schuster

From: **Germany**
Region: **Europe**
Former: Senior
Vice President
for
sustainability
and operational
excellence,
Siemens



Verity Chegar

From: **USA**
Region: **Americas**
Former:
Sustainable
Investment and
Stewardship
Strategies,
California State
Teachers' Retirement System's
(CalSTRS)



Jeffrey Hales

From: **USA**
Region: **At large**
Former: Chair,
SASB Standards Board; Dr Hales
also teaches at the
University of Texas.

ISSB members



**Michael
Jantzi**

From: **Canada**
Region: **Americas**
Former: Founder,
Sustainalytics;
Managing Director
of ESG Strategy,
Morningstar



**Hiroshi
Komori**

From: **Japan**
Region: **Asia-
Oceania**
Former: Senior
Director and Head
of Stewardship,
ESG Division,
**Government
Pension
Investment Fund
(GPIF)**



**Bing
Leng**

From: **China**
Region: **Asia-
Oceania**
Former:
Sustainability
reporting initiatives,
**Chinese Ministry of
Finance**; Member,
IASB' s IFRS
Taxonomy
Consultative Group



**Ndidi
Nnoli-Edozien**

From: **Nigeria**
Region: **Africa**
Former: Group
Chief Sustainability
and Governance
Officer, **Dangote
Industries**



**Tae-Young
Paik**

From: **South Korea**
Region: **Asia-
Oceania**
Former: Professor
of accounting at
**Sungkyunkwan
University (SKKU)**



**Veronika
Pountcheva**

From: **Bulgaria**
Region: **Europe**
Former: Senior
Vice President of
corporate
responsibility,
METRO



**Elizabeth
Seeger**

From: **USA**
Region: **Americas**
Former: Managing
Director,
Sustainable
Investing, **KKR**

Informed by experts

Strategic Advisory Groups

IFRS Advisory Council

Integrated Reporting and Connectivity Council

ISSB Advisory Groups

Sustainability Standards Advisory Forum

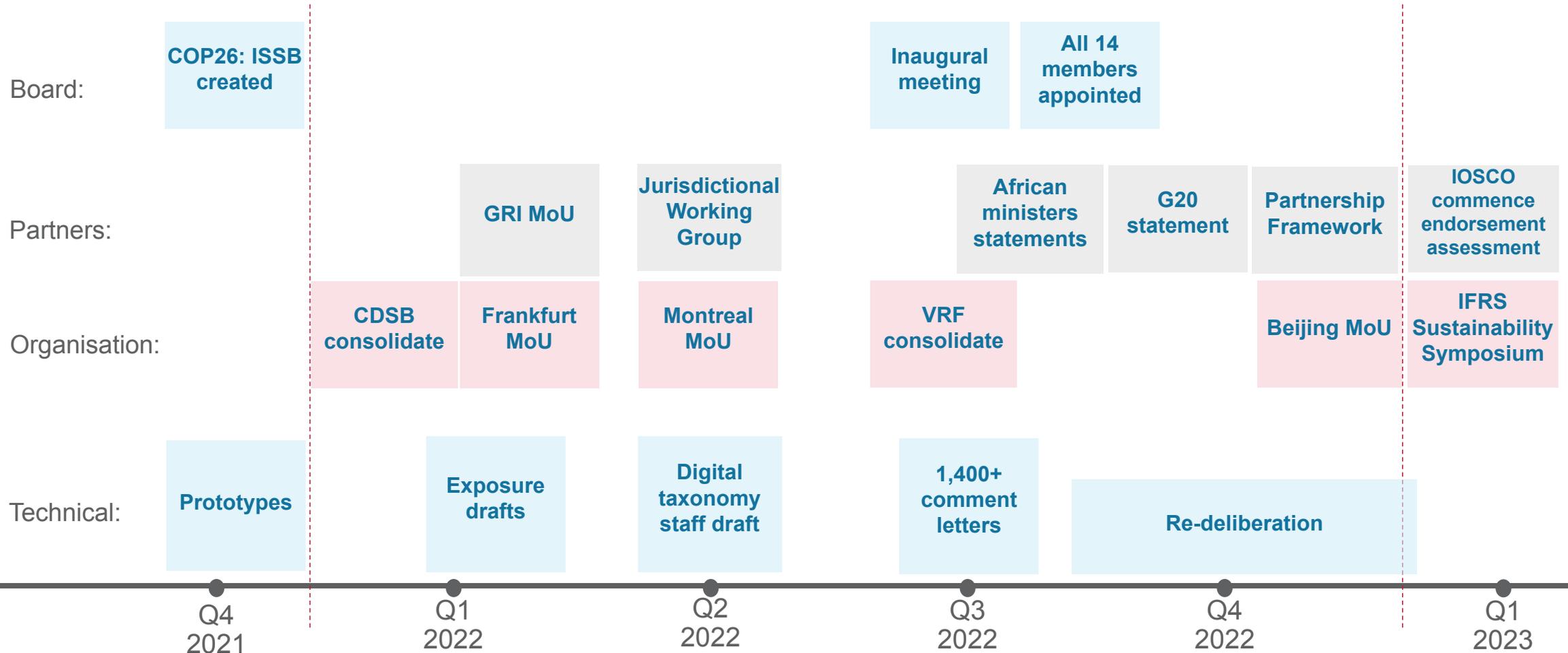
Jurisdictional Working Group

Sustainability Consultative Committee

Investor Advisory Group

Technical Reference Group

ISSB milestones



Projects in the ISSB work plan

	Next milestone
Consultation on Agenda Priorities	Publish Request for Information
General Sustainability-related Disclosures (S1)	Issue S1 (final standard)
Climate-related Disclosures (S2)	Issue S2 (final standard)
IFRS Sustainability Disclosure Taxonomy	Publish Proposed IFRS Sustainability Disclosure Taxonomy (exposure draft)
Maintenance of the SASB Standards	Publish Proposed methodology for improving the international applicability (exposure draft)
Inherited SASB Standards Projects	Publish exposure drafts for projects that were at advanced stage at the time of the VRF consolidation

Key decisions on S1 and S2

S1

- Description of sustainability
- Sources of guidance (beyond climate)
- Alignment of timing of reporting with financials
- Consistent assumptions with financials

