

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

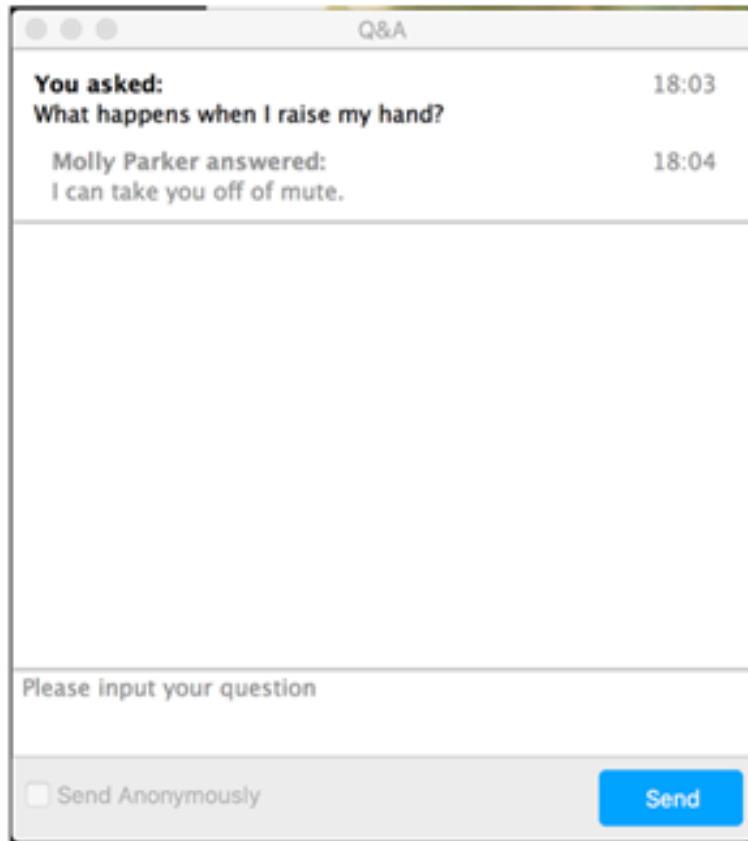


Lois Guthrie
Senior Technical Advisor
IFRS Foundation



Ravi Abeywardana
Technical Director
IFRS Foundation

Ask a question



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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.

The background of the slide features a stylized world map in a light gray tone. Overlaid on the map are several large, curved lines: a thick black arc, a red arc, and several dotted lines in white, orange, red, and blue. These lines sweep across the map, suggesting global connectivity or a circular process.

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



General Requirements
Exposure Draft



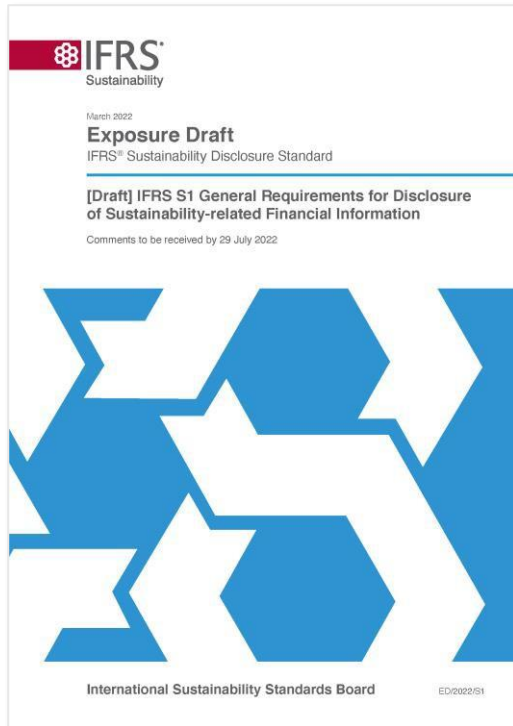
Climate
Exposure Draft

A grayscale world map serves as the background, with several thick, curved, light-gray lines sweeping across it from the bottom left towards the center. Dotted lines representing latitude and longitude are also visible.

