
Introducing the ISSB Standards: IFRS S1 and IFRS S2

Better Information, Better Decisions

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Market drivers for the ISSB

The need for:

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

led to international policy makers – such as the G7, G20 and the Financial Stability Board to call for a global baseline of sustainability disclosures for capital markets



ISSB objectives



Develop standards for a global baseline of sustainability-related disclosures to **meet information needs of investors**



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



Deliver a **common language of sustainability-related disclosures**, with the flexibility for regional **'building blocks'** to be added by regulators or through voluntary initiatives, when needed to meet local and multi-stakeholder information needs.

A robust reporting system

Decision-useful

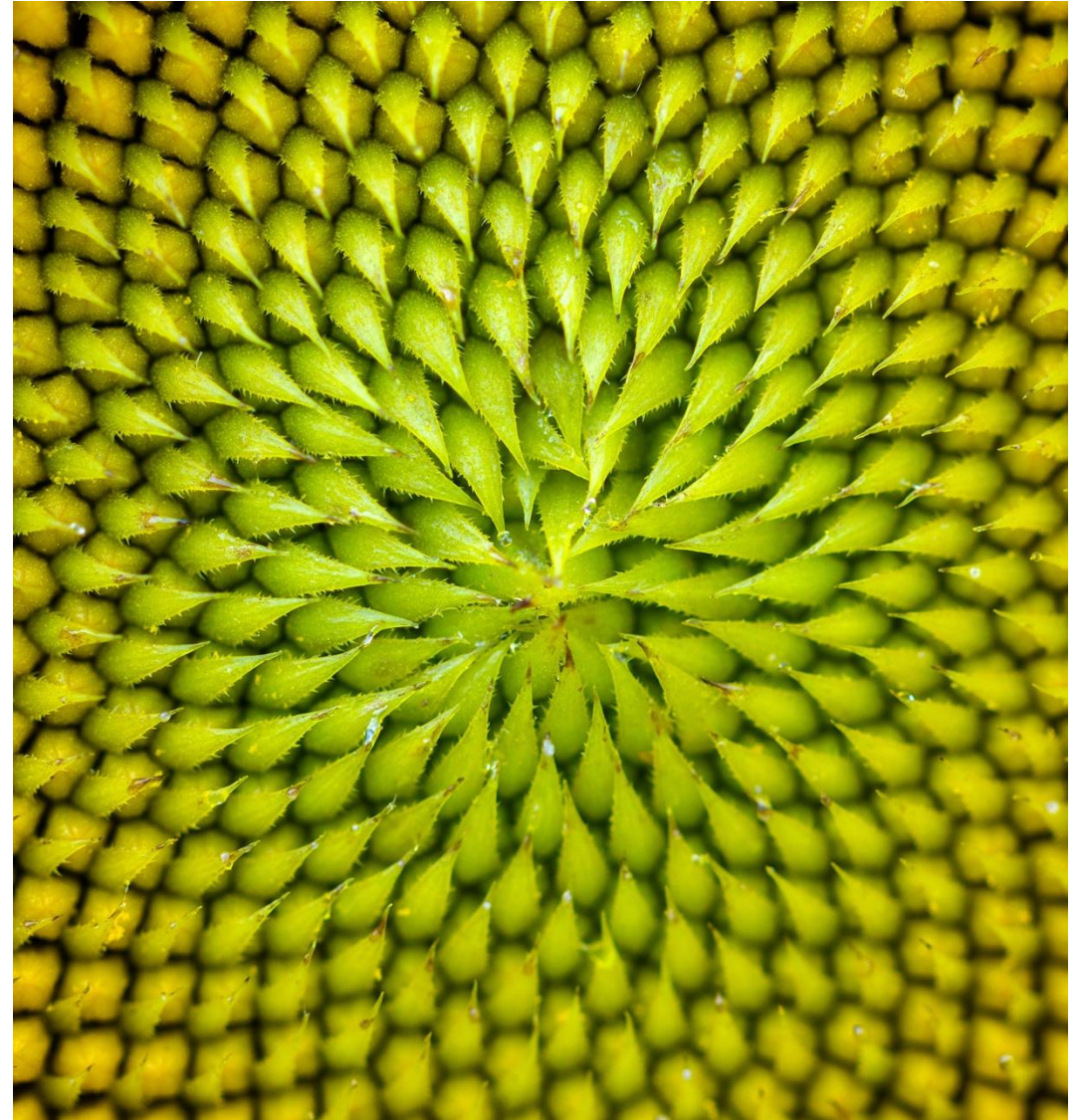
Information to support investor decisions

