

ICAEW KNOW-HOW

FINANCIAL REPORTING FACULTY

SUSTAINABILITY AND CLIMATE CHANGE COMMUNITY



ISSB's Exposure Drafts explained

22 JUNE 2022

This webinar will commence shortly

Introduction



Sally Baker
Head of Corporate Reporting Policy, ICAEW

Today's speakers

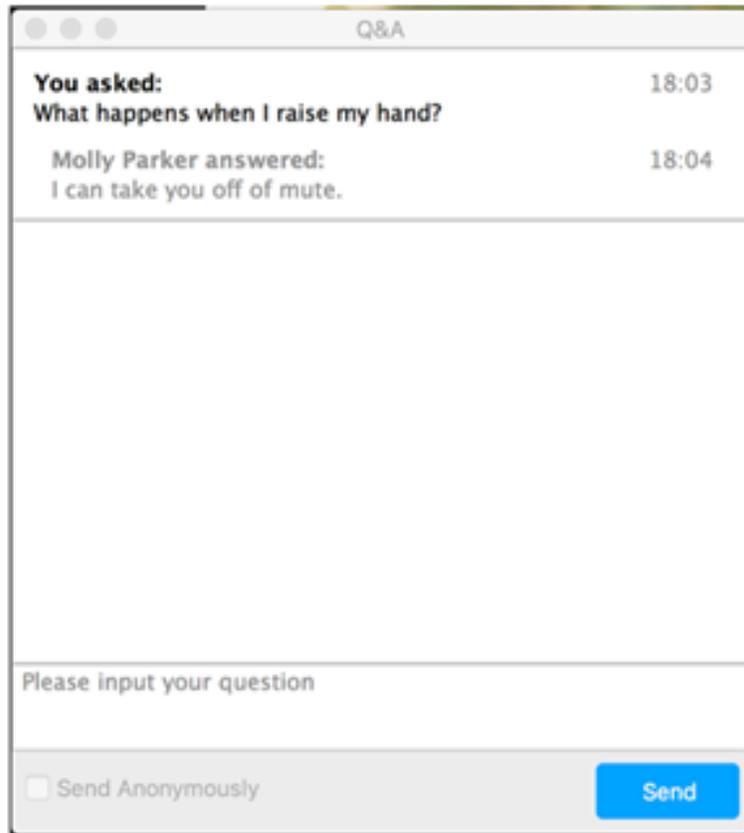


Lois Guthrie
Senior Technical Advisor
IFRS Foundation



Ravi Abeywardana
Technical Director
IFRS Foundation

Ask a question



The screenshot shows a window titled "Q&A". It contains a question and answer history:

You asked: What happens when I raise my hand?	18:03
Molly Parker answered: I can take you off of mute.	18:04

Below the history is a large empty text area. At the bottom, there is a text input field with the placeholder text "Please input your question". To the left of the input field is a checkbox labeled "Send Anonymously". To the right is a blue "Send" button. An arrow points from the text "send anonymously" in the adjacent text block to the "Send Anonymously" checkbox.

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.

A world map in shades of gray is the background. Overlaid on the map are several curved lines: a thick black arc, a thick red arc, and several dotted lines in white, orange, red, and blue. The lines are curved, following the curvature of the map.

IFRS® Foundation

ISSB's proposed IFRS® Sustainability Disclosure Standards

June 2022

About the IFRS Foundation

Our organisation

- Not-for-profit, public interest organisation
- Three-tier governance model
 1. Monitoring Board (oversight)
 2. Trustees (governance & strategy)
 3. IASB + ISSB (standards)
- Extensive, inclusive due process

Our mission

Develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world

IFRS Accounting Standards

Required for use by more than 140 jurisdictions around the world

ISSB focus



Develop standards for global baseline of sustainability disclosures and a digital taxonomy to enable electronic tagging of disclosures



Focus on meeting the information needs of investors



Will enable companies to provide comprehensive sustainability information for the global capital markets



Building blocks approach: facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders

Building blocks approach

Sustainability reporting (broader multi-stakeholder focus)

Reporting on all sustainability matters that reflect significant positive or negative impacts on people, the environment and the economy

Jurisdictional initiatives
and/or GRI

Sustainability-related financial disclosures (investor focus)

Reporting on those sustainability-related matters that may reasonably create or erode enterprise value over the short, medium and long term

ISSB

Financial reporting (investor focus)

Reflected in monetary amounts in the financial statements

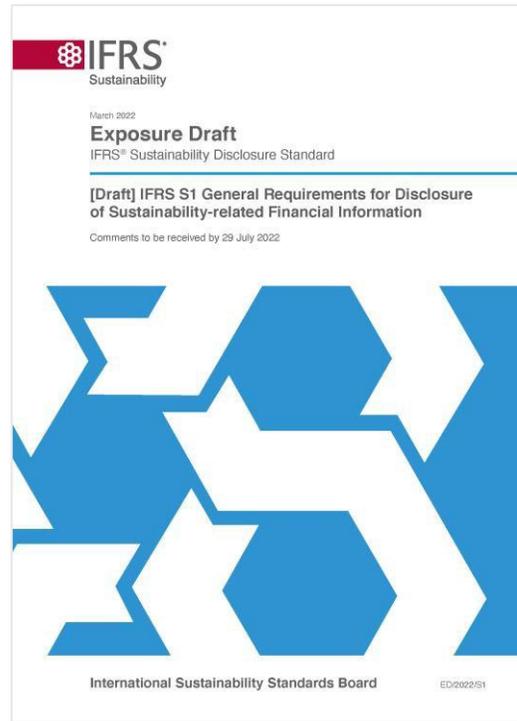
IASB (140+ countries)

Other GAAP (eg FASB)

