



**Integrated ESG**  
Driving Sustainable Investment



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra  
Swiss Confederation  
Federal Department of Economic Affairs,  
Education and Research EAER  
State Secretariat for Economic Affairs SECO



# WELCOME

THIS INTERACTIVE WORKSHOP ON CLIMATE AND SUSTAINABILITY DISCLOSURE WILL START MOMENTARILY

# *Guideline on Sustainability and Climate-related Financial Disclosure for Banks and Finance Companies* Core content – built on TCFD



# Bangladesh disclosure requirements

**Who:** banks and financial institutions

**What:** sustainability-related financial information, with strong climate focus

**When:** for financial years starting on or after 1 Jan 2024

# Bangladesh disclosure requirements

## Where to disclose

### *1. In reporting template (supervisory reporting)*

- Not public
- Requirement to disclose all information (exemptions subject to prior approval by Bangladesh Bank)

### *2. In annual report (investor-oriented reporting)*

- Public
- Subject to materiality determination
- Commercially sensitive information may be omitted, if sufficiently justified



# Implementation Pathway





LEARNING OBJECTIVES

# Understand the ISSB Standards



## LEARNING OBJECTIVES

Identify what  
sustainability  
information  
investors need



## LEARNING OBJECTIVES

Develop a disclosure plan that supports your preparation for ISSB Standards

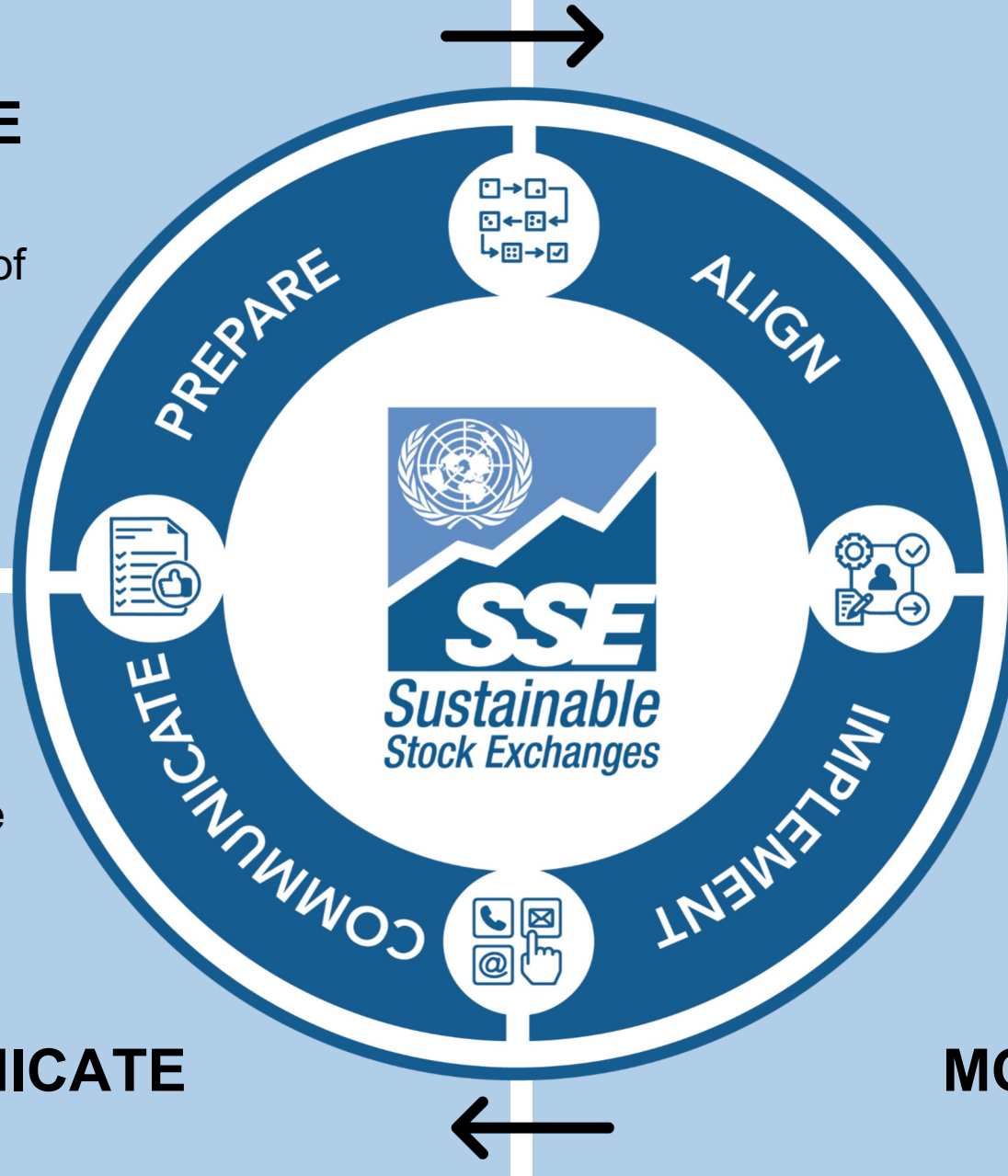


## MODULE 1: PREPARE

Building on existing knowledge of the landscape and purpose of sustainability-related financial disclosure

Considering content, location, efficiency and user confidence when disclosing in general-purpose financial reports

## MODULE 4: COMMUNICATE



## MODULE 2: ALIGN

Applying the IFRS Standards as the global baseline and integrating additional disclosures to meet geographical, sectoral and regulatory requirements

Identifying, evaluating, and integrating sustainability-related risks and opportunities

## MODULE 3: IMPLEMENT



## Disclaimer

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Building a solid  
foundation of  
knowledge