Cost-effective

Efficient for preparers

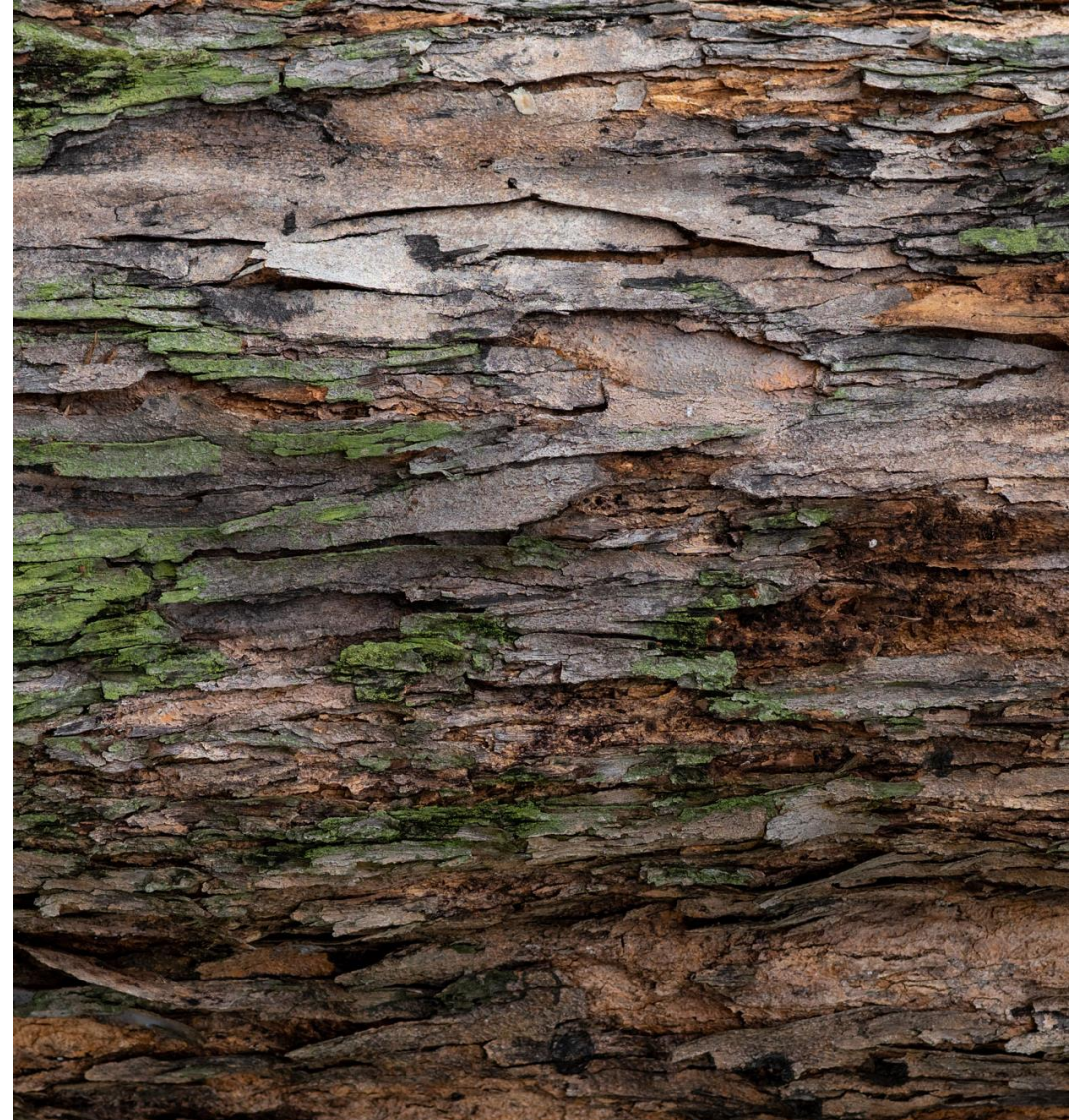
Market-informed

Rigorous, transparent due process



ISSB Standards at a glance

- work with jurisdictional requirements
- proportionate
- elicit verifiable disclosures
- disclosures can be delivered digitally
- require industry-specific disclosures
- build on and consolidate voluntary standards and frameworks
- complement financial reporting