S2

- Scope 1-3 emissions
- Scenario analysis
- Financed emissions
- Industry-specific climate disclosure

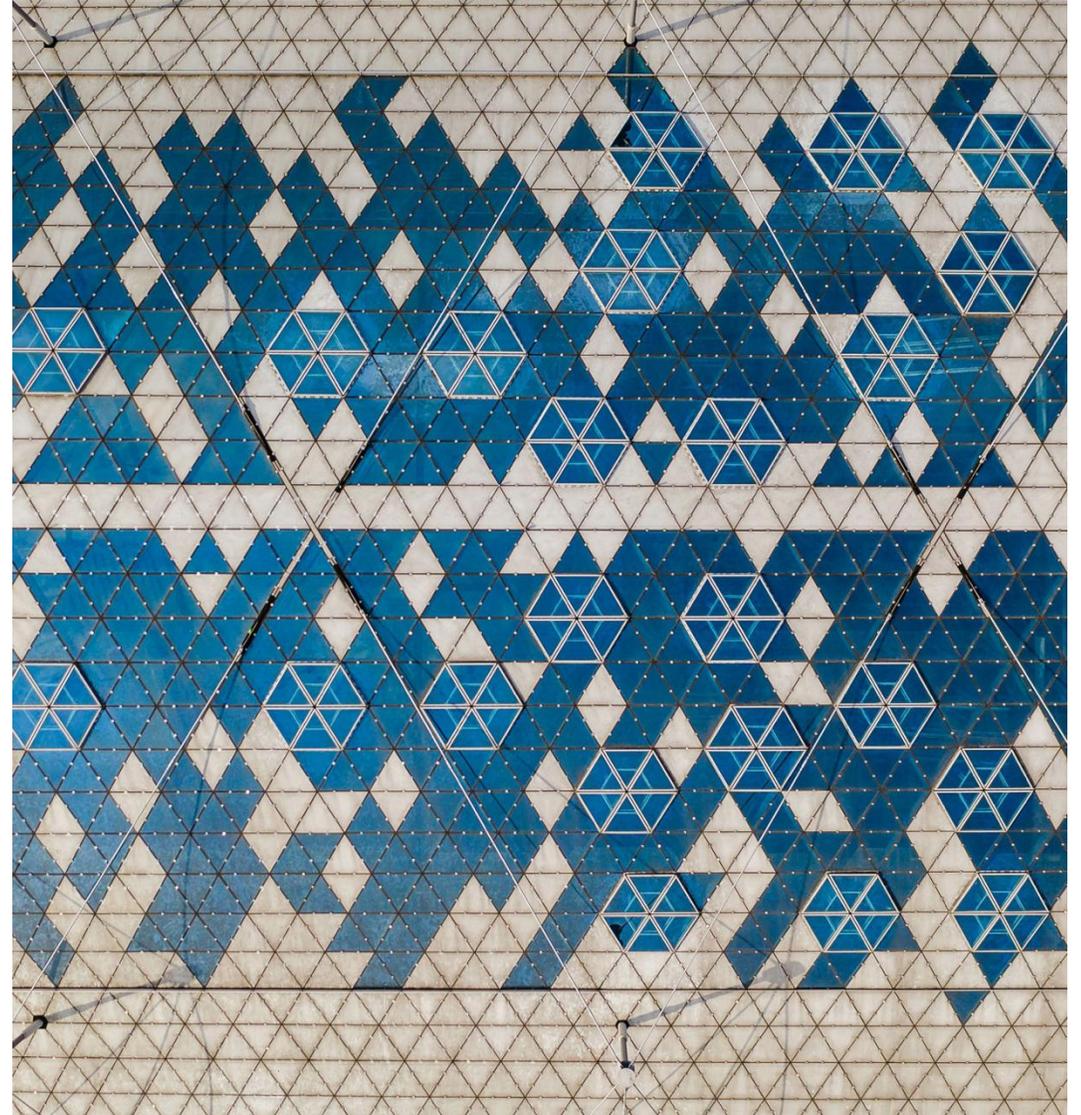


S1: General requirements

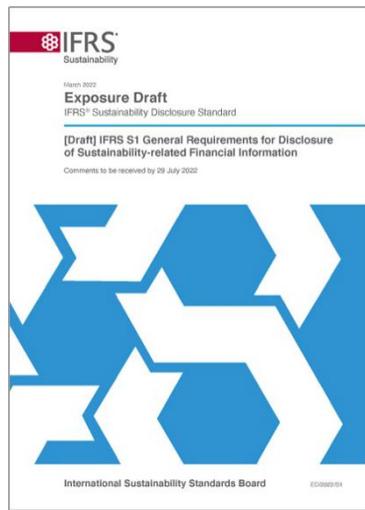
Determining materiality: meeting investor needs

ISSB Standards use the same definition of material as IFRS Accounting Standards to ensure investors understand sustainability risks and opportunities relevant to their investment decisions:

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



S1: Key concepts



- Asks for disclosure of financially material information about sustainability-related risks and opportunities to meet investor information needs
- Adopts structure of TCFD Recommendations
- Sets out general reporting requirements; other ISSB Standards (eg S2) set out specific disclosures on particular matters
- Refers to other standards and frameworks in absence of a specific ISSB standard
- GAAP agnostic and therefore applicable across jurisdictions (eg can use with US GAAP)



Emphasises need for **consistency and connections** between financial statements and sustainability disclosures



Financial statements and sustainability disclosures published **at the same time**, but with transitional relief



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

S1: Structure

Embedding TCFD recommendations



Governance

Governance processes, controls and procedures a company uses to monitor sustainability-related risks and opportunities



Strategy

How a company's strategy addresses sustainability-related risks and opportunities



Risk management

How a company assesses, identifies, manages and mitigates its sustainability-related risks



Metrics and targets

Information used to measure, manage and monitor sustainability-related risks and opportunities; as well as metrics required through ISSB Standards

S1: Sustainability and financial value creation

A company's ability to deliver financial value for **investors is inextricably linked to:**

Stakeholders

with whom it works
and serves



Society

in which it
operates



Natural

resources upon
which it draws



Builds on concepts from the **Integrated Reporting Framework**

S1: Sources of guidance



Which risks & opportunities?