General Requirements Exposure Draft

1

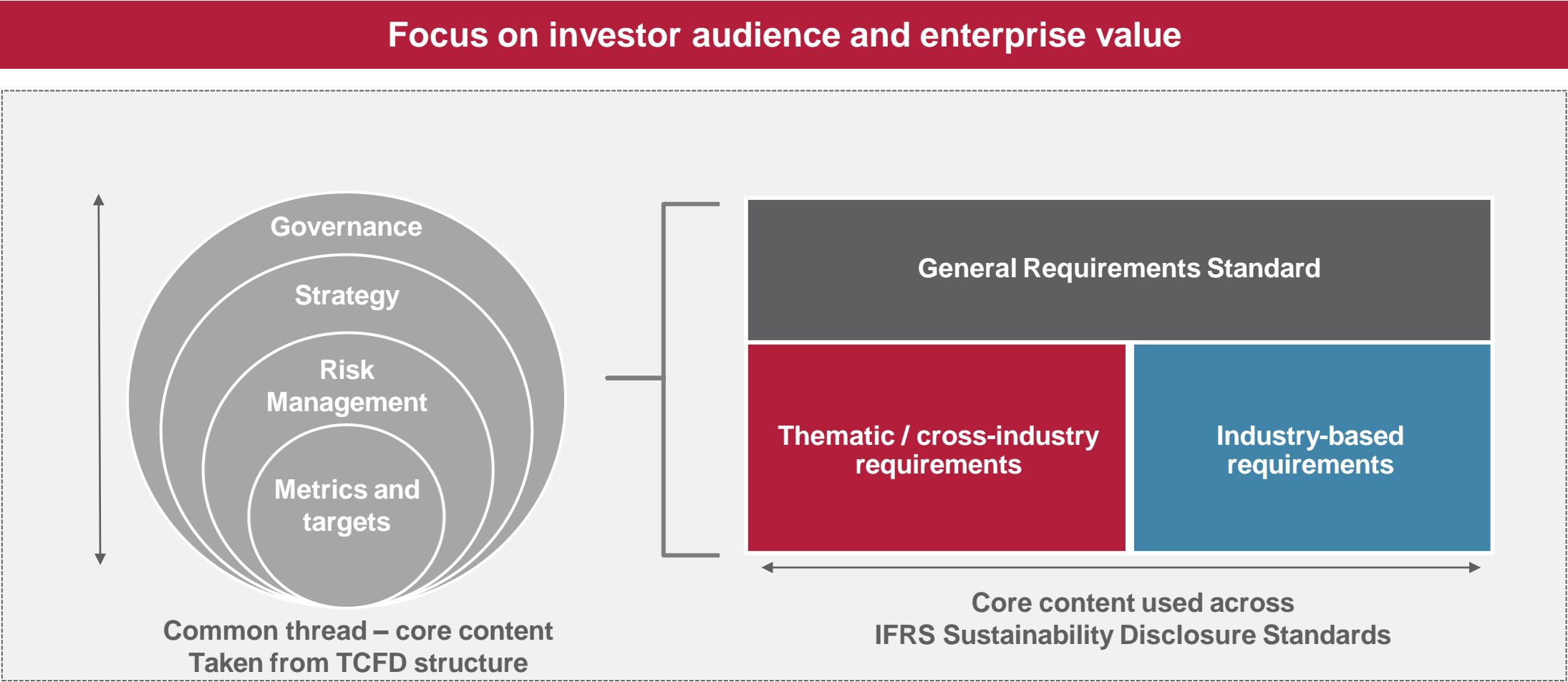
General Requirements Exposure Draft



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



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



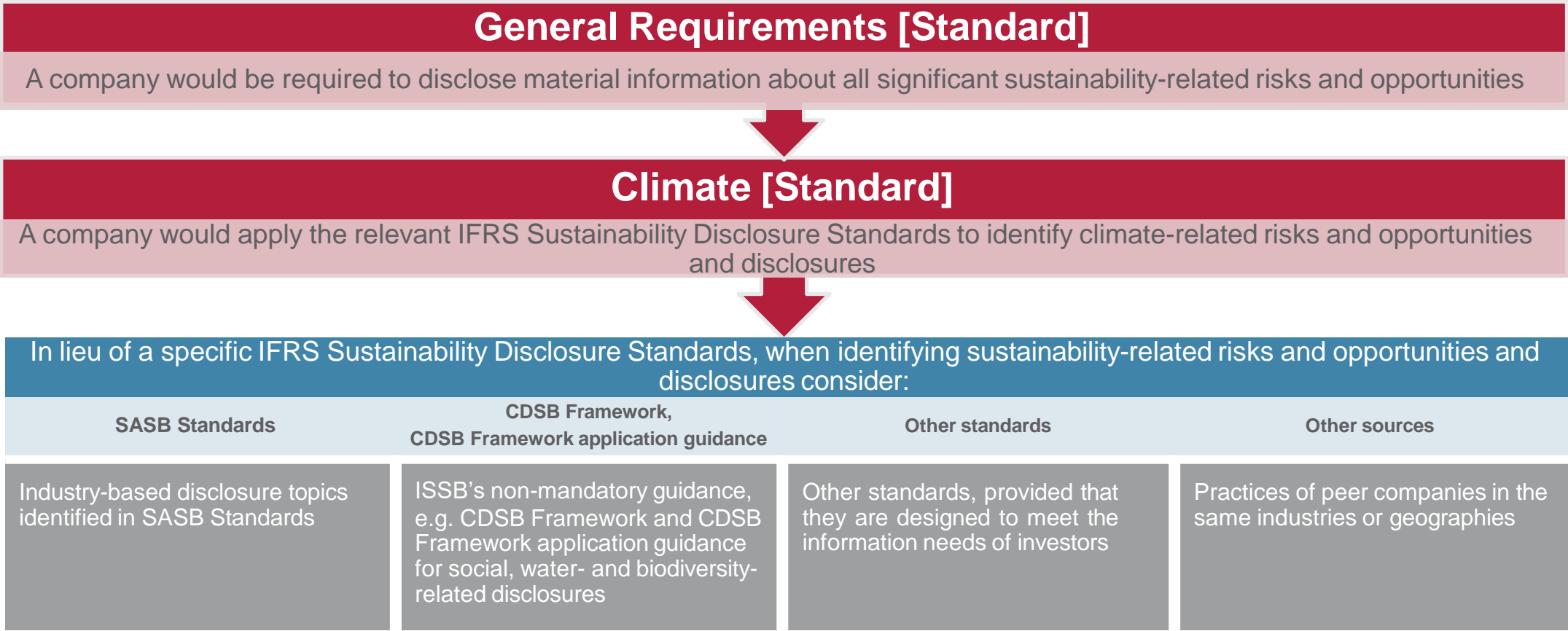
Requires financial statements and sustainability disclosures to be published at the same time



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