# PREPARE





# Climate risks: Two main types



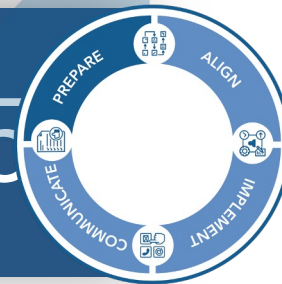
## Physical risks

- Driven by changes in the physical systems as a result of climate change
- **Incremental risks:** Long-term changes in baseline conditions as a result of climate change
  - Increasing droughts
  - Desertification
  - Sea-level rises
- **Extreme events:** Short-term events that may be exacerbated or made more common by climate change
  - Heatwaves
  - Hurricanes
  - Fires
  - Floods

## Transition risks

- Driven by the transformation of the economy due to climate action
- **Policy risks**
  - Regulatory or public policy actions that increase the costs of various activities (e.g., carbon taxes)
  - Regulations or restrictions on certain activities (e.g., fracking)
- **Technology risks**
  - Changing economics of low-carbon technologies that replace or challenge incumbent emitters (e.g., solar vs. coal)
- **Market risks**
  - Revaluation of assets based on shifts in demand or the recognition of potential stranded assets (e.g., fossil fuel reserves)
  - Changes in consumer preferences

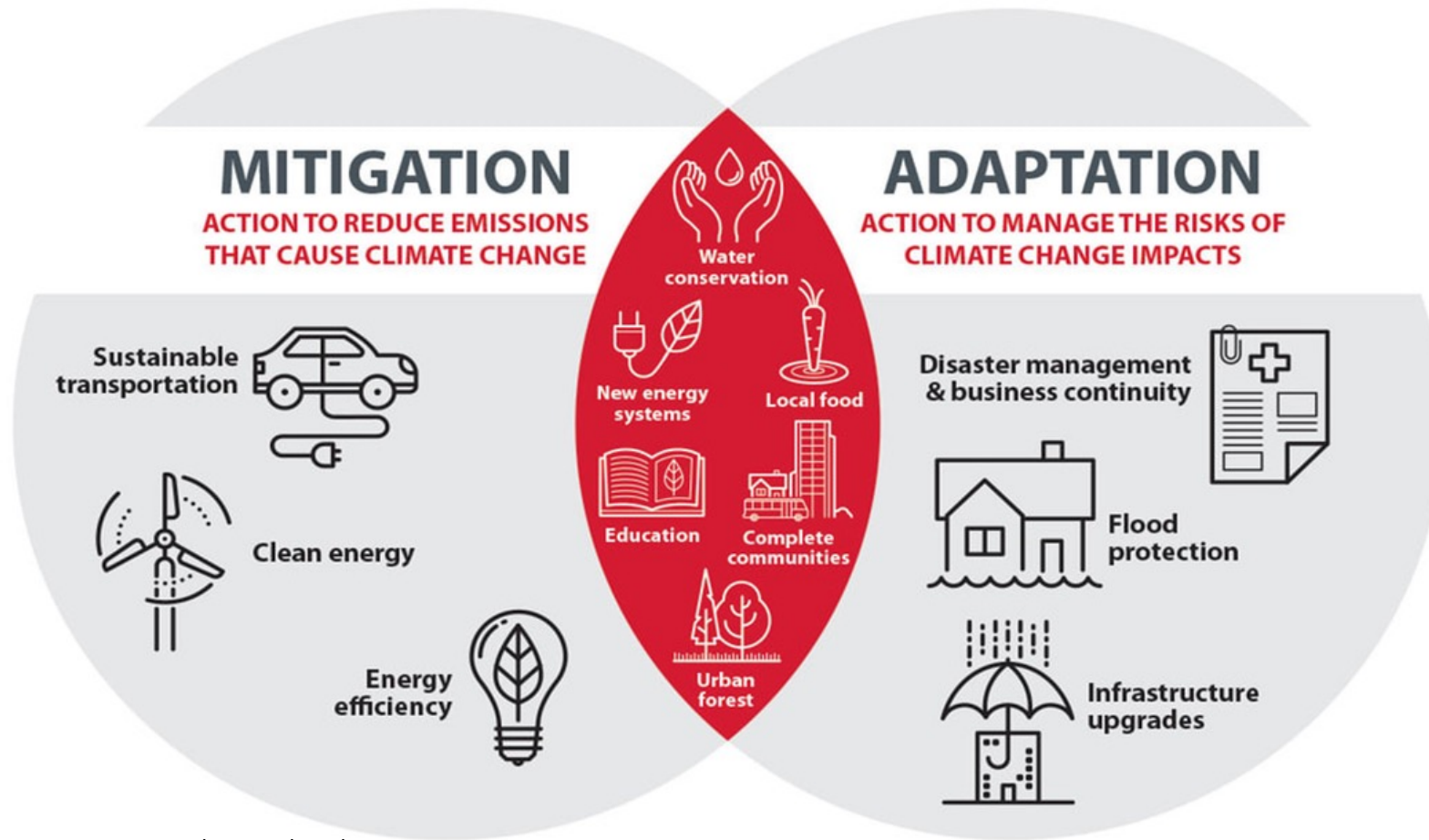
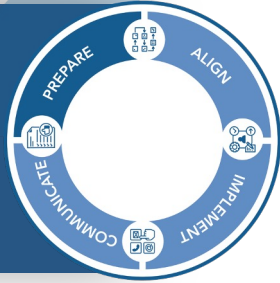
# Expected impact on global GDP by 2050



	Temperature rise scenario, by mid-century			
	Well-below 2°C increase	2.0°C increase	2.6°C increase	3.2°C increase
	<i>Paris target</i>	<i>The likely range of global temperature gains</i>		<i>Severe case</i>
<b>Simulating for economic loss impacts from rising temperatures in % GDP, relative to a world without climate change (0°C)</b>				
World	-4.2%	-11.0%	-13.9%	-18.1%
OECD	-3.1%	-7.6%	-8.1%	-10.6%
North America	-3.1%	-6.9%	-7.4%	-9.5%
South America	-4.1%	-10.8%	-13.0%	-17.0%
Europe	-2.8%	-7.7%	-8.0%	-10.5%
Middle East & Africa	-4.7%	-14.0%	-21.5%	-27.6%
Asia	-5.5%	-14.9%	-20.4%	-26.5%
Advanced Asia	-3.3%	-9.5%	-11.7%	-15.4%
ASEAN	-4.2%	-17.0%	-29.0%	-37.4%
Oceania	-4.3%	-11.2%	-12.3%	-16.3%