To identify **risks and opportunities** to report, a company uses ISSB Standards **and shall consider:**

- Industry-specific **SASB Standards**

A company may also consider:

- CDSB Framework application guidance
- industry practice
- materials of investor-focused standard setters



Which metrics?

In the absence of a specific ISSB Standard, to determine **what to disclose** a company **shall consider:**

- Industry-specific **SASB Standards**

A company may also consider, to the extent it meets investor information needs:

- CDSB Framework application guidance
- industry practice
- materials of investor-focused standard setters
- GRI Standards
- European ESRS

Types of guidance



Application Guidance

Guidance, sometimes presented as an appendix of a Standard, with the same authority as the main part of the Standard – ie applying it is required

Published with the Standards.



Illustrative Guidance

Guidance issued alongside a Standard to assist companies, demonstrating how the requirements in the Standard could be applied and sharing examples

Published with the Standards.



Educational materials

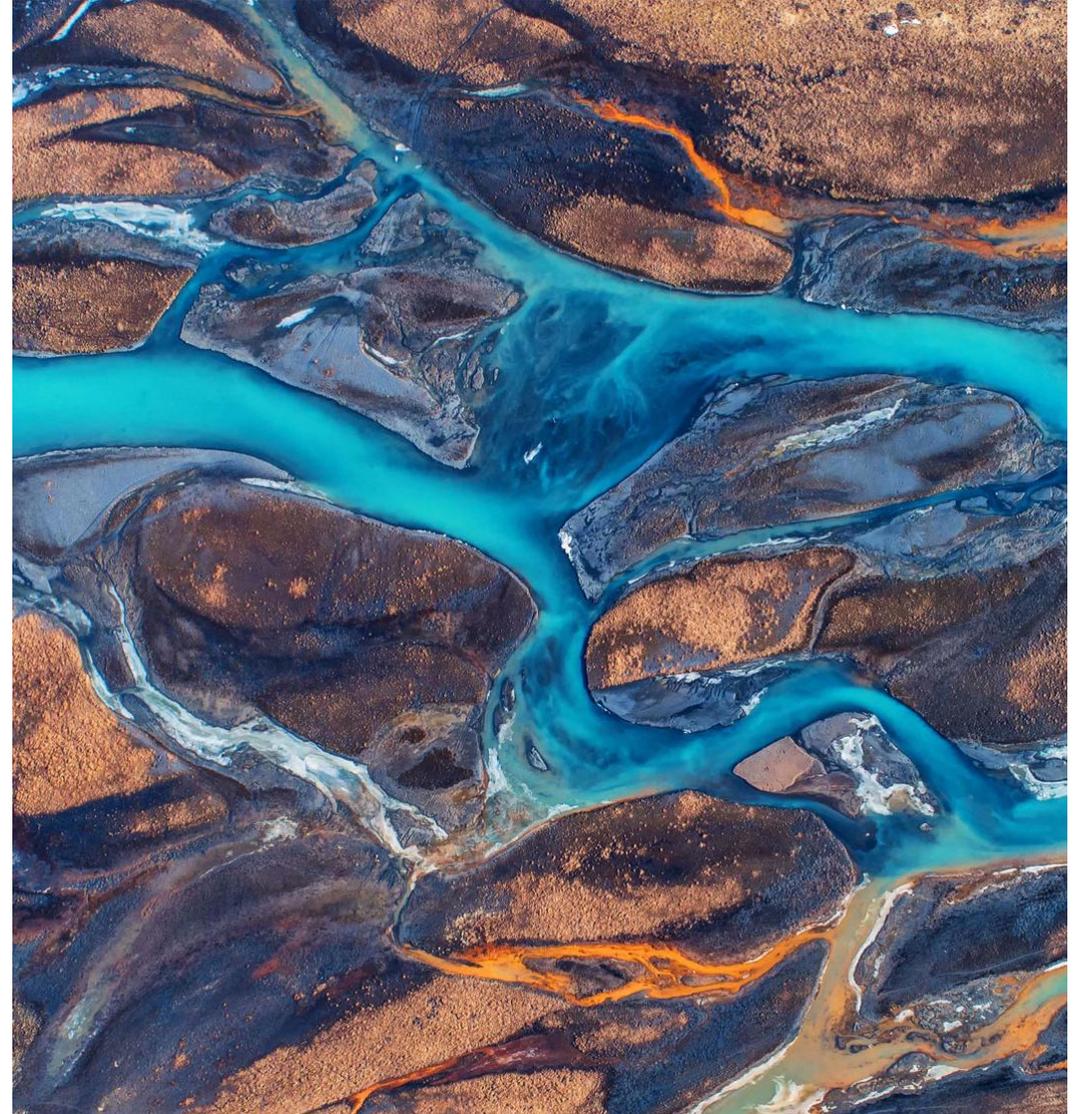
Separate materials developed to help companies apply the Standards

Published over time to meet preparer needs.

Supporting S1 application

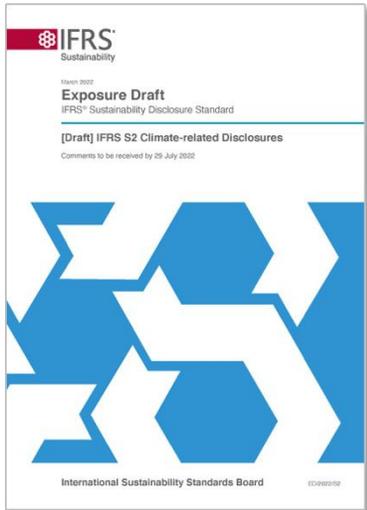
To support those using its standards, the ISSB will provide further guidance on how to:

- Implement materiality judgements and identify sustainability-related risks and opportunities
- Disclose industry-specific metrics if a company spans multiple industries
- Disclose current and anticipated financial effects
- Revise comparative information to reflect updated estimates
- Disclose judgements, assumptions and estimates



S2: Climate

S2: Climate-related Disclosures



- Used in accordance with S1
- Disclosure of material information about climate-related risks and opportunities
- Incorporates TCFD Recommendations and guidance
- Includes requirement to provide industry-specific disclosures
- Industry-specific metrics included as illustrative guidance, taken from SASB Standards
- Requires disclosure of material information about physical risks (eg flood risk), transition risks (eg regulatory change), and climate-related opportunities (eg new technology)