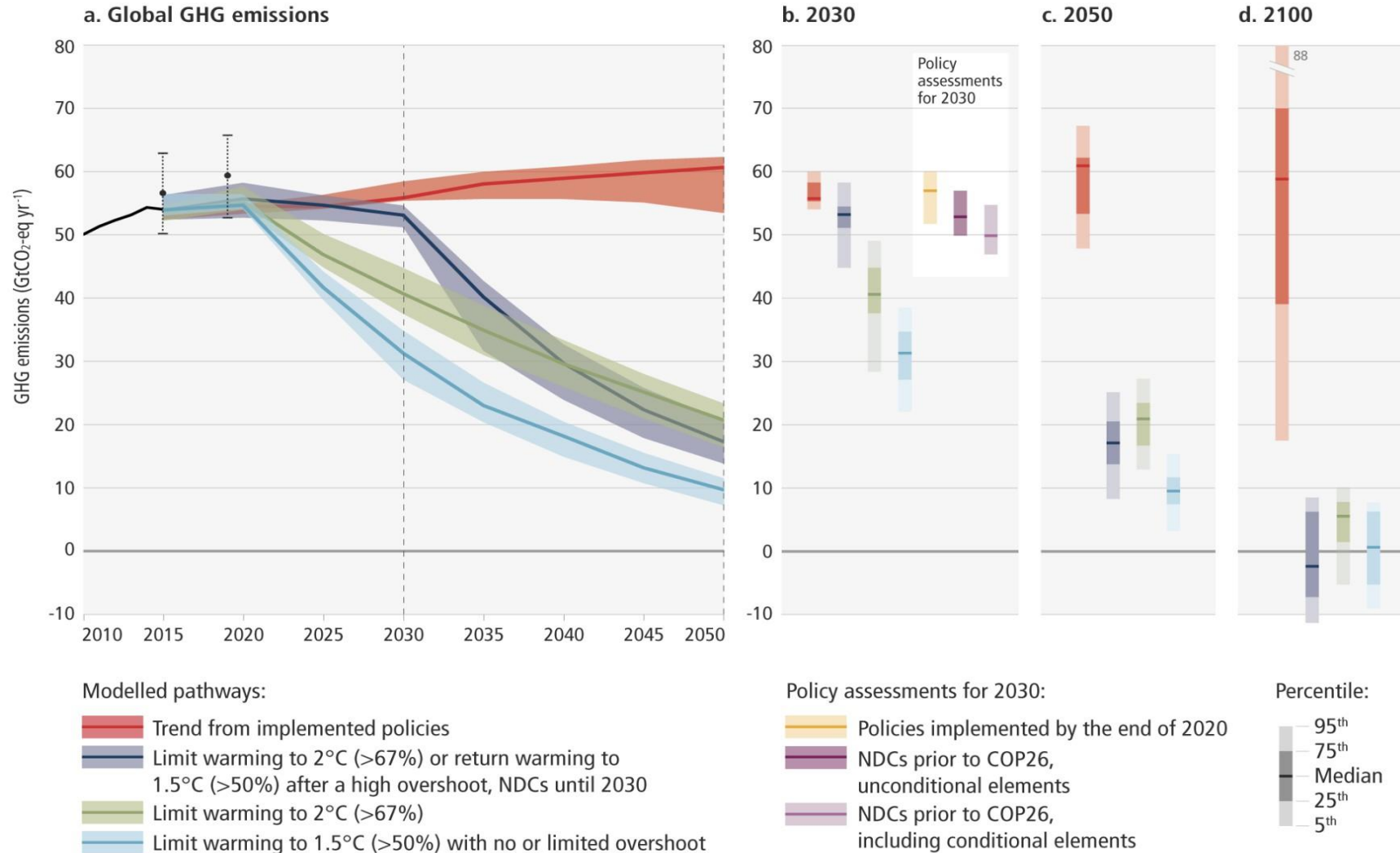
Illustrative Guidance is provided to illustrate how a company can use the **SASB Standards** and the **CDSB Framework application guidance** to identify disclosures about significant sustainability-related risks and opportunities that are relevant to investor decision making, faithfully represent the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



