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# Introducing the ISSB Standards: IFRS S1 and IFRS S2

Better Information, Better Decisions

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## ISSB objectives



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



**Enable companies** to provide comprehensive, decision-useful sustainability 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 when necessary to meet local and multi-stakeholder information needs.

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Sustainability-related disclosure standards that are:

## Decision-useful

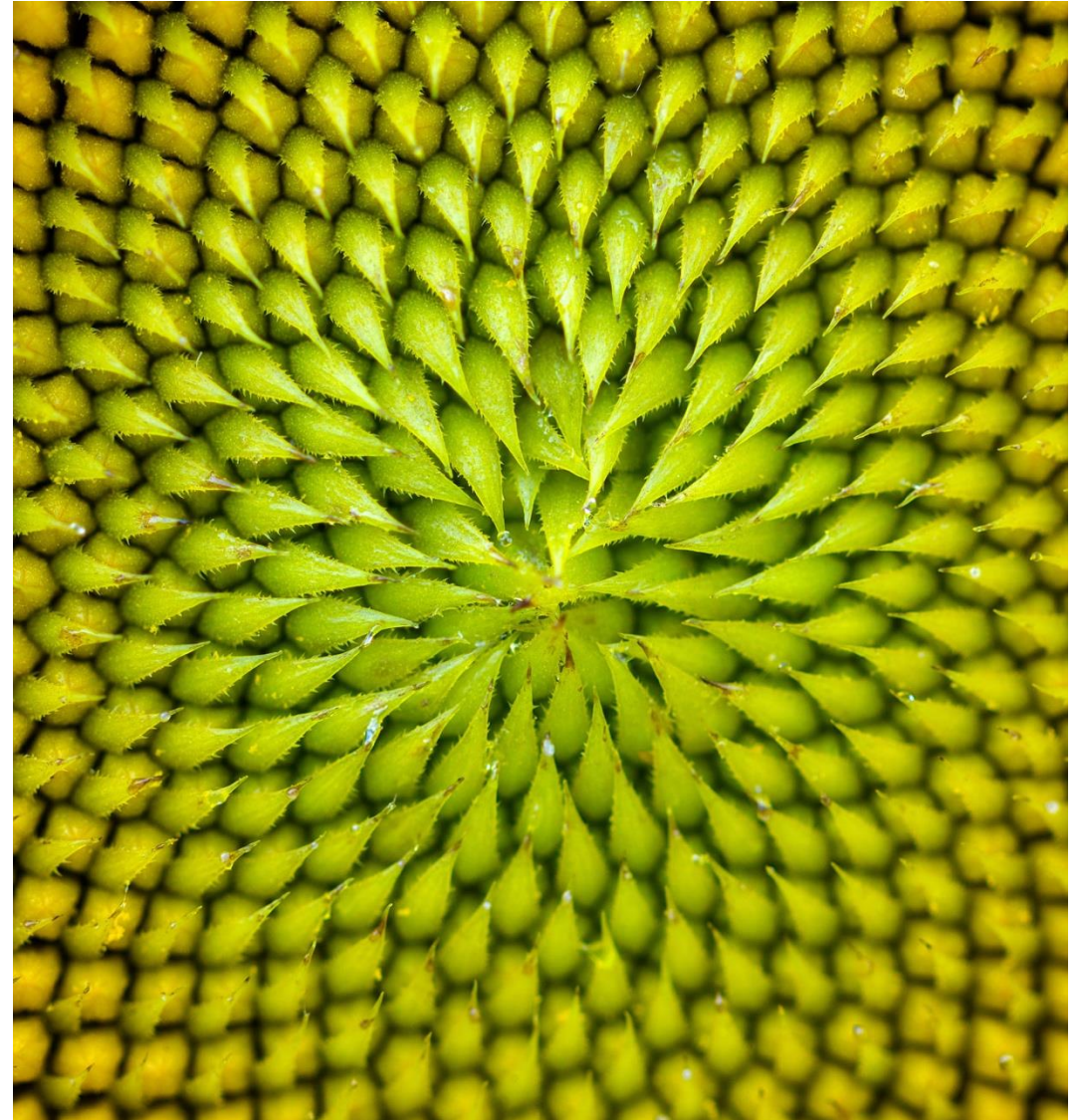
*Information to support investor decisions*