Transition planning
Emissions targets and
use of carbon offsets



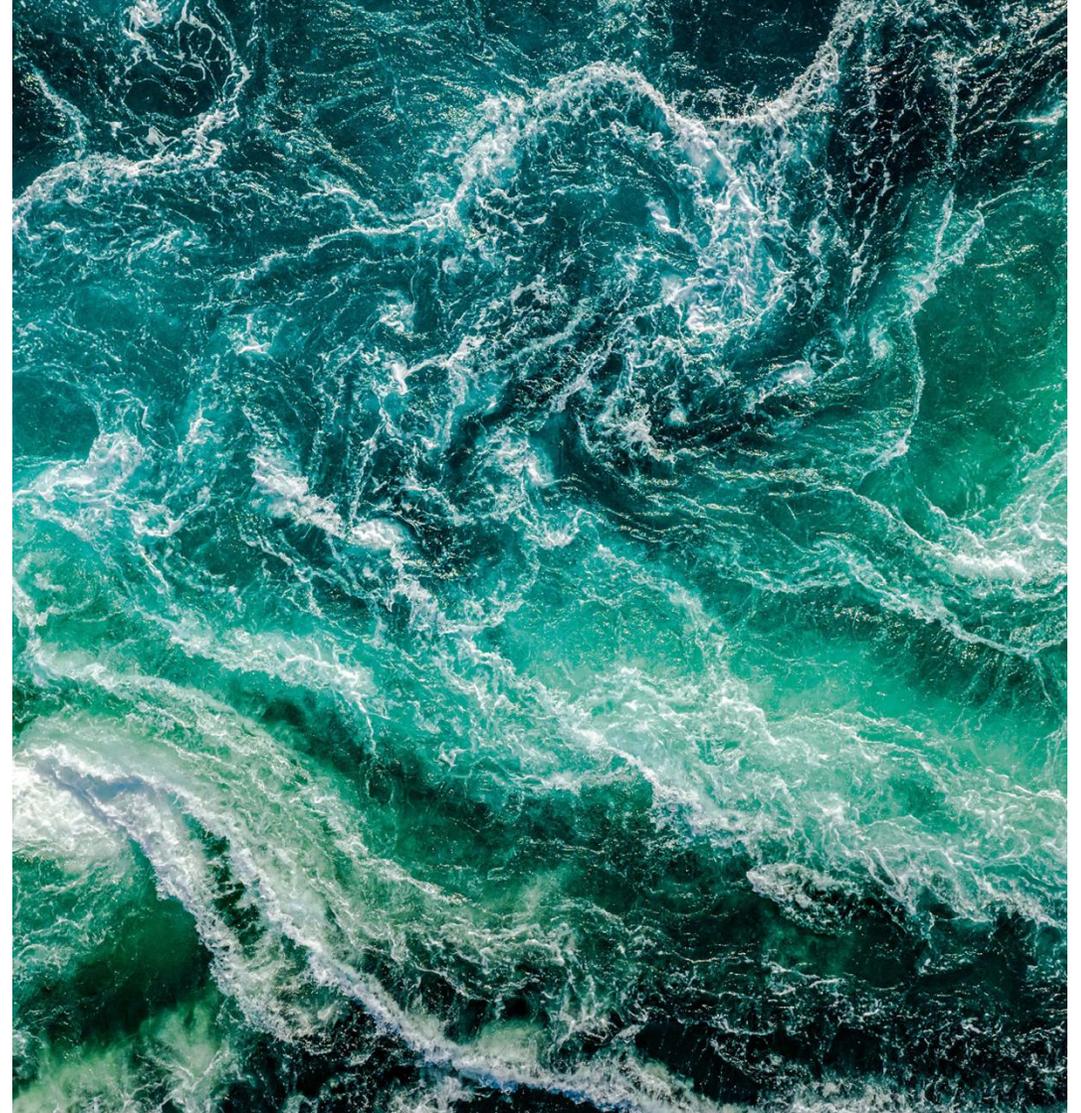
Climate resilience
Resilience of
business strategy in
multiple scenarios



Scope 1-3 emissions
Requirement to disclose GHG
emissions in accordance with the
GHG Protocol Corporate Standard

S2: Material climate-related information that 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
- Evaluate the ability of the company to adapt its planning, business model and operations to climate-related risks and opportunities
- Understand how the latest international agreement on climate change informs any climate-related targets the company has set



S2: Scope 3 GHG emissions Requirements

- ✓ Scope 3 GHG emissions disclosure, across 15 categories*, when material
- ✓ Use of GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard
- ✓ Disclosure of how and why the entity has used specific inputs, assumptions and estimation techniques to measure its GHG emissions, and information about changes



Companies with emissions associated with investments need to provide additional disclosures for financed emissions.

This relates to companies that are in, or have activities associated, with:

- Asset Management & Custody Activities
- Commercial Banks
- Insurance, for their investment activities

**Categories identified in the GHG Protocol*

S2: Scope 3 GHG emissions

Reliefs and support



Relief:

Temporary exemption from this disclosure when first applying S2



Relief:

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



Relief:

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

S2: Scope 3 measurement framework

Guidance to support companies

	A company shall prioritise the use of:	If prioritised information not available, consider:
Measurement:	direct measurement	estimation activity data and emission factors
Data:	primary data eg company-specific metric tons of waste generated	secondary data eg estimated metric tons of waste generated based on industry-average data
Scope:	more granular data cradle-to-gate GHG emissions for the product of interest	less granular data GHG emissions and/or activity data for the entire corporation
Verification:	verified	not verified

S2: Climate-related scenario analysis

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



S2 includes application guidance on how to undertake scenario analysis

Building on TCFD materials

The guidance requires:

- a method of climate-related scenario analysis **commensurate** with a company's circumstances
- consideration of the **degree of the company's exposure** to climate-related risks and opportunities
- the use of **reasonable and supportable information** that is available at the reporting date without **undue cost or effort**
- consideration of **skills, resources and capabilities** available to the company.

Companies may consider publicly available, off-the-shelf scenarios most relevant to their circumstances and most likely to support disclosure.