<https://www.weforum.org/agenda/2021/06/impact-climate-change-global-gdp/#:~:text=URL%3A%20https%3A%2F%2Fwww.weforum.org%2Fagenda%2F2021%2F06%2Fimpact>

# Climate finance opportunities



# Climate-related risks, opportunities and financial impact





# Why do we need sustainability-related disclosure standards & regulations?



Informs investors of the **broader impact of the individual investments**

**Improves Investor Confidence** and ensures a level playing field for market participants

Allows investors to **align and monitor** their investment activity against **environmental objectives**



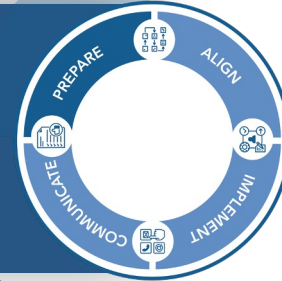
Provides a **common language** on what constitutes a sustainable activity

Provides a **common means** for investors to **compare ESG products**

Improves **transparency** and **reduces market fragmentation**

**Reduced risk of greenwashing** (misleading investors about ESG credentials)

# The global landscape of sustainability disclosures



## International Sustainability Standards Board (ISSB)<sup>1</sup>

- Created in 2021 by the International Financial Reporting Standards Foundation (IFRS) and aims to develop a comprehensive global baseline for sustainability disclosure standards.
- Two standards published in June 2023: general sustainability-related disclosure standards & climate-related disclosure standards.
- Countries such as the UK, Australia, Canada, Japan, New Zealand and Singapore are working toward requiring disclosures aligned with the



## Corporate Sustainability Reporting Directive (CSRD)<sup>2</sup>

- CSRD is the new ESG disclosure regime in the EU.
- Entered into force in Jan 23. Will apply in a phased way to different entities.
- EFRAG published its 1st set of draft reporting standards 'ESRS' under CSRD in November 2022.
- The European Commission adopted the European Sustainability Reporting Standards (ESRS) in July 2023.
- ESRS effective dates vary for different entities, with first reporting starting from ranging from FY 2024 to 2028.



## U.S. Securities and Exchange Commission (SEC)<sup>3</sup>

- On March 6, 2024, the SEC adopted new climate disclosure rules. These rules require companies to publish information that describes the climate-related risks that are reasonably likely to have a material impact on a company's business or consolidated financial statements.
- According to the SEC, the newly adopted rule will require SEC-registered domestic or foreign companies to include climate-related information in filing documents such as registration statements and periodic reports such as 10-K annual reports.



## Bangladesh Bank & Nepalese Central Bank

- In Dec 2023, the Central Bank of Bangladesh (Bangladesh Bank) has published a 'Guideline on Sustainability and Climate-related Financial Disclosure for Banks and Financial Institutions'. The guideline implements the standards by the International Sustainability Standards Board (ISSB)<sup>4</sup>.
- The Nepalese central bank has also issued requirements in 2022, for banks and other financial institutions to assess climate risks before providing loans<sup>5</sup>. The guidelines include a checklist to assist banks in integrating climate considerations into their risk management practices.

1) [ISSB standards](#); 2) [CSRD, 2023](#); 3) [SEC, 2024](#); 4) [Bangladesh bank, 2023](#); 5) [Nepalese central bank, 2022](#)

# ZOOM POLL

Select the  
appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

## 1. What frameworks are you currently using?

(Select all that apply)

- a. CDP
- b. GRI
- c. Integrated Reporting
- d. SASB
- e. TCFD
- f. UNGC
- g. Others (indicate in the chat)

# PREPARE





# The evolution of standards



# Structure of the IFRS Foundation



Public accountability

IFRS Foundation Monitoring Board

Governance, strategy, oversight

IFRS Foundation Trustees

Independent standard-setting

International Accounting  
Standards Board (IASB)

International Sustainability  
Standards Board (ISSB)

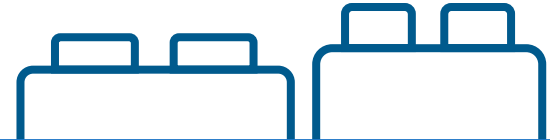
IFRS Interpretations Committee  
(IFRIC)

# A truly global baseline of disclosures



Additional building block can be added to meet:

- Jurisdiction-specific requirements
- Broader multi-stakeholder needs



## ISSB Standards

- A comprehensive foundation of disclosures for global jurisdictional adoption
- Common language for comparable, decision-useful disclosures
- Designed to meet investor needs across global capital markets

# ISSB objectives



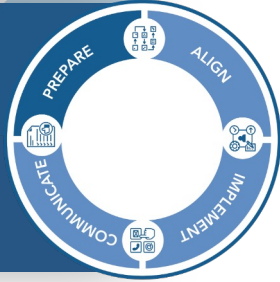
Develop standards for a global baseline of sustainability disclosures

Meet the information needs of investors

Enable companies to provide comprehensive sustainability information to global capital markets

Facilitate interoperability with disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups

# From TCFD to IFRS S2



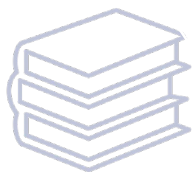
TCFD has **fulfilled its remit** and disbanded, helping to further reduce the ‘alphabet soup’