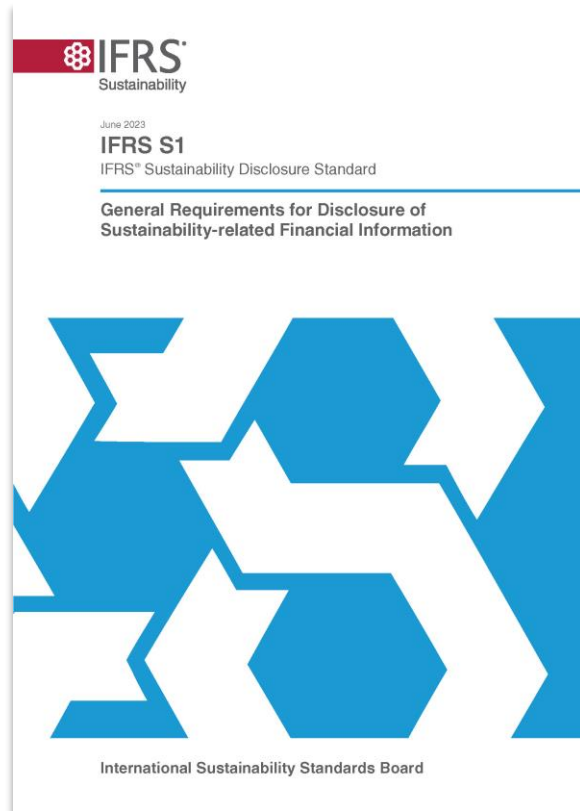


Building on investor-focused standards and frameworks

Consolidated into the IFRS Foundation



IFRS S1: General Requirements for Disclosures 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 structure** 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 disclosures
- Can be used in conjunction with **any accounting requirements (GAAP)**