Integrated Reporting

Two proposed IFRS Sustainability Disclosure Standards

1



General Requirements
Exposure Draft

2



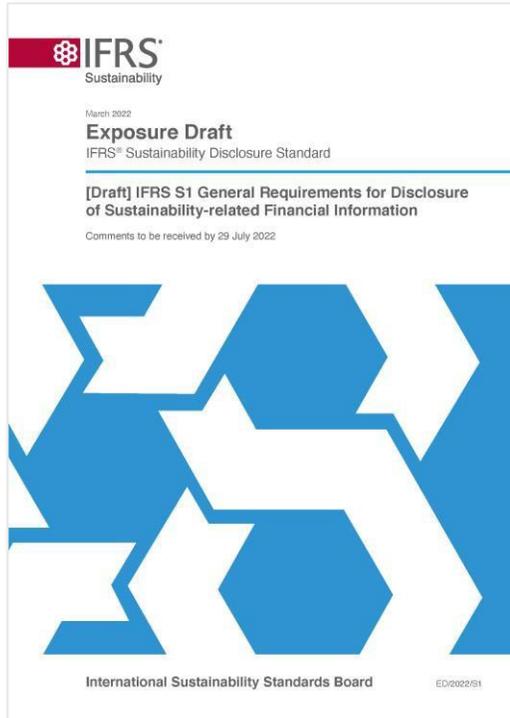
Climate
Exposure Draft



General Requirements Exposure Draft

1

General Requirements Exposure Draft

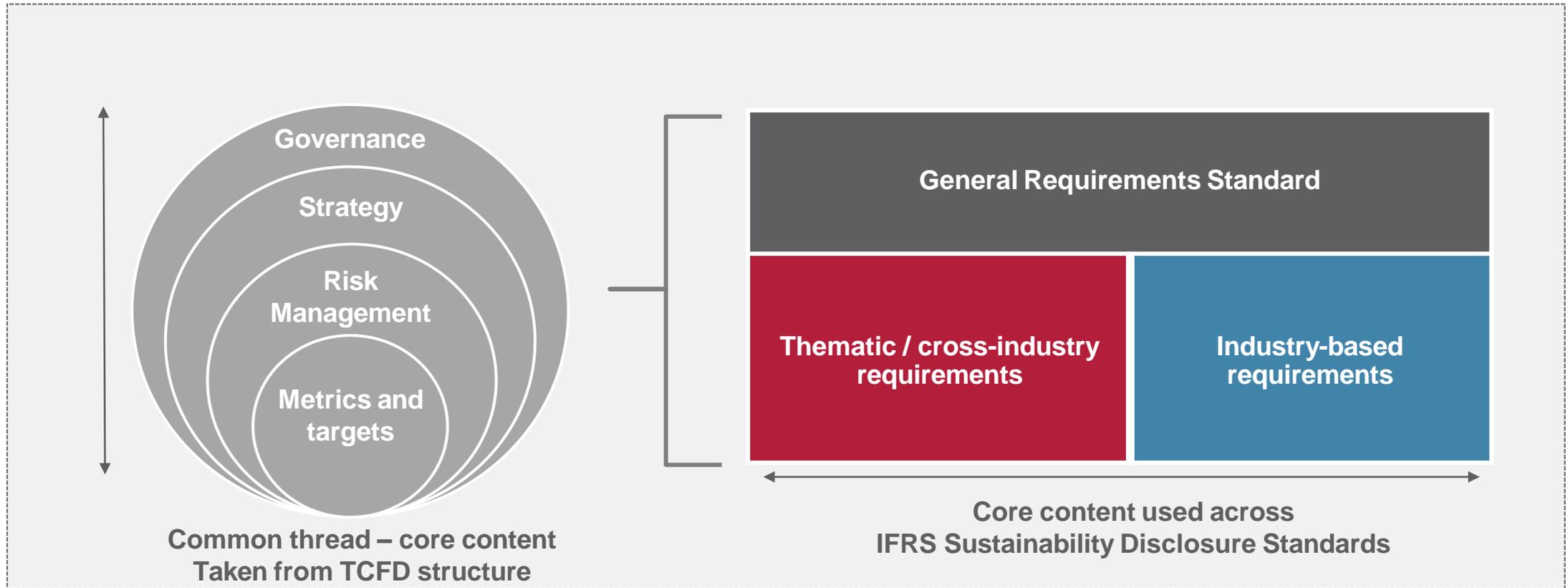


Requires companies to provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value

- Other IFRS Sustainability Disclosure Standards (eg Climate Standard) set out specific disclosures
- Points to other standards and frameworks in absence of a specific IFRS Sustainability Disclosure Standard
- Equivalent to IFRS Accounting Standards IAS 1 and IAS 8

Standards architecture

Focus on investor audience and enterprise value



Information for the capital markets

- Information provided must 'enable an assessment of the effects of sustainability-related risks and opportunities on a company's enterprise value' (the market value of its equity and net debt)
- focus is on **significant** sustainability-related risks and opportunities
- information required includes the impacts of a company on people, the environment and the planet **if** they affect assessments of enterprise value
- requires information that is **material** for a company, ie that could reasonably be expected to influence decisions that investors would make (in this case, when assessing enterprise value)

Key features



Emphasises need for consistency and connections between financial statements and sustainability reporting by requiring companies to

- explain linkages in information
- use consistent assumptions when relevant



Requires financial statements and sustainability disclosures to be published at the same time



Facilitates application in different jurisdictions by

- not specifying a particular location for sustainability information
- allowing additional information to be provided

Identifying sustainability-related risks and opportunities and disclosures

General Requirements [Standard]

A company would be required to disclose material information about all significant sustainability-related risks and opportunities



Climate [Standard]

A company would apply the relevant IFRS Sustainability Disclosure Standards to identify climate-related risks and opportunities and disclosures



In lieu of a specific IFRS Sustainability Disclosure Standards, when identifying sustainability-related risks and opportunities and disclosures consider:

SASB Standards	CDSB Framework, CDSB Framework application guidance	Other standards	Other sources
Industry-based disclosure topics identified in SASB Standards	ISSB's non-mandatory guidance, e.g. CDSB Framework and CDSB Framework application guidance for social, water- and biodiversity-related disclosures	Other standards, provided that they are designed to meet the information needs of investors	Practices of peer companies in the same industries or geographies