TCFD **monitoring responsibilities transferred** to IFRS Foundation



**IFRS S1 and IFRS S2 incorporate** the recommendations of the TCFD



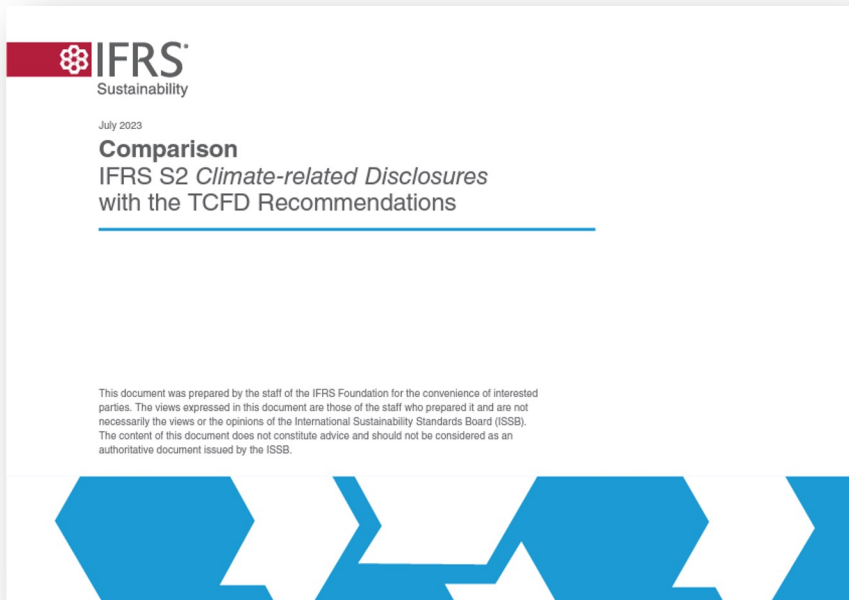
Companies and jurisdictions still able to **make use TCFD recommendations as a resource**



# TCFD-ISSB mapping



Some differences between IFRS S2 and the TCFD's **guidance**, not the TCFD's recommendations.



- In some cases, IFRS S2 uses **different wording** to capture the **same information** as the TCFD;
- IFRS S2 **requires more detailed information** that is in line with the TCFD; and
- IFRS S2 provides some **additional requirements and guidance**.

# ZOOM POLL

Select the  
appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

**2. Companies who disclose using the TCFD recommendations automatically comply with the ISSB Standards.**

- a. True
- b. False

# Transition from the TCFD recommendations to IFRS Sustainability Disclosure Standards



Standards exploration

Action gaps

Compliance assessment

Timing adjustments

- Read and explore IFRS S1 and IFRS S2. Use the IFRS S2–TCFD comparison table to identify gaps between the disclosure requirements of the TCFD recommendations and IFRS S2.
- Take action to fill any gaps identified between current climate-related disclosures and IFRS S2's requirements.
- Assess whether there is need to change the company's governance, risk management, strategy or reporting to comply with IFRS S1 and IFRS S2.
- Assess whether there is need to make any changes to the timing of disclosures. IFRS S1 requires a company to publish financial statements and sustainability disclosures at the same time. However, IFRS S1 grants a transitional relief in the first year a company prepares sustainability disclosures in accordance with IFRS S1.

# PREPARE



An overview of the ISSB S1 and S2 requirements

# Important terms



**Sustainability-Related  
Financial Information**



**Sustainability-Related  
Risks & Opportunities**



**General Purpose  
Financial Reports**



**Material Information**

# Important terms



- ❑ **Sustainability-Related Financial Information** - Information about a company's sustainability-related risks and opportunities that is useful to primary users of
- ❑ **Sustainability-Related Risks & Opportunities**—Those risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term (IFRS S1.3).
- ❑ **General Purpose Financial Reports**—may have different names in different jurisdictions including integrated report, strategic report, operating and financial review. Includes financial statements and sustainability-related financial disclosures.
- ❑ **Material Information**—Information is material if omitting, misstating or obscuring it could reasonably be expected to influence investor decisions (IFRS S1.18).



# Core content areas



## GOVERNANCE

- Governing Body
- Management

## STRATEGY

- Risks & Opportunities
- Effects on
  - a) business model & supply chain,
  - b) strategy
  - c) financial & cash flows
- Resilience

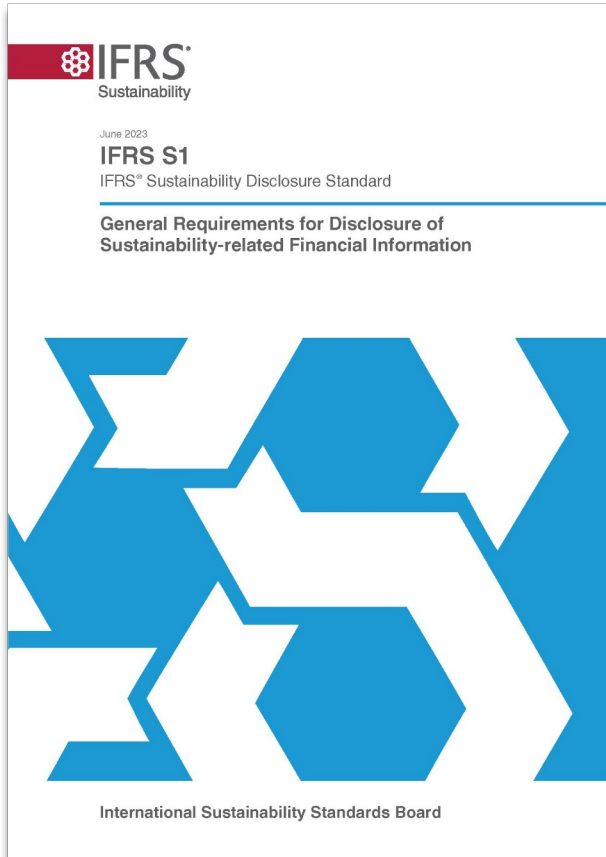
## RISK MANAGEMENT

- Risks
- Opportunities
- Integration

## METRICS & TARGETS

- Metrics
- Targets

# IFRS S1: General requirements



- ❑ Requires **material information** about **sustainability-related risks and opportunities** with the financial statements to meet investor information needs
- ❑ Applies **Task Force on Climate-related Financial Disclosures (TCFD) architecture**
- ❑ Requires **industry-specific disclosures**
- ❑ Refers to **sources to help companies** identify sustainability-related risks and opportunities and information beyond climate (IFRS S2)
- ❑ Can be used with **any accounting requirements (GAAP)**