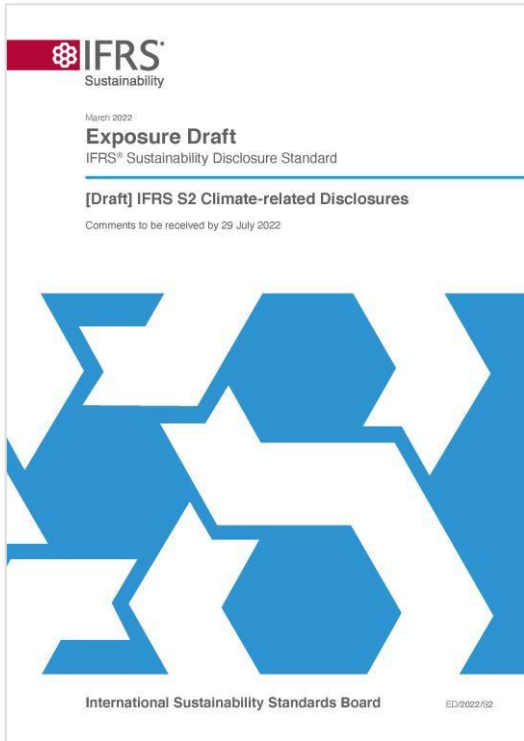
Climate Exposure Draft

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.



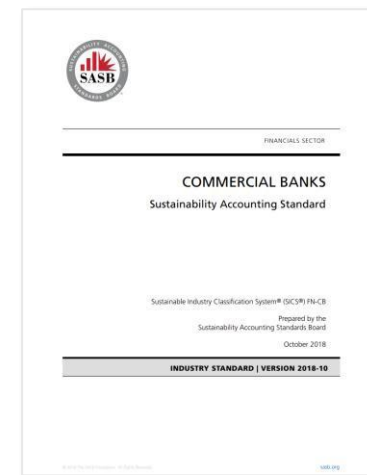
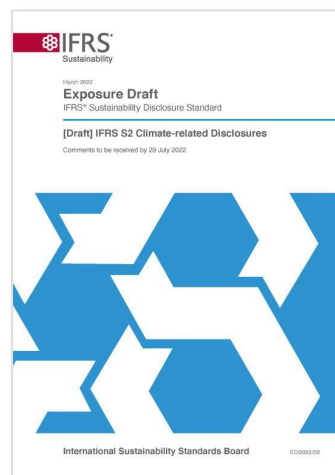
2 Climate Exposure Draft