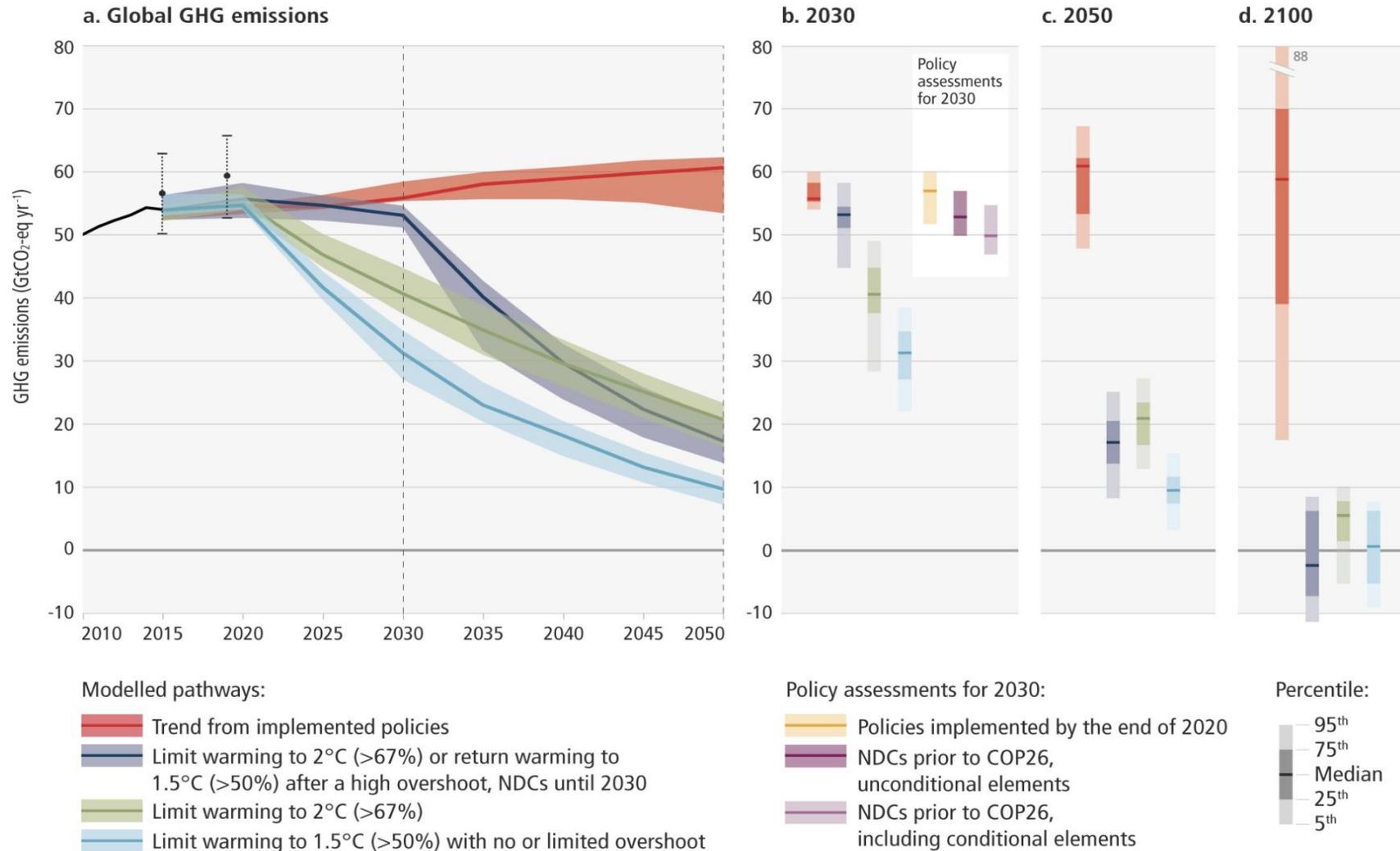
Illustrative Guidance is provided to illustrate how a company can use the **SASB Standards** and the **CDSB Framework application guidance** to identify disclosures about significant sustainability-related risks and opportunities that are relevant to investor decision making, faithfully represent the company's risks and opportunities, and are neutral