S2: Commensurate approach to scenario analysis

Companies are instructed to select a method of climate-related scenario analysis that is commensurate with its circumstances. An adaptation of TCFD's **stages of progression** will be included as application guidance to support this selection.

JUST BEGINNING

Qualitative scenario narratives to help management explore the potential range of climate-related implications, using a more focused boundary such as a critical business unit or specific commodity inputs

GAINING EXPERIENCE

Scenarios and associated analysis using quantitative information to illustrate potential pathways and outcomes, ideally for the company and its operations as a whole

ADVANCED

Greater rigour and sophistication in the use of data sets and mathematical models to support statistical analysis and quantitative, company-specific outputs

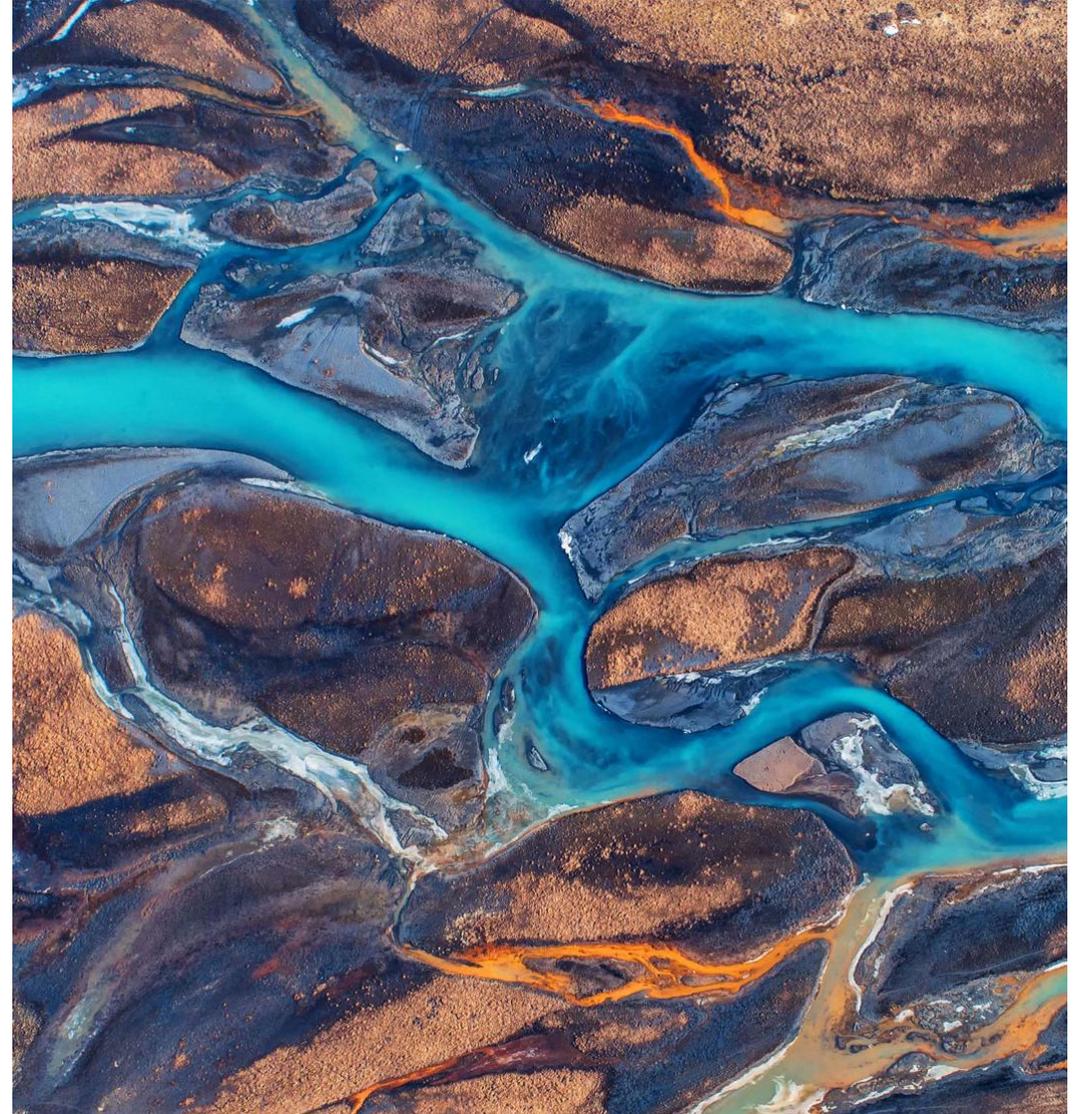
Designed to help companies:

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

S2 application support

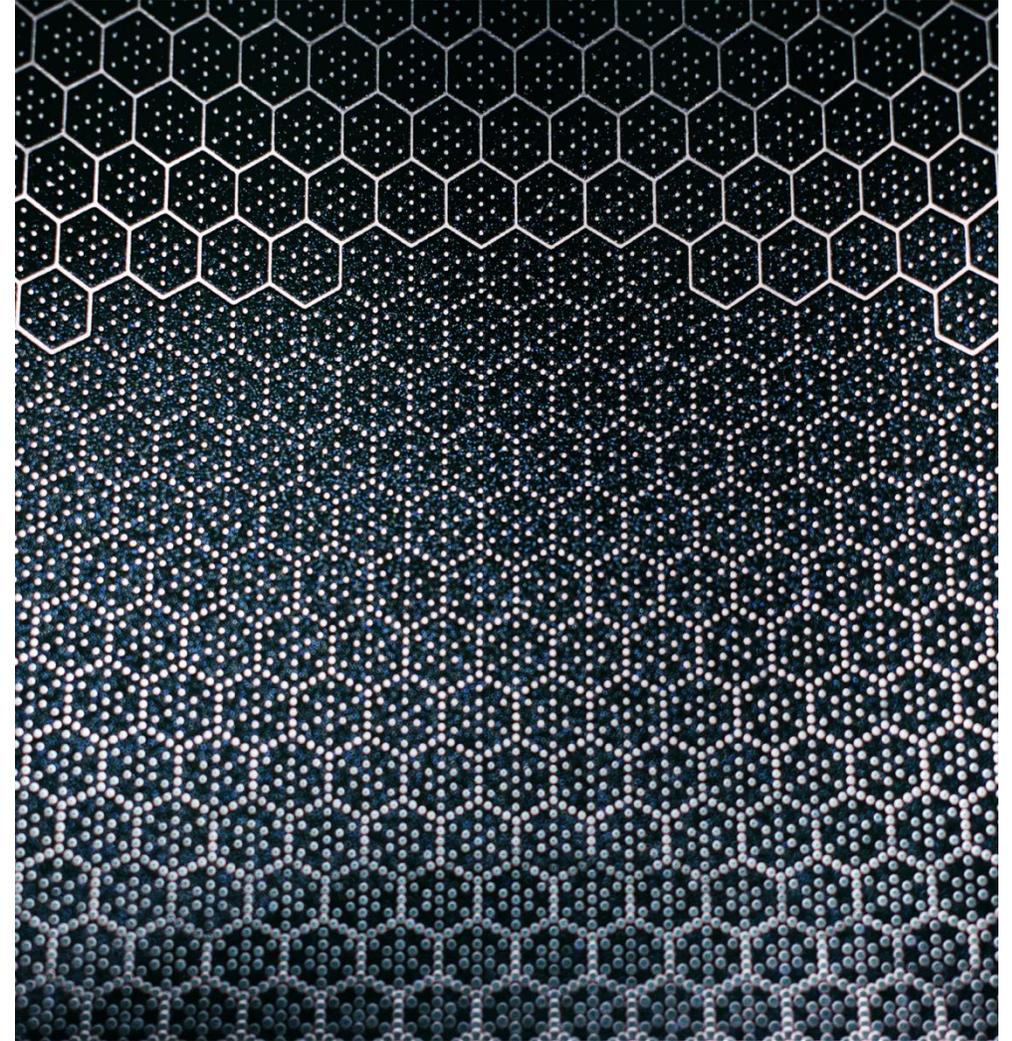
To support those using its standards, the ISSB will provide guidance, education materials or illustrative examples on:

- Scenario analysis, using TCFD Guidance
- Industry-based climate disclosure, drawing on SASB Standards
- How to identify relevant sustainability-related risks and opportunities in the value chain, using Scope 3 GHG emissions as an example.
- Scope 3 GHG emission measurement
- Disaggregation of Scope 1-2 GHG emissions by consolidated accounting group and unconsolidated investees
- Potential disaggregation of GHG emissions by greenhouse gas (eg methane)
- Potential disaggregation of financed emissions by companies in the Asset Management & Custody Activities industry



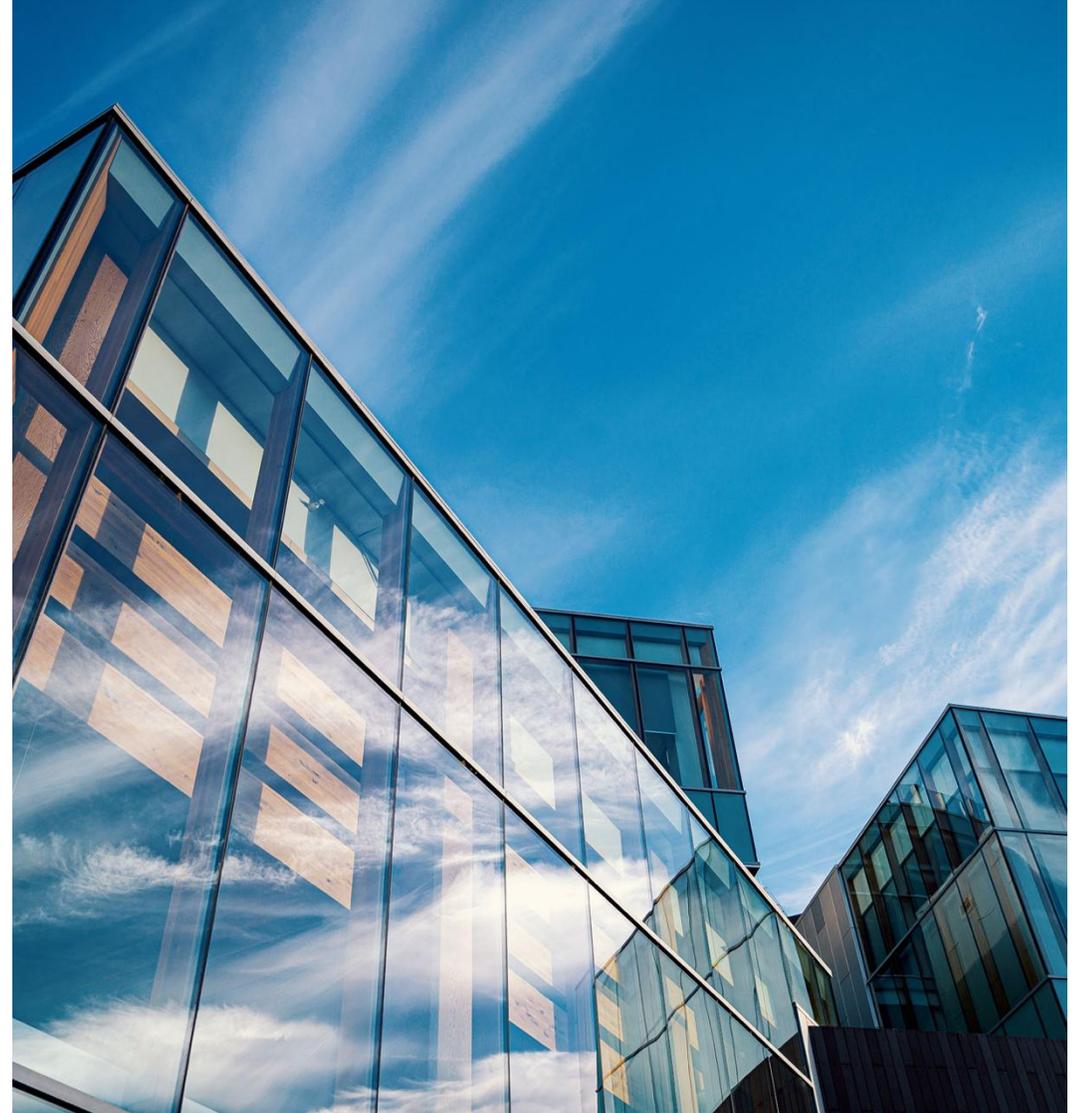
Mechanisms that support application

- Use of well-known **terminology and concepts**
- Provides **transitional reliefs**
- Proportionality:
 - the instruction to **use reasonable and supportable** information that is available without **undue cost or effort**
 - consideration of a company's **skills, capabilities and resources**
- Provides:
 - **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 (rather than quantitative)
- Focussed exemption for competitive advantage concerns



Reliefs for first year of application

- Timing of reporting
- Scope 3 disclosure
- Applying Greenhouse Gas Protocol (in specific circumstances)
- Comparative reporting



When to start to provide the disclosures in S1 and S2?