## Cost-effective

*Efficient for preparers*

## Market-informed

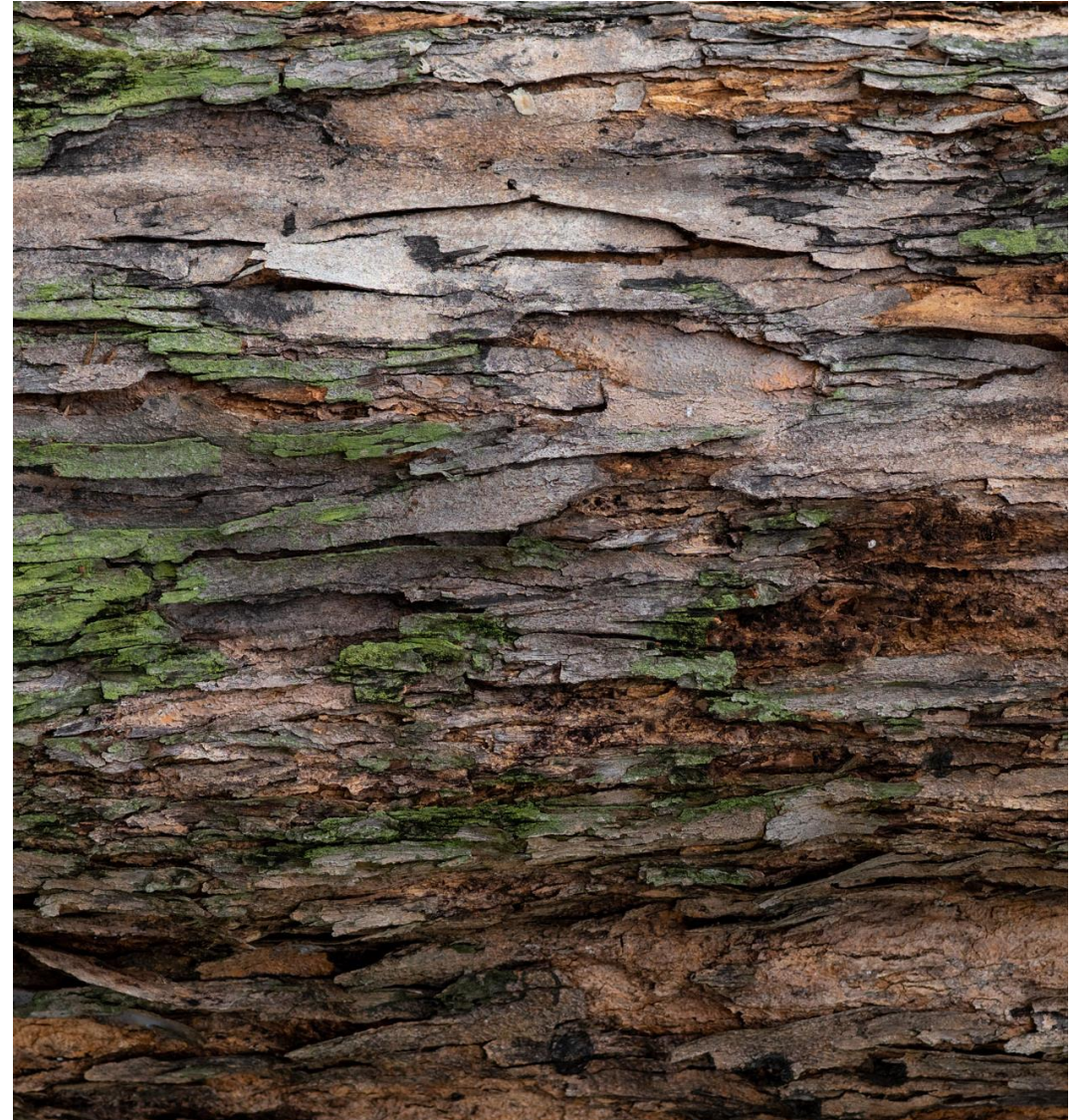
*Rigorous, transparent due process*



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## ISSB Standards at a glance

- interoperable with jurisdictional requirements
- are proportionate
- elicit verifiable disclosures
- disclosures can be delivered digitally
- require industry-specific disclosures
- build on and consolidate voluntary standards and frameworks
- use concepts well-known in financial reporting



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# Building on investor-focused standards and frameworks