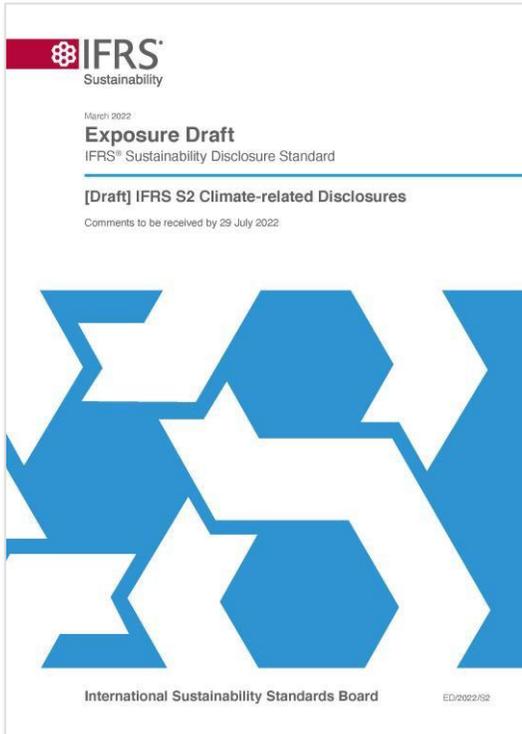
Climate Exposure Draft

Latest climate science (IPCC)

Projected global GHG emissions from NDCs announced prior to COP26 would make it likely that warming will exceed 1.5°C and also make it harder after 2030 to limit warming to below 2°C.



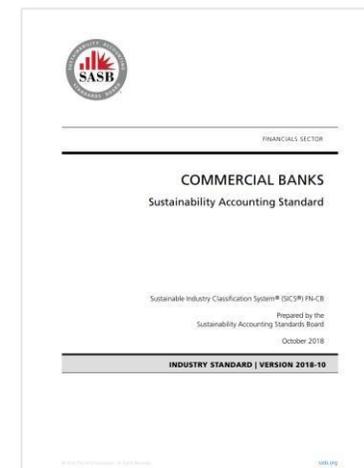
2 Climate Exposure Draft



Requirements for disclosure of material information about significant climate-related risks and opportunities

- Requires disclosure of information about;
 - physical risks (eg flood risk)
 - transition risks (eg regulatory change)
 - climate-related opportunities (eg new technology)

Building on existing standards



Consistent with TCFD

- Governance
- Strategy
- Risk management
- Cross-industry metrics and targets
- Illustrative guidance



Builds on SASB Standards

- Industry-based disclosures in Appendix B derived from SASB Standards
- Proposed changes to:
 - Internationalise metrics
 - Add financed emissions disclosures

Strategy

Proposed Climate Disclosure Requirements



“The objective of climate-related financial disclosures on strategy is to enable users of general purpose financial reporting to understand **an entity’s strategy for addressing significant climate-related risks and opportunities.**”

Identification of climate-related risks and opportunities

Business model and value chain

Strategy and decision-making (e.g., carbon offsets)

Financial position, financial performance and cash flows

Climate resilience

Proposed Climate Disclosure Requirements



Metrics and targets

“The objective of climate-related financial disclosures on metrics and targets is to enable users of general purpose financial reporting to understand **how an entity measures, monitors and manages its significant climate-related risks and opportunities**. These disclosures shall enable users to understand how **the entity assesses its performance, including progress towards the targets it has set**”

Cross-industry metric categories

- Greenhouse gas emissions
- Transition risks
- Physical risks
- Climate-related opportunities
- Capital deployment
- Internal carbon prices
- Remuneration

Industry-based requirements

In preparing these disclosures, an entity shall consider whether **industry-based metrics** associated with disclosure topics could be used in whole or part to meet the requirements