# IFRS S2: Climate-related disclosures



- ❑ Incorporates the **TCFD recommendations**
- ❑ To meet investor information needs, IFRS S2:
  - ❑ is used in accordance with **IFRS S1**
  - ❑ requires disclosure of **material information** about **climate-related risks and opportunities**, including physical and transition risks
  - ❑ requires **industry-specific disclosures** – supported by accompanying guidance built on SASB Standards

# IFRS S1 and S2 together



IFRS S2 is to be applied in accordance with IFRS S1 because S1:

- Establishes important **conceptual foundations**, e.g.: **connected information, value chains**
- Provides important guidance on the **assessment of materiality**
- Sets out the **qualitative characteristics** of the information to be provided, e.g.: **relevant** and **faithful representation**
- Sets out requirements and concepts for reporting, for example:
  - the reporting entity
  - timing and location of reporting
  - connections and comparative information in reporting



# Core Concepts



**i** Meeting primary users' needs

**i** Connected information

**i** Consistent information

**i** Fair representation

# Meeting primary users' needs



- ❑ **Primary users of general purpose financial reports** are existing and potential investors, lenders and other creditors
- ❑ Information influences **primary users of general-purpose financial reports** when it informs their decisions about:
  - ❑ Whether to provide resources to the entity
  - ❑ Buying, selling or holding equity and debt
  - ❑ Providing or selling loans and other forms of credit
  - ❑ Voting on or otherwise influencing how the company manages its economic resources



# Connected information



IFRS S1 asks for information that enables understanding of the connections between:

- sustainability-related risks and opportunities
- disclosures on core content
- sustainability-related financial disclosures and financial statements

# Consistent information



Consistency is enhanced when the same data and assumptions are used for sustainability-related financial information and the related financial statements:

- ❑ Prepared **for the same reporting entity and reporting period** as the financial statements
- ❑ Provided **at the same time** as the financial statements and as part of the general-purpose financial reports
- ❑ Include **data and assumptions that are consistent** with the the related financial statements as much as possible

# Fair presentation



A **complete set** of sustainability-related financial disclosures should fairly present all sustainability-related risks and opportunities that could reasonably affect the company's prospects

## To achieve fair presentation:

- disclose relevant and material information
- faithfully represent information using principles of decision-usefulness
- disclose comparable, verifiable, timely and understandable information
- disclose additional information if needed

## To achieve faithful representation:

- complete, neutral and accurate depiction of sustainability-related risks & opportunities

# ZOOM POLL

## Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

### 3. What information should be considered for connectivity?

(Select all that apply)

Connections between:

- a. Governance, strategy, risk management and metrics & targets
- b. Sustainability-related financial disclosures and financial statements
- c. Sustainability-related risks and opportunities

# Additional guidance



## Application Guidance

Same authority as the main part of the Standard



## Educational Material

Helps companies apply the standards



## Accompanying Guidance

Illustrative guidance and examples.



## Industry-based Guidance

Accompanying or illustrative guidance

# PREPARE ACTIVITY



How will you build collective capacity and identify the responsible individuals for your disclosure?

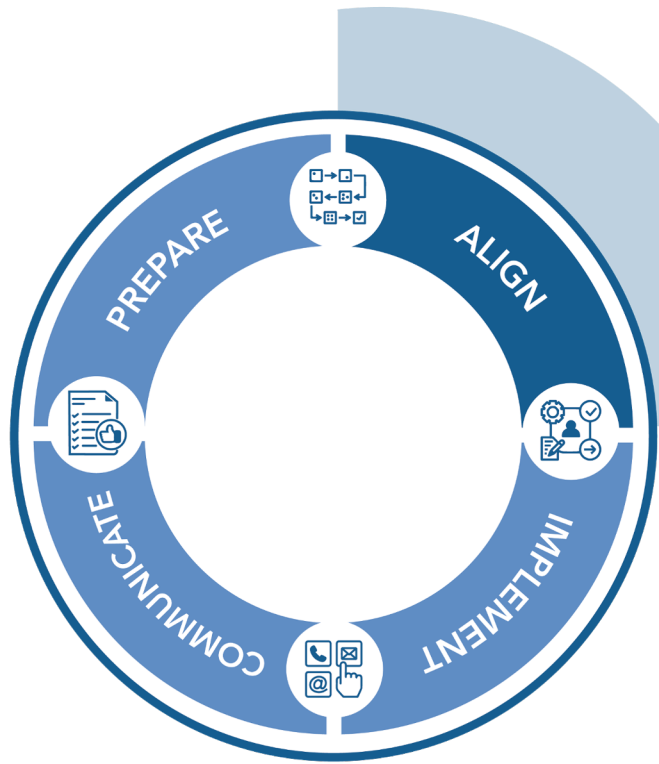
1. **Tone from the top:** Identify who in your organization's board and C-suite will be responsible for oversight of sustainability-related financial disclosures.
2. **Integration:** Identify what teams are already familiar with the evaluation and management of sustainability-related risks and opportunities and what teams will need additional capacity building.
3. **Negotiate:** Working with colleagues and partners to build consensus on how, when and by whom any necessary actions will be taken, monitored and maintained.



Visit [www.menti.com](https://www.menti.com)  
and type the code that  
we are sharing in the  
chat