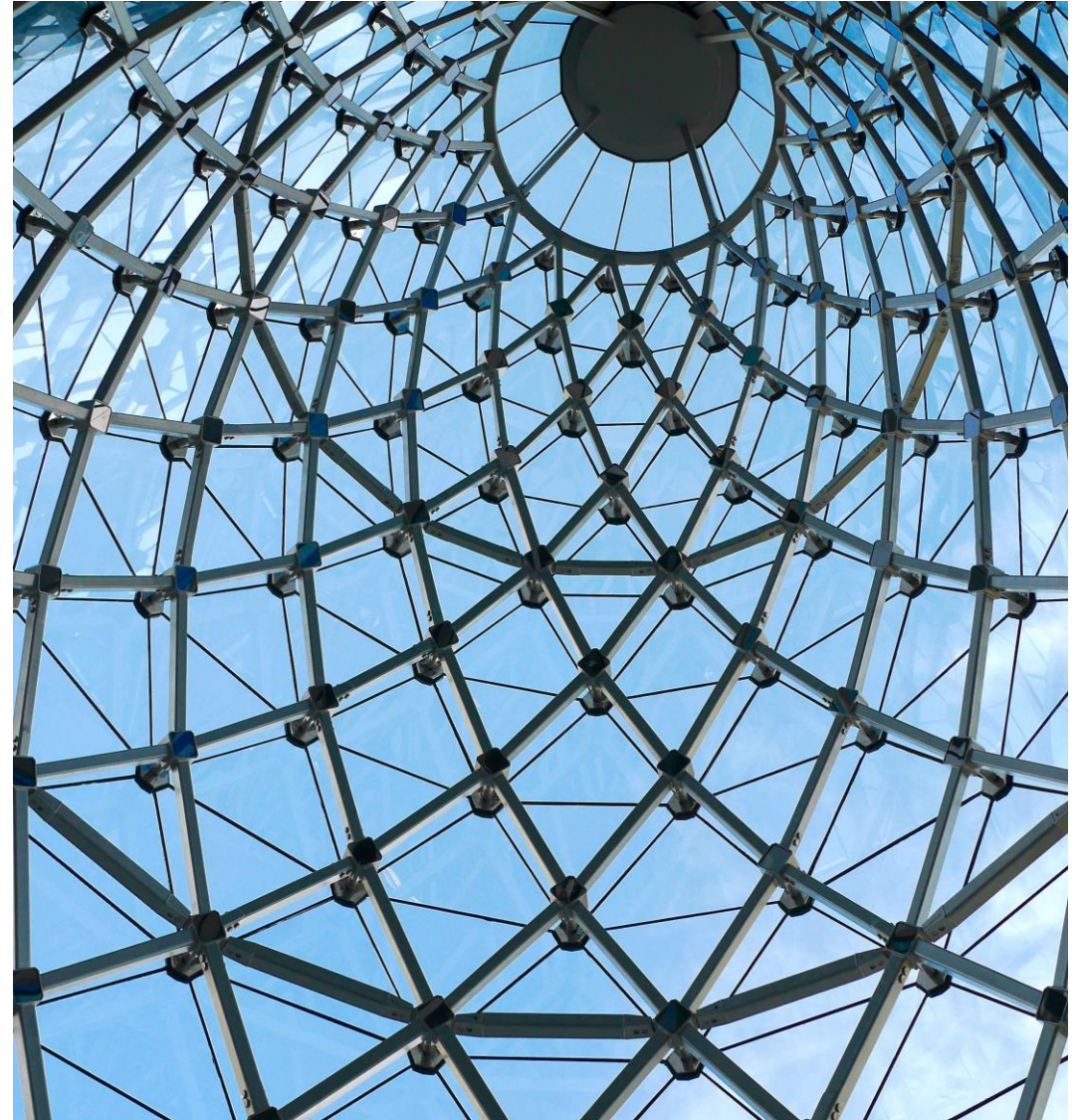
Consolidated into the IFRS Foundation



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## ‘Culmination’ of TCFD work

- ISSB Standards mark **“the culmination of the work** of the Task Force on Climate-related Financial Disclosures”
- IFRS S1 and IFRS S2 **fully incorporate** the recommendations of the TCFD
- Financial Stability Board to **transfer TCFD monitoring responsibilities** to ISSB from 2024
- Announcement provides **yet further clarification** of ‘alphabet soup’