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

Proposed Climate Disclosure Requirements



Strategy

“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

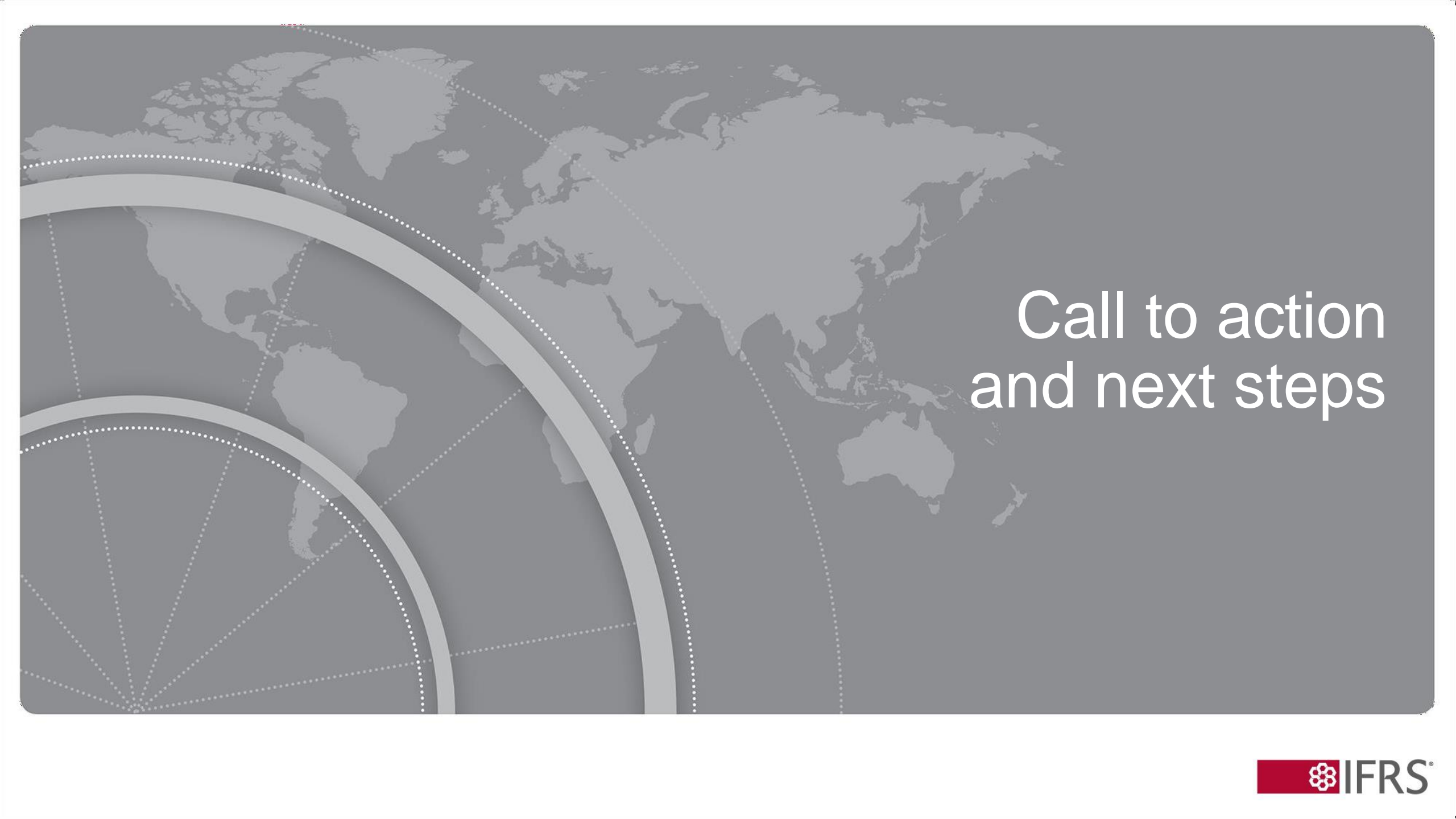
“The objective of climate-related financial disclosures on metrics and targets is to enable users of general purpose financial reporting to understand **how an entity measures, monitors and manages its significant climate-related risks and opportunities**. These disclosures shall enable users to understand 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 of the slide. Overlaid on the left side are several concentric, curved lines that sweep from the bottom left towards the center. These lines include both solid and dotted segments, creating a sense of motion or a stylized globe.