- **Effective** for annual reporting periods beginning on or after **1 January 2024**
- **Available for use before** that date to the extent a company applies both Standards at the same time
- If a company applies before 2024 it will **disclose that fact**
- **No** requirements to provide:
 - **interim** sustainability-related financial reporting
 - **comparative** information in the **first annual reporting period**

Considerations in setting 2024 effective date



- Responding to investor demand
- Built on well-established standards and frameworks
- Transition reliefs
- Use of information that is reasonable and supportable and is available without undue cost or effort
- Committed to capacity building and providing guidance
- 18,000+ companies will collect data as required by S2 to disclose on the CDP platform for the 2024 financial year

When to report?

Annual sustainability-related financial disclosures will need to be published at the same time as annual financial statements. However, **transition relief is available** for the first year of reporting:

	Annual sustainability-related disclosures to be provided...	For example, for those with calendar year-end reporting, this means annual sustainability information...
Companies required to do H1/Q2 earnings reporting...	... at the same time as the next H1/Q2 earnings reporting	July 2025 (release of H1/Q2 earnings reporting)
Companies voluntarily doing H1/Q2 earnings reporting...	... at the same time as the next H1/Q2 earnings reporting, but no later than 9 months after the end of the annual reporting period	30 September 2025 at the latest (in connection with release of H1/Q2 earnings reporting)
Companies that do not do H1/Q2 earnings reporting...	... no later than 9 months after the end of the annual reporting period	30 September 2025 at the latest

Next steps



Path to issuing S1 and S2



ISSB members
took decisions
based on
consultation
feedback

Staff working to
ensure the
Standards and
guidance reflect
decisions made

‘Balloting’ – ISSB
members confirm
the Standards are
written accurately

Final editing,
translating,
digital tagging

**S1, S2
issued
toward end
of Q2 2023**

Priorities

Steps to deliver, strengthen and enhance adoption and application of S1 and S2:

- balloting process
- digital taxonomy
- capacity building
- regulatory adoption, working with IOSCO and jurisdictions
- voluntary application, working with companies and investors

Work to:

- enhance international applicability of SASB Standards
- connect climate and nature by researching incremental enhancements to disclosures required by S2

Focus on:

- connectivity with financial statements
- interoperability with GRI Standards



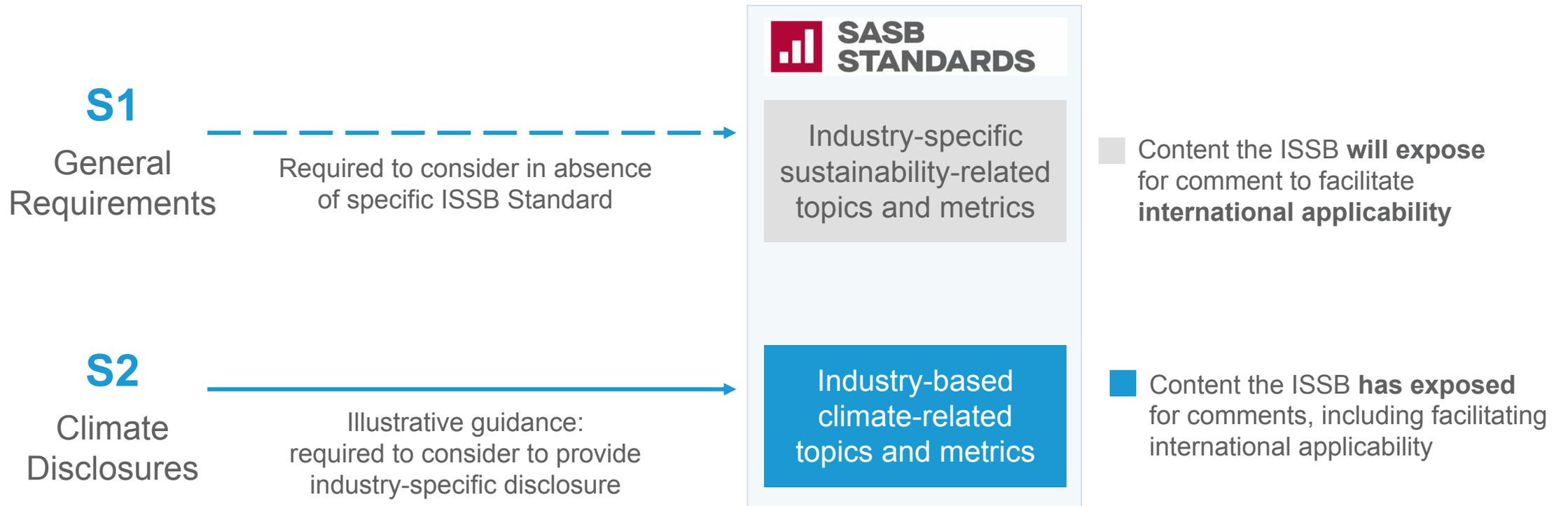
Q2 Agenda consultation

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

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



SASB Standards



Industry-specific

Illustrating how industry-specific automobile requirements can highlight decision-useful information

Resource or relationship	Relevance for automobile industry
Intellectual	<ul style="list-style-type: none"> Fuel economy & use-phase emissions Materials sourcing Materials efficiency & recycling
Social	<ul style="list-style-type: none"> Product safety* Fuel economy & use-phase emissions* Materials sourcing* Materials efficiency & recycling*
Human	<ul style="list-style-type: none"> Labor practices
Natural	<ul style="list-style-type: none"> Fuel economy & use-phase emissions Materials sourcing Materials efficiency & recycling