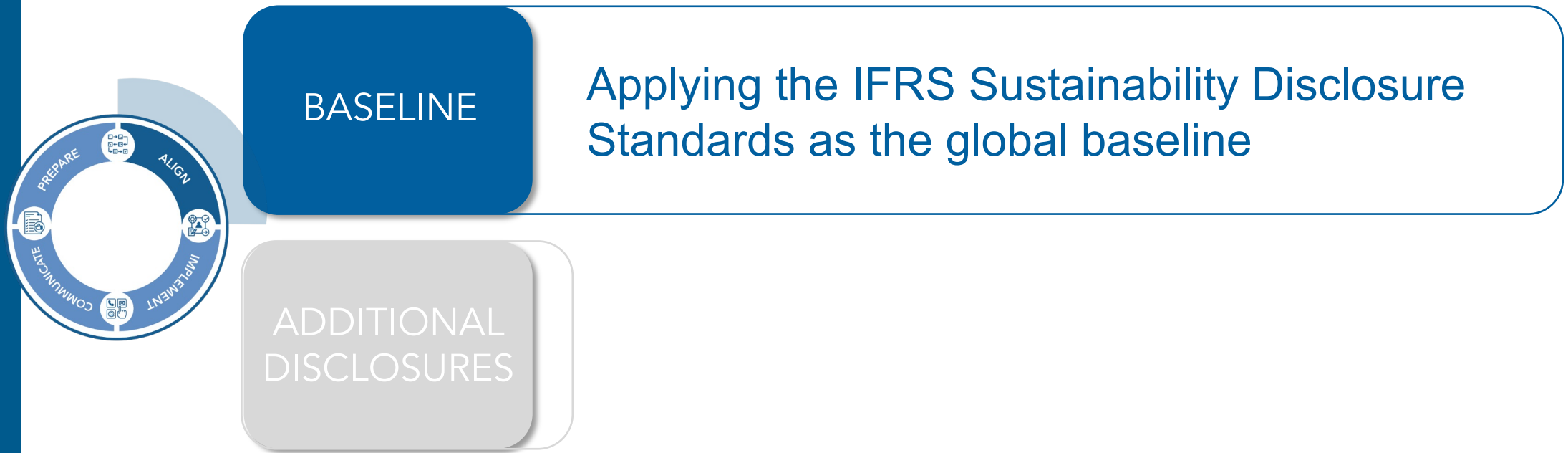
What will you do to  
identify the skills and  
knowledge gaps in your  
organization?





Setting the direction:  
Applying the IFRS  
standards & integrating  
additional disclosures

# ALIGN



# Core content: Governance



## GOVERNANCE

- Governing Body
- Management

## STRATEGY

- Risks & Opportunities
- Effects on
  - a) business model & supply chain,
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- Resilience

## RISK MANAGEMENT

- Risks
- Opportunities
- Integration

## METRICS & TARGETS

- Metrics
- Targets



# Governing Board & Management



- Which **Board and Management bodies or committees** are responsible for sustainability and climate-related risks and opportunities?
- What are their **skills and competencies**?
- What **processes and controls** do they use for managing risks and opportunities?
- How and when** do they get informed about risks and opportunities?
- What are their **roles and responsibilities**?
- What sort of **decisions** do they make and what **targets** do they set based on risks and opportunities?

*Note: Avoid unnecessary duplication*





# Example for Governance: Schroders, Climate Report 2022<sup>1</sup>

## Governance continued

### Key

- Board and oversight
- Group governance
- Sustainability governance

- Climate-specific working groups
- Wealth Management specific
- Private Assets specific

Forum	Information	Description	2022 activities on climate and nature
 <p>Board Audit and Risk Committee (BARC)</p>	<p><b>Chair:</b> Schroders plc independent non-executive Director</p> <p><b>Membership:</b> Independent non-executive Directors of Schroders plc</p> <p><b>Meetings:</b> 5</p>	<p>The BARC is a Board Committee and is responsible for overseeing financial reporting, risk management and internal controls, internal and external audit. The BARC receives reports from management on key risks to ensure they are considered at Board level. Oversight of key risks is essential to the delivery of the Group's overall strategy, and the BARC provides an update to the Board quarterly.</p>	<ul style="list-style-type: none"> <li>• As 'ESG risk including climate change' is identified as a key business risk, the BARC received information quarterly in order to assess how it is being managed</li> <li>• Consideration and discussion of external reporting requirements for climate-related disclosures</li> </ul>
 <p>Group Management Committee (GMC)</p> <p>Group Strategy Committee (GSC)</p>	<p><b>Chair:</b> Group Chief Executive</p> <p><b>Membership:</b> Senior management from across the Group</p> <p><b>GMC Meetings:</b> 11</p> <p><b>GSC Meetings:</b> 15</p>	<p>The GMC comprises the wider senior management team and is an advisory committee to the Group Chief Executive on the day-to-day running of the Group's business.</p> <p>The GSC comprises the senior management team who have primary responsibility for the development and delivery of the Group's strategy. It is an advisory committee to the Group Chief Executive.</p>	<ul style="list-style-type: none"> <li>• The GMC considered the Group's strategy and key risks, including climate, ahead of submission to the Board</li> <li>• The GMC reviewed the sustainability annual update which included how sustainability trends were shaping our industry and the progress in our priority areas which included climate change and biodiversity</li> <li>• The GSC discussed climate and nature-related issues as part of the delivery of the Group's strategy</li> </ul>
 <p>Group Risk Committee (GRC)</p>	<p><b>Chair:</b> Chief Financial Officer (CFO)</p> <p><b>Membership:</b> Senior management from across the Group</p> <p><b>Meetings:</b> 10</p>	<p>The GRC assists the CFO in discharging his responsibilities in respect of risk and controls. The executive oversight of risk is delegated by the Group Chief Executive to the CFO. The GRC reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews emerging risks and developments to our internal key risks, one of which is 'ESG risk including climate change'.</p>	<ul style="list-style-type: none"> <li>• Reviewed the description and framework of 'ESG risk including climate change' and an assessment of risk position versus risk appetite for this risk</li> <li>• Reviewed the following topics: Sustainability and Impact frameworks across Private Assets, Internal Audit ESG Framework, ESG integration for counterparty selection</li> </ul>
 <p>Group Sustainability and Impact Committee (GSI Committee)</p>	<p><b>Chair:</b> Group Chief Executive</p> <p><b>Membership:</b> Senior management from across the Group</p> <p><b>Meetings:</b> 6</p>	<p>The GSI Committee provides advice to the Group Chief Executive to assist him in discharging his responsibilities regarding sustainability and impact. The Committee considers, reviews and recommends the overall global sustainability and impact strategy, including key initiatives, new commitments and policies to the Group Chief Executive for approval. The Global Head of Corporate Sustainability and Global Head of Sustainable Investment are members of the Committee and report annually to the GMC and the Board. The GSI Committee monitors progress towards our goals, including progress towards our science-based targets.</p>	<ul style="list-style-type: none"> <li>• Reviewed the progress against our climate change strategy and delivery plans for our science-based targets, including climate engagement for investee companies, operational action plan and supply chain engagement strategy</li> <li>• Discussed and reviewed our CDP 2022 response</li> <li>• Discussed and recommended for approval our Group Climate Change Position Statement and Group Nature and Biodiversity Position Statement</li> </ul>