Call to action and next steps

Consultation package & communication materials

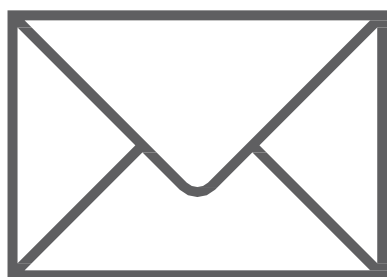
General Requirements Exposure Draft	Climate Exposure Draft	Other materials
<ul style="list-style-type: none"> • Draft Standard 	<ul style="list-style-type: none"> • Draft Standard <ul style="list-style-type: none"> - including Appendix B industry-based disclosure requirements 	<ul style="list-style-type: 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/

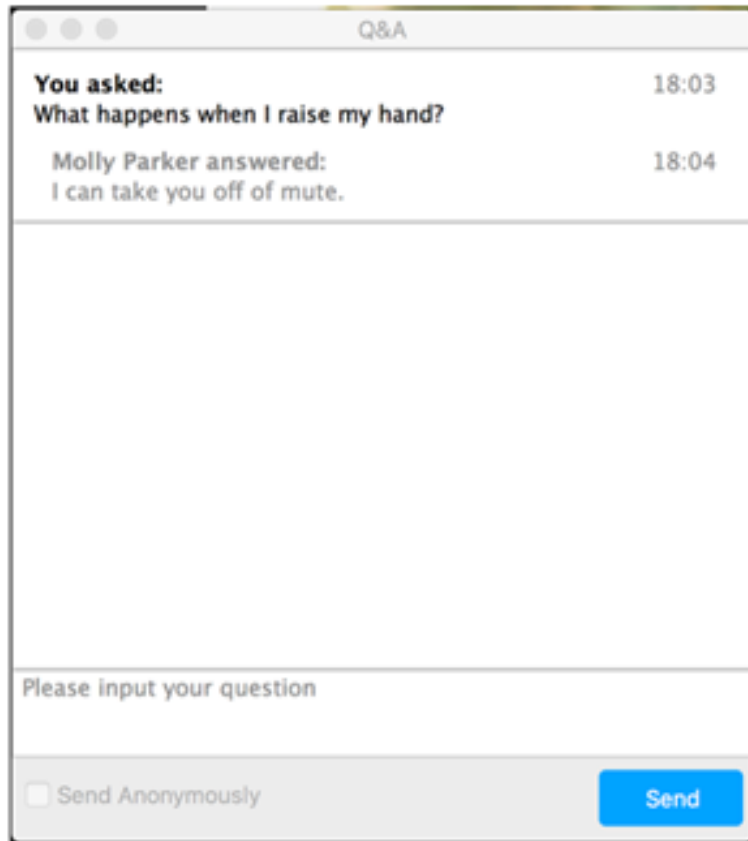
Comments are published on ifrs.org

Next steps for the Exposure Drafts



* Dependent on feedback from the consultation

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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.



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

Visit 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

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.



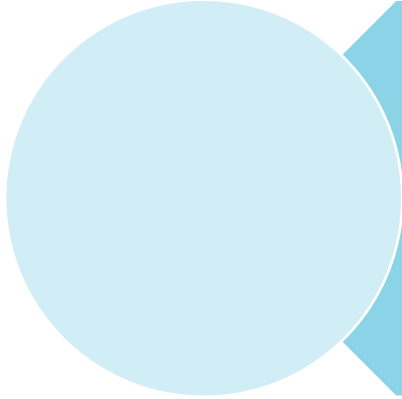
[Join for free today](#)

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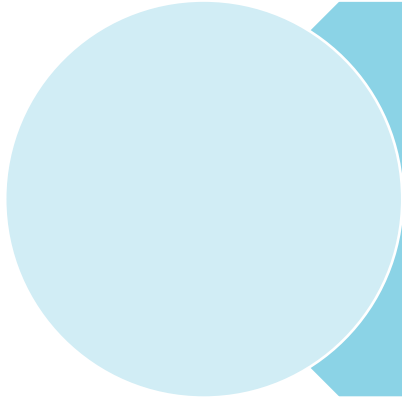
Visit icaew.com/groups-and-networks/communities/sustainability-and-climate-change

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



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Senior Technical Advisor
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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
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