# Towards a comprehensive global baseline for disclosure



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

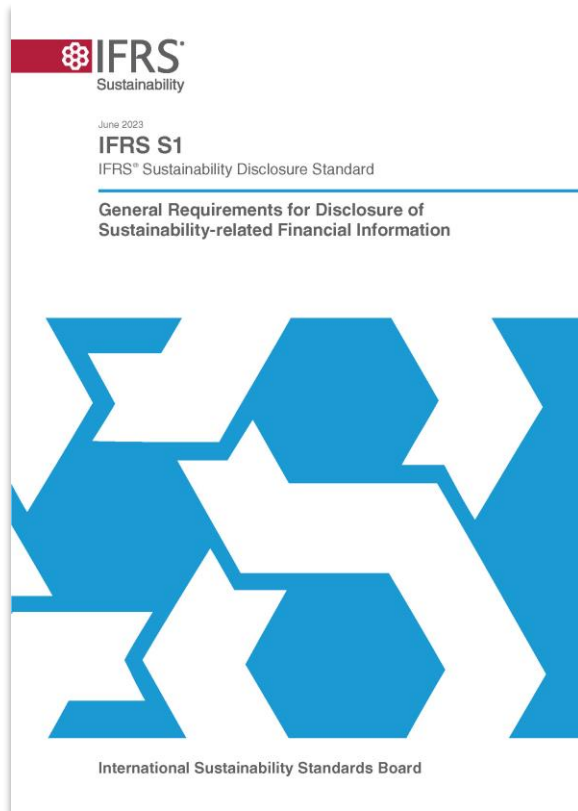
## ISSB Standards



### 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

# IFRS S1: General Requirements for Disclosures of Sustainability-related Financial Information

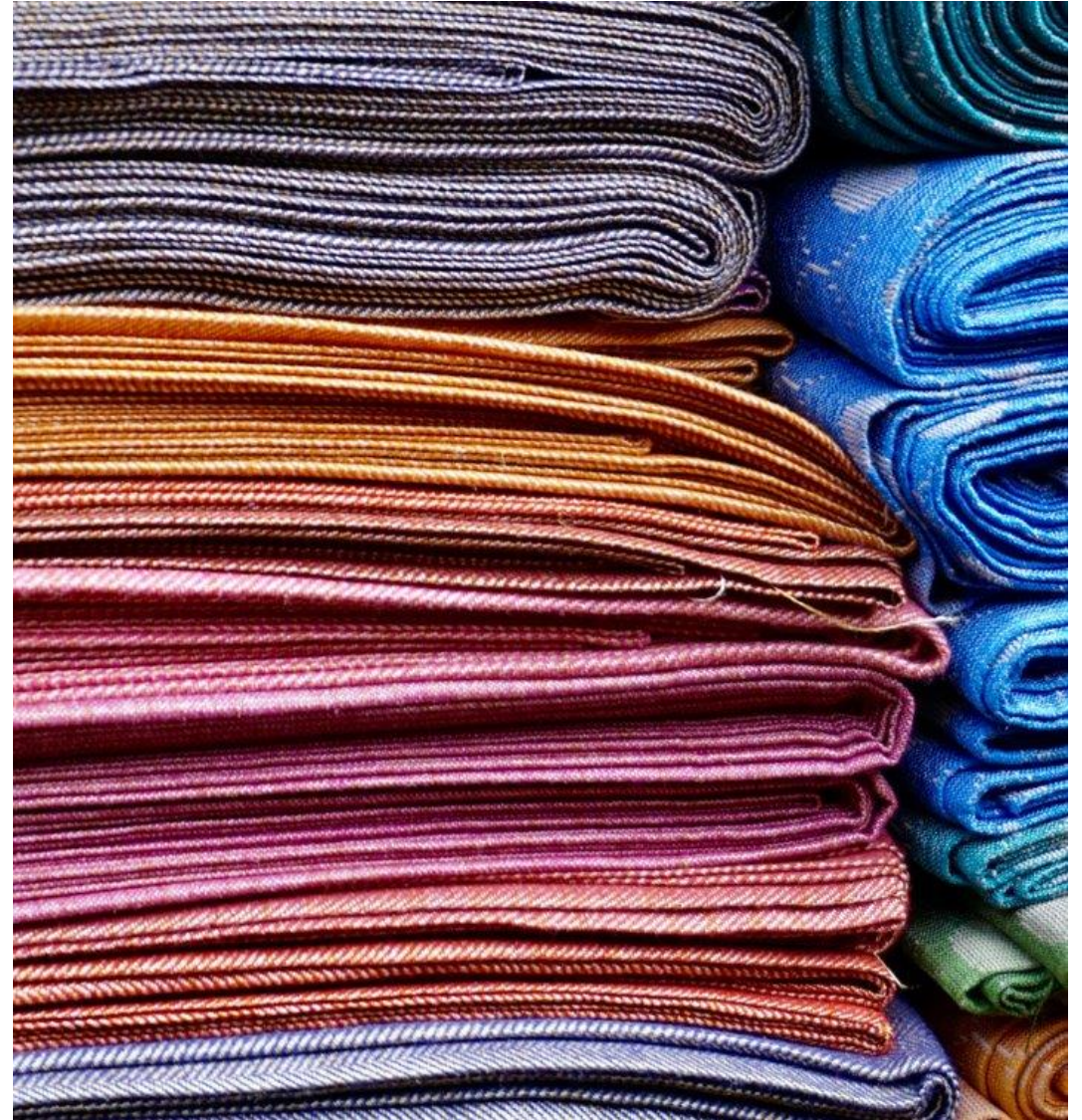


- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** to meet investor information needs
- Applies **TCFD structure** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (IFRS S2) refers to **sources to help companies** identify sustainability-related risks and opportunities and disclosures
- Can be used by companies that report to **any GAAP**



# Objective

- IFRS S1 asks for disclosure of information about sustainability-related risks and opportunities to meet investor information needs
- That means information about:
  - all sustainability-related risks and opportunities that **could reasonably be expected to affect the company's prospects — its cash flows, access to finance or cost of capital over the short, medium or long term**



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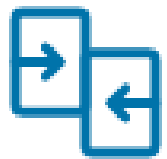
## Timing, location and comparatives



Financial statements and sustainability disclosures published **at the same time**, but with transitional relief in the first year of reporting

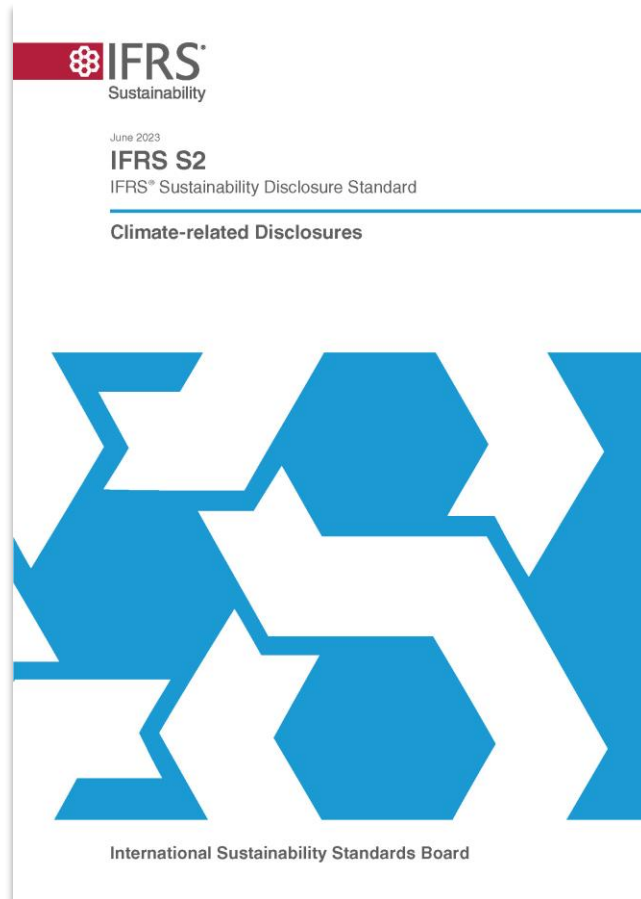


Does **not specify a location** for disclosure within general purpose financial reports and **allows for additional information**, to facilitate application in different jurisdictions



Asks for **comparative information** for the preceding period for amounts disclosed. This might relate to metrics and targets or to current and anticipated financial effects. Also asks for comparatives on narrative and descriptive information useful to investors.