# Core content: Strategy



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## RISK MANAGEMENT

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## METRICS & TARGETS

- Metrics
- Targets

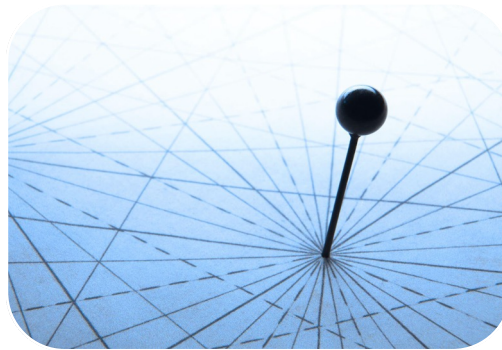




# Time horizons



Cash flow, investment and business cycles



Planning horizons for strategic decision-making and capital allocation



Assessment periods used by investors



Life of assets

- Time horizons are entity specific and may include industry specific characteristics
- You don't have to stick to one time horizon. It depends what you are trying to strategise for and why – see for example [Three Horizons Framework](#)









# Addressing financial effects

When reporting the effects of sustainability-related risks and opportunities on a company's current and anticipated financial performance, financial position and cash flows...

- Disclose both quantitative information and qualitative information
- Can provide qualitative rather than quantitative information when:
  - The risks and their effects are not separately identifiable
  - There is a high level of measurement uncertainty
  - For anticipated effects, quantitative information would not be commensurate with the company's skills, expertise and resources

# Example for Strategy: NatWest TCFD report, 2022<sup>1</sup>

Opportunity	Related NatWest Group ambition	Expected time horizon	Potential financial impacts on NatWest Group
 <p><b>Supporting customer transition to net zero</b></p>	<p>We have a target to provide £100 billion climate and sustainable funding and financing between 1 July 2021 and the end of 2025. As part of this we aim to provide at least £10 billion in lending for EPC A and B rated residential properties between 1 January 2023 and the end of 2025.</p>	Short	<ul style="list-style-type: none"> <li>• Increase in volume of climate and sustainable funding and financing, on and off-balance sheet.</li> <li>• Increased balance sheet volumes through demand for new products and services that support customer transition.</li> <li>• Reduced balance sheet volumes related to energy inefficient homes.</li> <li>• Additional expenditure to develop new products and services.</li> <li>• Decrease in emissions due to customer transition.</li> </ul>
	<p>We have an ambition to support our UK mortgage customers to increase their residential energy efficiency and incentivise purchasing of the most energy efficient homes, with an ambition that 50% of our UK mortgage portfolio has an EPC rating of C or above by 2030.</p>	Short – Medium	
 <p><b>Helping to end the most harmful activities</b></p>	<p>We plan to phase-out of coal for UK and non-UK customers who have UK coal production, coal-fired generation and coal-related infrastructure by 1 October 2024, with a full global phase-out by 1 January 2030.</p>	Short – Medium	<ul style="list-style-type: none"> <li>• Reduced exposure to coal customers.</li> <li>• Reduced exposure to upstream oil and gas and reduced geographical footprint of upstream oil and gas financing.</li> </ul>
	<p>We will only support upstream oil and gas companies where the majority of assets being financed are based in the UK (onshore or offshore UK Continental shelf) and where those companies report to us the overall emissions of operated assets by the end of 2023. We stopped lending and underwriting to major oil and gas producers unless they had a Credible Transition Plan aligned with the 2015 Paris Agreement in place by the end of 2021.</p>		
 <p><b>Powerful partnerships and collaborations</b></p>	<p>We plan to collaborate cross industry and create products and services to enable customers to track their carbon impact.</p>	Short – Medium – Long	<ul style="list-style-type: none"> <li>• Increased balance sheet volumes through demand for new products and services that support customer transition.</li> <li>• Additional expenditure to develop new products and services.</li> </ul>
 <p><b>Getting our own house in order</b></p>	<p>We have a target to reduce emissions from our direct own operations by 50% by 2025, against a 2019 baseline.</p>	Short	<ul style="list-style-type: none"> <li>• Increased expenditure to support reduction in carbon footprint in our own operations.</li> <li>• Reduced expenditure related to energy, travel and water management.</li> </ul>
	<p>We plan to use only renewable electricity in our direct own global operations by 2025 (RE100) and improve our energy productivity 40% by 2025, against a 2015 baseline.</p>	Short	
	<p>We plan to install electric vehicle charging infrastructure in 15% of large office spaces across our UK portfolio by 2025 and upgrade our fleet of c.100 vehicles to electric models by 2025 (EV100)</p>	Short	
	<p>We plan to reduce emissions for our operational value chain 50% by 2030, against a 2019 baseline.</p>	Medium	



# CLIMATE-SPECIFIC STRATEGY CONSIDERATIONS







# Addressing climate risks/opportunities



Information about the response and planned response should include:

- ❑ How the entity **plans to achieve** climate-related targets
- ❑ Current and **anticipated changes** to the business model
- ❑ Current and anticipated **direct mitigation and adaptation** efforts
- ❑ Current and anticipated **indirect mitigation and adaptation** efforts
- ❑ **Progress** against any plans previously disclosed
- ❑ **Trade-offs** between sustainability-related risks and opportunities