How sustainability can affect a company's prospects

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

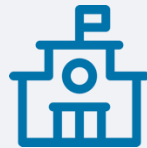
Stakeholders

with whom it works
and serves



Society

in which it
operates



Natural

resources upon
which it draws

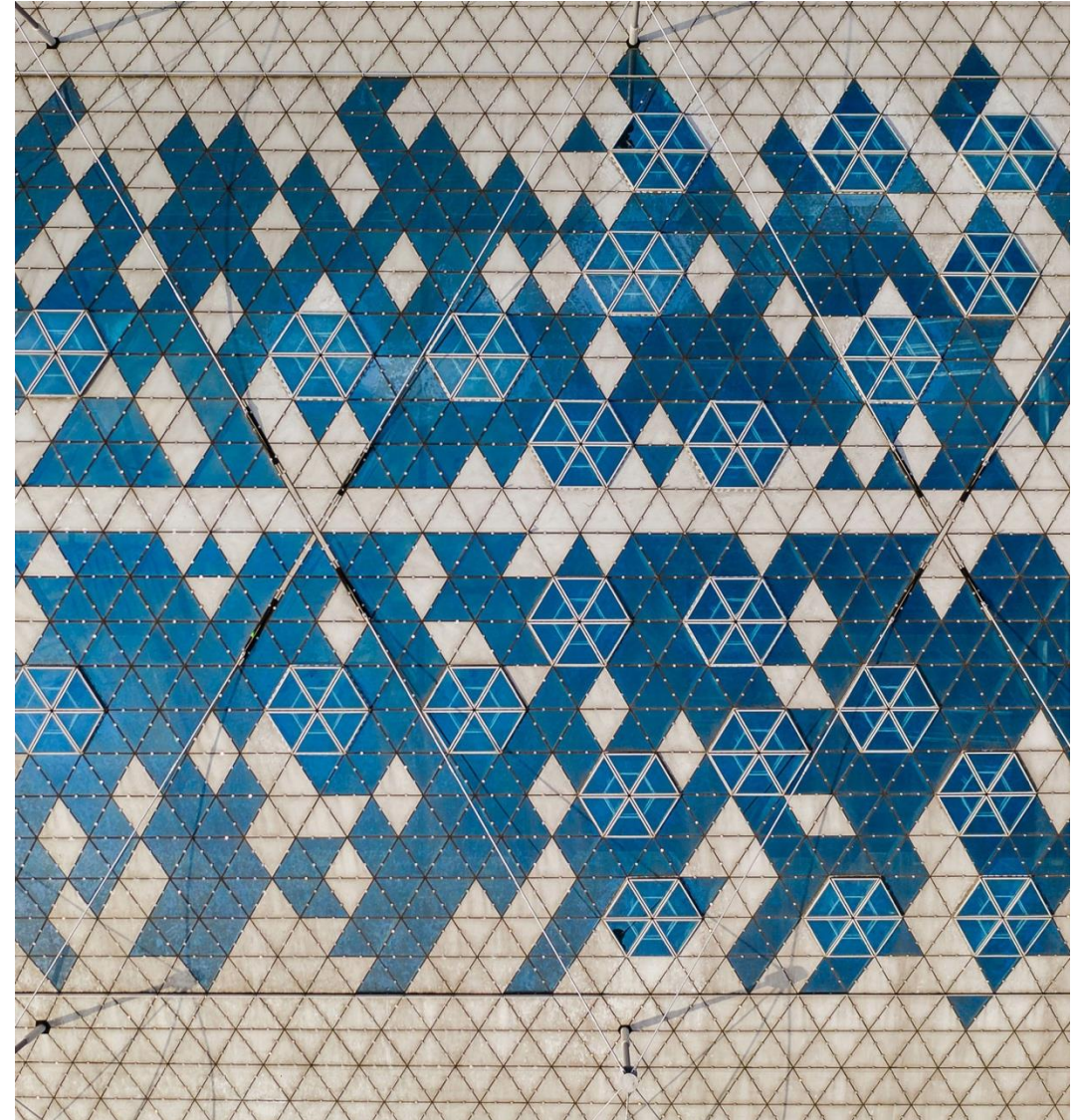


Builds on concepts from the **Integrated Reporting Framework**

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'



Applies TCFD structure to set out core content areas



Governance

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



Strategy

A company's strategy for managing sustainability-related risks and opportunities



Risk management

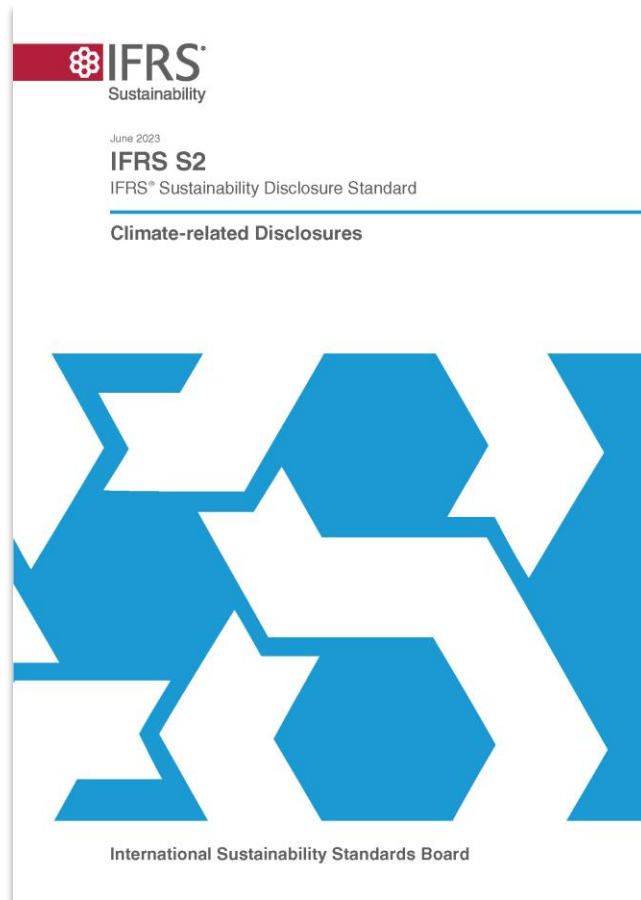
The process a company uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities



Metrics and targets

A company's performance in relation to sustainability-related risks and opportunities

IFRS S2: Climate-related Disclosures



- Used in accordance with IFRS S1, IFRS S2 requires disclosure of **material information** about **climate-related risks and opportunities** to meet investor information needs
- Fully incorporates the **TCFD recommendations**
- Requires disclosure of material information about **climate-related physical and transition risks**, and **climate-related opportunities**
- Requires **industry-specific disclosures**
- To support that, provides illustrative guidance for **industry-specific metrics** built on SASB Standards to help companies identify climate-related risks and opportunities and disclosures