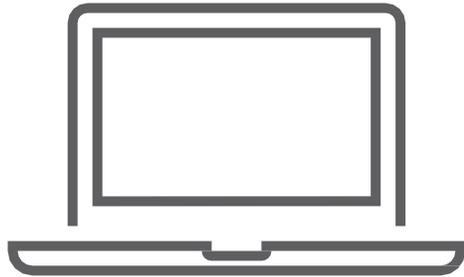
A grayscale world map is the background for the slide. Overlaid on the map are several thick, curved gray lines that sweep across the continents. A network of thin, dotted white lines is also visible, connecting various points across the globe. The overall aesthetic is clean and professional, suggesting a global or international context.

Call to action and next steps

Consultation package & communication materials

General Requirements Exposure Draft	Climate Exposure Draft	Other materials
<ul style="list-style-type: none"> • Draft Standard 	<ul style="list-style-type: none"> • Draft Standard <ul style="list-style-type: none"> - including Appendix B industry-based disclosure requirements 	<ul style="list-style-type: none"> • Press release
<ul style="list-style-type: none"> • Basis for Conclusions 	<ul style="list-style-type: none"> • Basis for Conclusions 	<ul style="list-style-type: none"> • Snapshot (high-level summary)
<ul style="list-style-type: none"> • Illustrative Guidance 	<ul style="list-style-type: none"> • Illustrative Guidance 	<ul style="list-style-type: none"> • Video
		<ul style="list-style-type: none"> • Comparison of Climate ED & TCFD
		<ul style="list-style-type: none"> • Comparison of TRWG prototypes and Exposure Drafts

How to comment on the proposals?