# IFRS S2: Climate-related Disclosures

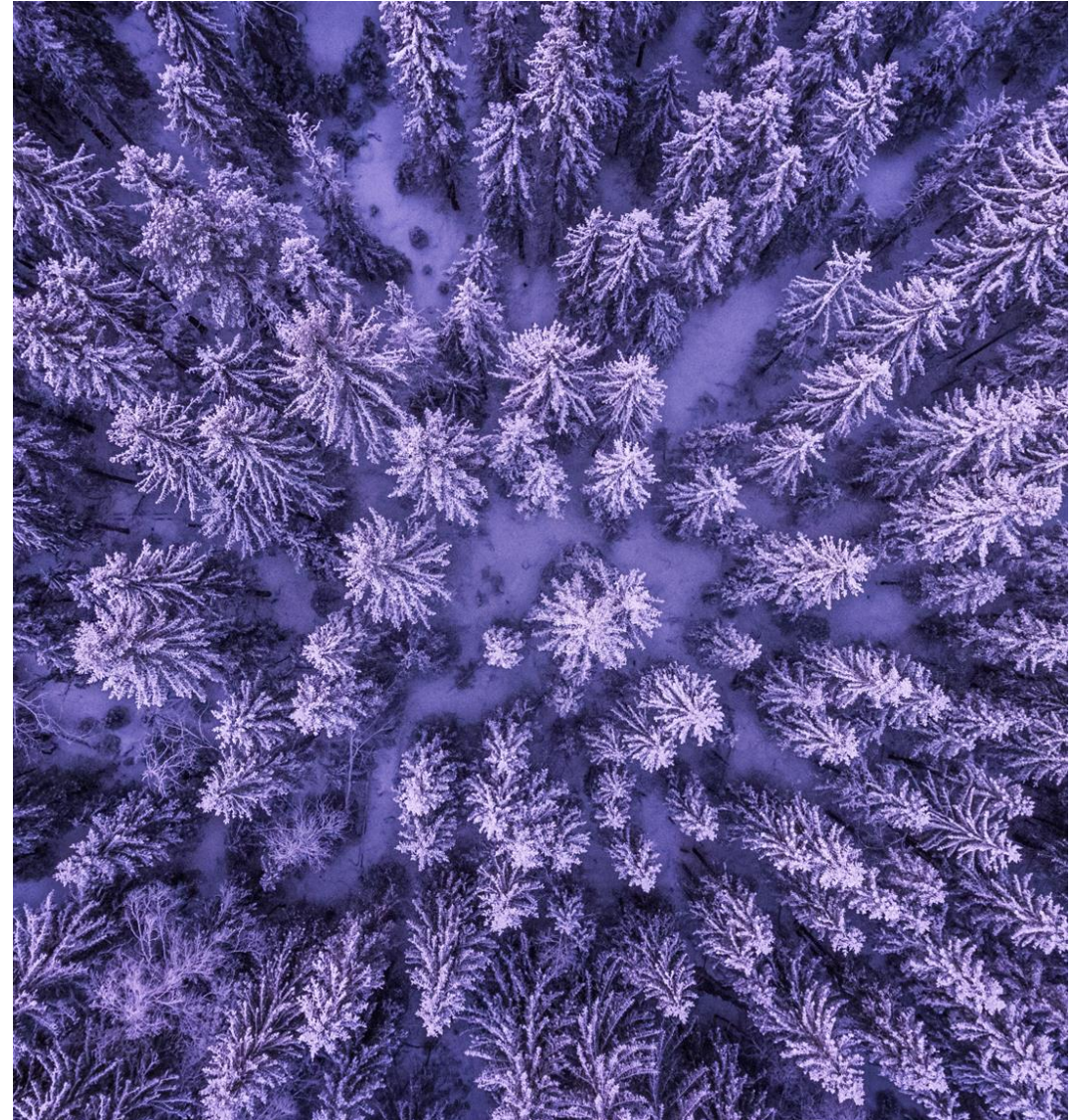


- Used in accordance with IFRS S1, IFRS S2 requires disclosure of **material information** about **climate-related risks and opportunities** to meet investor information needs
- Fully incorporates the **TCFD recommendations**
- Requires disclosure of material information about **climate-related physical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

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# Mechanisms 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



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# 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

# ISSB consultations currently open for comment

Request for Information on

## ISSB Consultation on Agenda Priorities



Open for comment  
until  
1 September 2023



Complete a survey, or submit a comment letter

Exposure Draft on

## Proposed methodology to enhance international applicability of the SASB Standards



Open for comment  
until  
9 August 2023



Submit a comment letter

- ✓ Online at: [ifrs.org/projects/open-for-comment](https://ifrs.org/projects/open-for-comment)
- ✓ By email to: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

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# Looking ahead

## Commitment to:

- connections with financial statements
- interoperability with jurisdictional and voluntary initiatives

## Supporting implementation of IFRS S1 and IFRS S2

- digital taxonomy
- awareness raising and capacity building
- regulatory adoption and voluntary application

## Work to:

- enhance and maintain the SASB Standards
- research disclosures that highlight nature and social aspects of climate-related risks and opportunities in IFRS S2

## Future priorities:

- Agenda consultation open until 1 September 2023



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# Get involved



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ISSB Standards and supporting materials



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to live consultations



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ISSB meetings are broadcast live