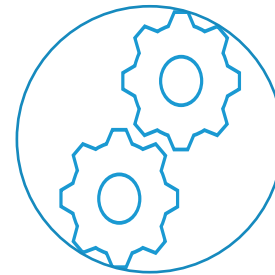
Climate resilience



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

GHG emissions



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

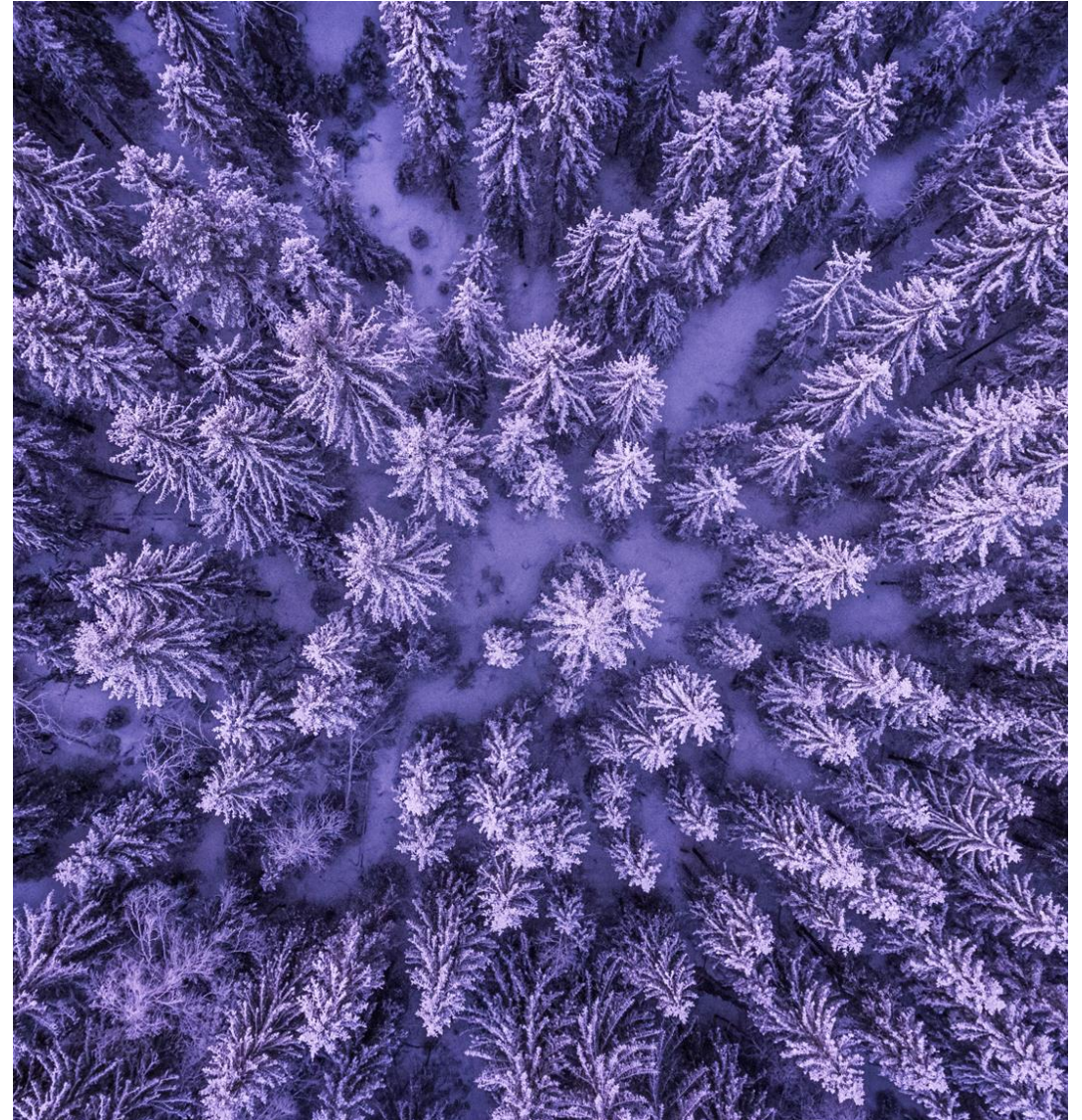
- **Scope 1:** direct emissions
- **Scope 2:** indirect emissions from the generation of purchased energy consumed by the company
- **Scope 3:** all other indirect emissions that occur in the company's value chain

**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

Supporting application

- use of well-known **terminology and concepts**
- transitional **reliefs**
- proportionality:
 - the instruction to **use reasonable and supportable** information available without **undue cost or effort**
 - consideration of **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



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



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