Survey

or

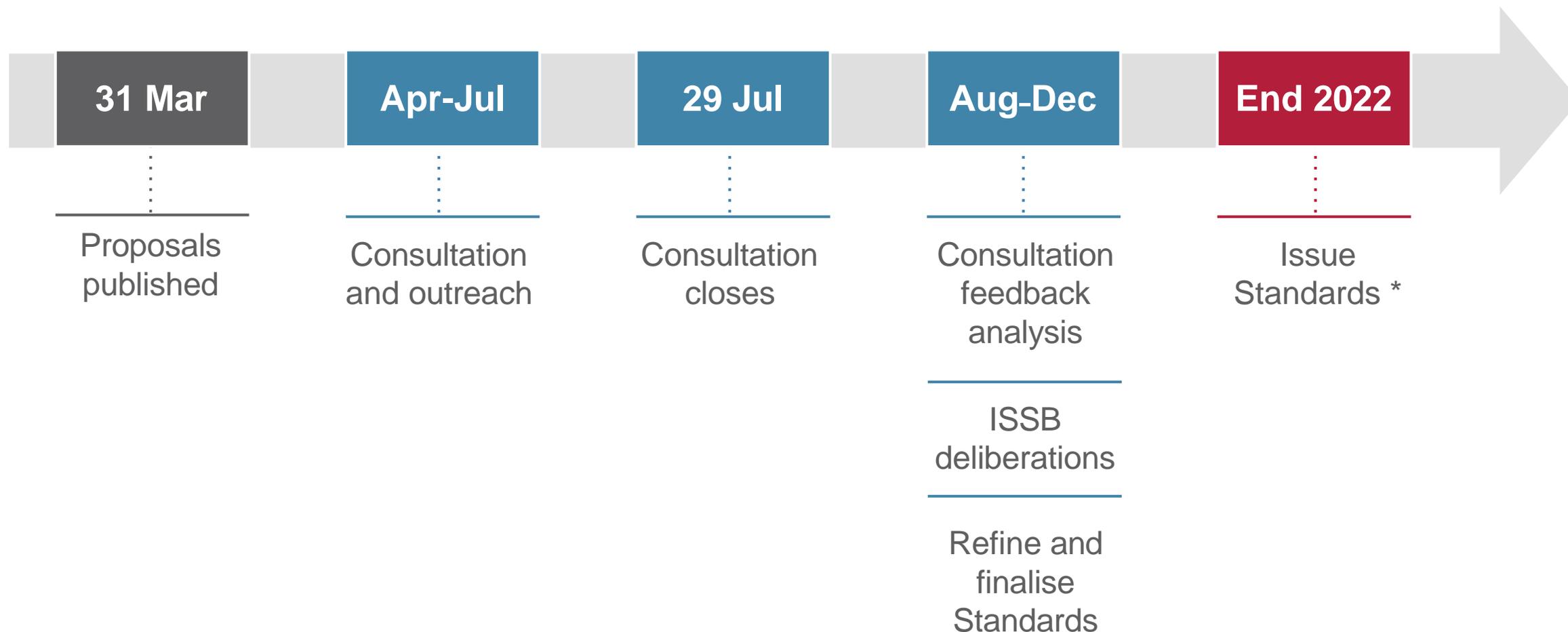


Comment letter

Visit:
ifrs.org/projects/open-for-comment/

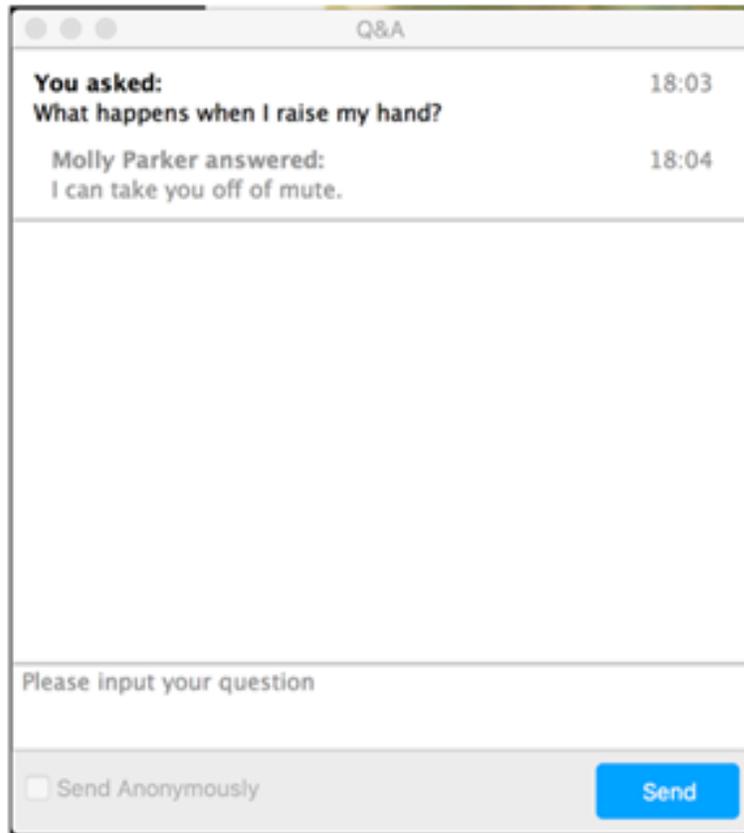
Comments are published on ifrs.org

Next steps for the Exposure Drafts



* Dependent on feedback from the consultation

Ask a question



The screenshot shows a Q&A window with the following content:

- Header: Q&A
- Question: **You asked:** What happens when I raise my hand? 18:03
- Answer: **Molly Parker answered:** I can take you off of mute. 18:04
- Input field: Please input your question
- Buttons: Send Anonymously and a blue **Send** button.

An arrow points from the text 'send anonymously' in the note to the 'Send Anonymously' checkbox in the screenshot.

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.

Sustainability reporting resources

- Non-financial reporting hub icaew.com/nfr
 - Overviews of reporting requirements
- Sustainability hub icaew.com/sustainability
 - Climate hub
 - Paris-aligned accounts
- By All Accounts magazine icaew.com/byallaccounts
 - January 2022 edition



Find out more

Financial reporting

View a range of practical resources on UK GAAP, IFRS and UK regulation of financial reporting, and find out more about the ICAEW Financial Reporting Faculty.