Sample Metrics:

Product Safety Metric: Percentage of vehicle models rated by NCAP programs with an overall 5-star safety rating, by region
Quantitative Percentage (%)

Fuel Economy & Use-phase Emissions Metric: Number of zero emission vehicles, hybrid vehicles, and plug-in hybrid vehicles sold
Quantitative Number

Industry-specific

Illustrating how industry-specific oil and gas requirements can highlight decision-useful information

Resource and relationship	Relevance for oil and gas
Intellectual	Reserves Valuation and Capital Expenditures
Social	Community Relations* Human Rights and Rights of Indigenous Peoples* Business Ethics and Transparency* Critical Incident Management* Management of the Legal and Regulatory Environment*
Human	Workforce Health and Safety
Natural	GHG Emissions Air Quality Energy management Biodiversity Impacts



Sample Metrics:

Management of the Legal & Regulatory Environment Metric: Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry, Discussion and Analysis

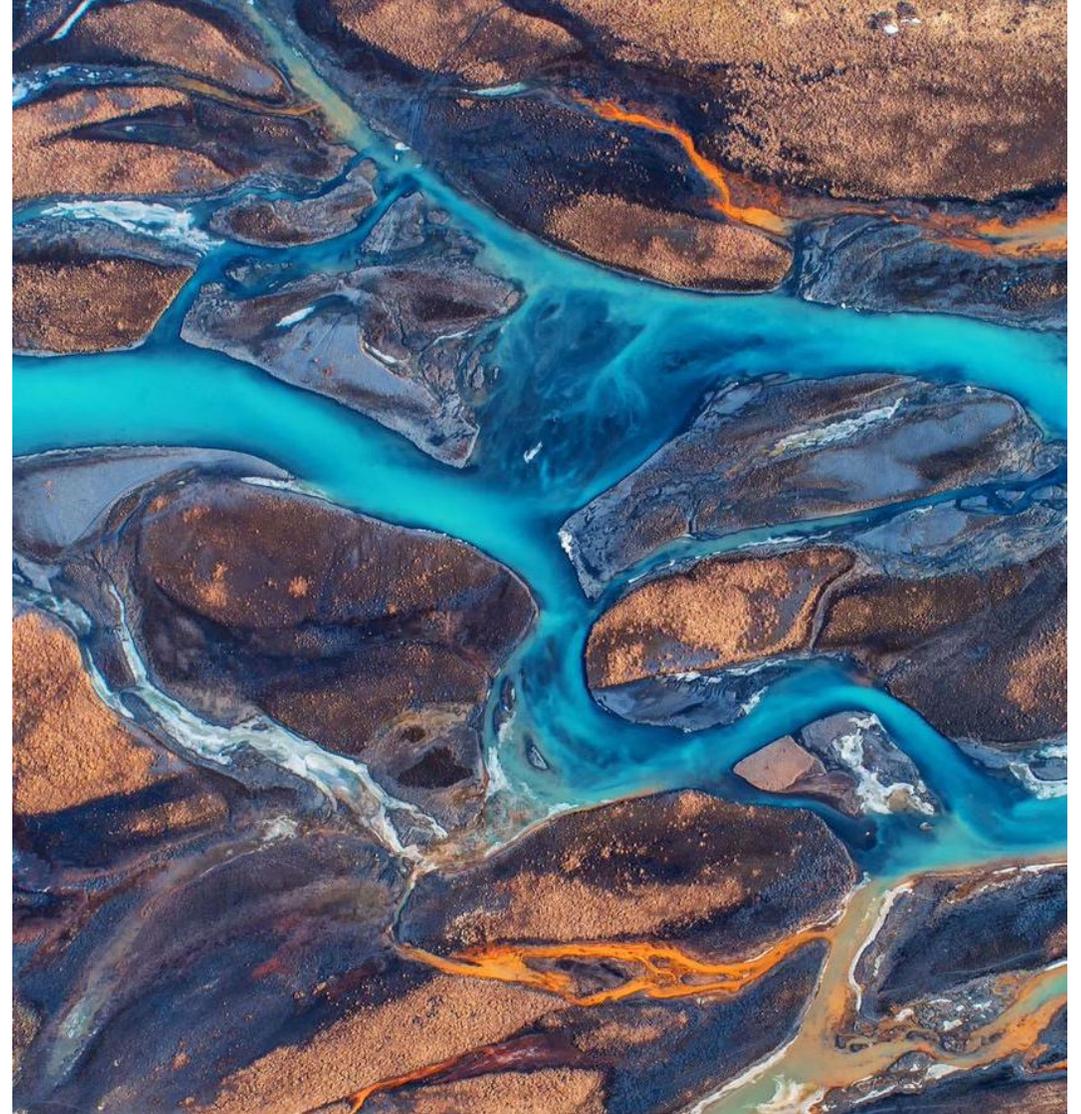
Community Relations Metric: Number and duration of non-technical delays, Quantitative Number, Days

Global support



Capacity building with and through partners

- ~30 partners - global and local - committed to ensuring readiness through our Partnership Framework
- Together, 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



G20 Bali, Leaders' Declaration 15-16 November 2022

"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."

Rodrigo Buenaventura, Chair of IOSCO's Sustainability Task Force

17 February 2023

"This announcement enables IOSCO to move forward with its independent assessment of the ISSB Standards in terms of quality and governance, with a view to completing its review in 2023. Our assessment team is ready to go, our assessment criteria have already been published and our Board is closely engaged. Mindful of the importance of reliable and robust sustainability information for financial markets around the world, we will make sure the assessment is done in a prompt, orderly, and thorough way."

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



Sign up

for news alerts



Discover

services that can support you,
including IFRS Sustainability
Alliance and FSA Credential



Observe

ISSB meetings are
broadcast live

Follow us online

 [ifrs.org](https://www.ifrs.org)

 [sasb.org](https://www.sasb.org)  [integratedreporting.org](https://www.integratedreporting.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Sustainability
Standards Board](https://www.linkedin.com/company/international-sustainability-standards-board)