Need to know

Financial reporting news and insights

Highlights of the latest guidance published by the Financial Reporting Faculty as well as news and insights on current developments in financial reporting.

📄 Listing
📁 Financial reporting
📅 August 2020

Planning for the 2021/22 reporting season - Practical help for preparers

In this guide the Financial Reporting Faculty looks at what is different about the current reporting season and where to focus your efforts.

📄 Helpheets and support
📅 9th May
📅 January 2022

2021 UK GAAP Accounts

This factsheet highlights new and modified requirements for preparers of UK GAAP accounts for accounting periods beginning on or after 1 January 2021.

📄 Helpheets and support
📅 June 2021

The **Financial Reporting Faculty** is committed to providing members with practical help in today's complex world of financial reporting.

Visit [icaew.com/financialreporting](https://www.icaew.com/financialreporting) for a range of practical resources on UK GAAP, IFRS and UK regulations.

To find out more about the benefits of joining the faculty, visit [icaew.com/joinfrf](https://www.icaew.com/joinfrf)

Be part of the Sustainability and Climate Change Community

A collective ambition for change

We are the first major professional body to announce we are becoming carbon neutral - we are offsetting all of our emissions and working towards shrinking our carbon footprint. As part of our ongoing commitment, ICAEW has now created the Sustainability and Climate Change Community. Its purpose is to provide inspiration, insights and collective ambition for professionals delivering on sustainability and acting on climate change.

[Join for free today](#)

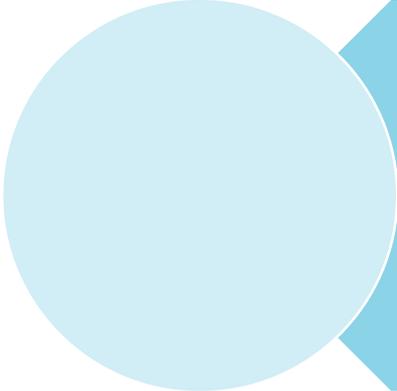
[Login](#)



Join the **Sustainability and Climate Change Community** to provide inspiration, insights and collective ambition for professionals delivering on sustainability and acting on climate change.

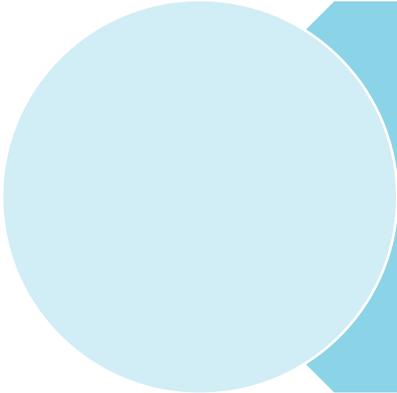
Visit [icaew.com/groups-and-networks/communities/sustainability-and-climate-change](https://www.icaew.com/groups-and-networks/communities/sustainability-and-climate-change)

Future events



12 July | Climate for Business

events.icaew.com/pd/25006/climate-for-business



Webinars

28 June | Climate Resilience

**4 July | Does gender diversity in
the workplace help mitigate
climate change?**

Questions



Lois Guthrie
Senior Technical Advisor
IFRS Foundation



Ravi Abeywardana
Technical Director
IFRS Foundation

Thank you for attending



Please take the time to fill out our short survey.



- Contact the Financial Reporting Faculty .
- Tel: +44 (0)20 7920 8533
- Email: frf@icaew.com
- Web: icaew.com/frfac

This webinar is presented by the Financial Reporting Faculty.

Financial Reporting Faculty membership gives you access to exclusive premium resources including our factsheets, monthly webinars, bitesize recordings, discount on events and conferences and extensive online resources to support your career.

For more information about faculty membership and our latest joining offers, please visit icaew.com/joinfrf or for more information about Faculties Online, please visit icaew.com/subscribe

ICAEW will not be liable for any reliance you place on the information in this presentation. You should seek independent advice.