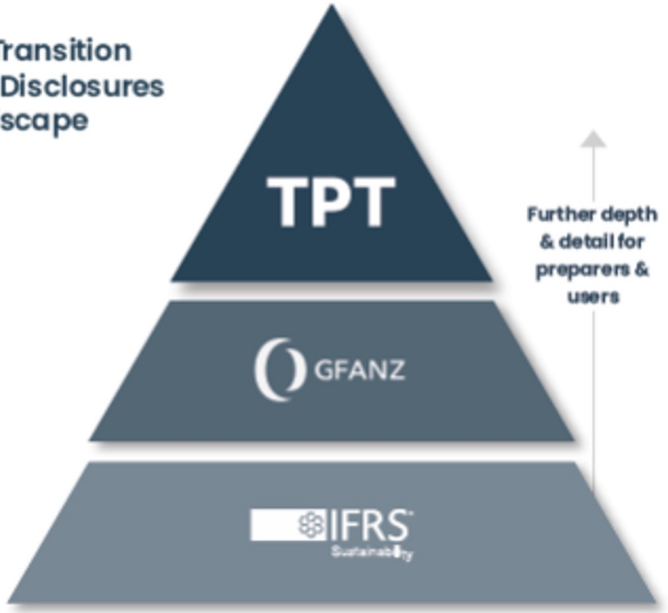


# Transition plans

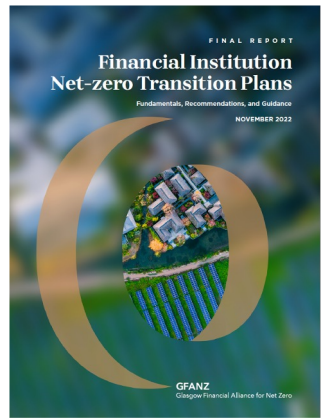


An aspect of the company's overall strategy that includes targets, actions or resources for the transition towards a lower-carbon economy, including, for example GHG emissions reductions plans.

The Transition Plan Disclosures Landscape



Real economy



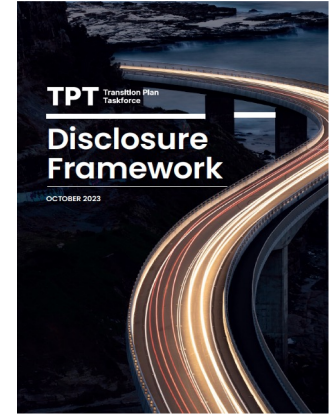
Financial institutions



Sectoral pathways

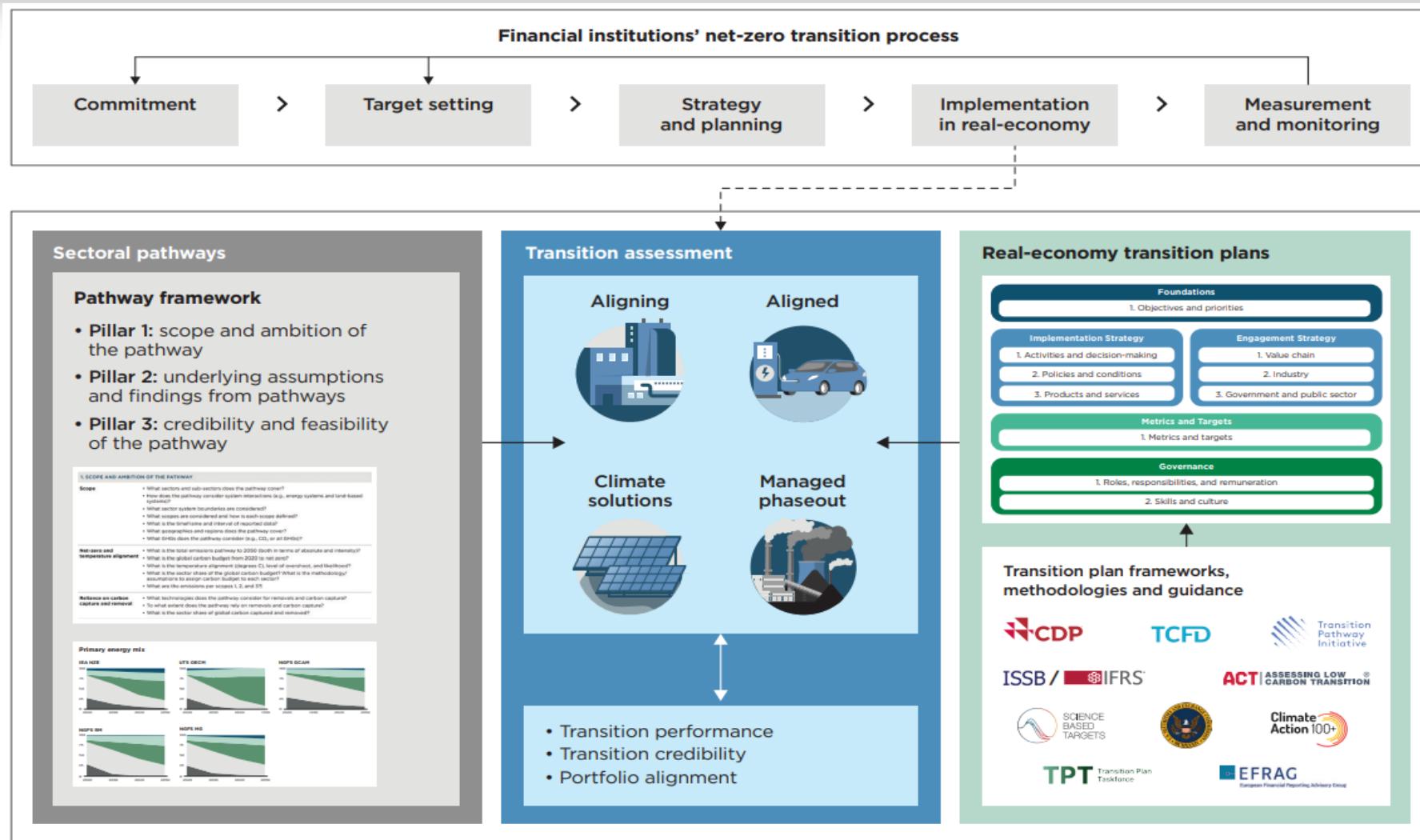


Pathway expectations



Transition pathway disclosure framework

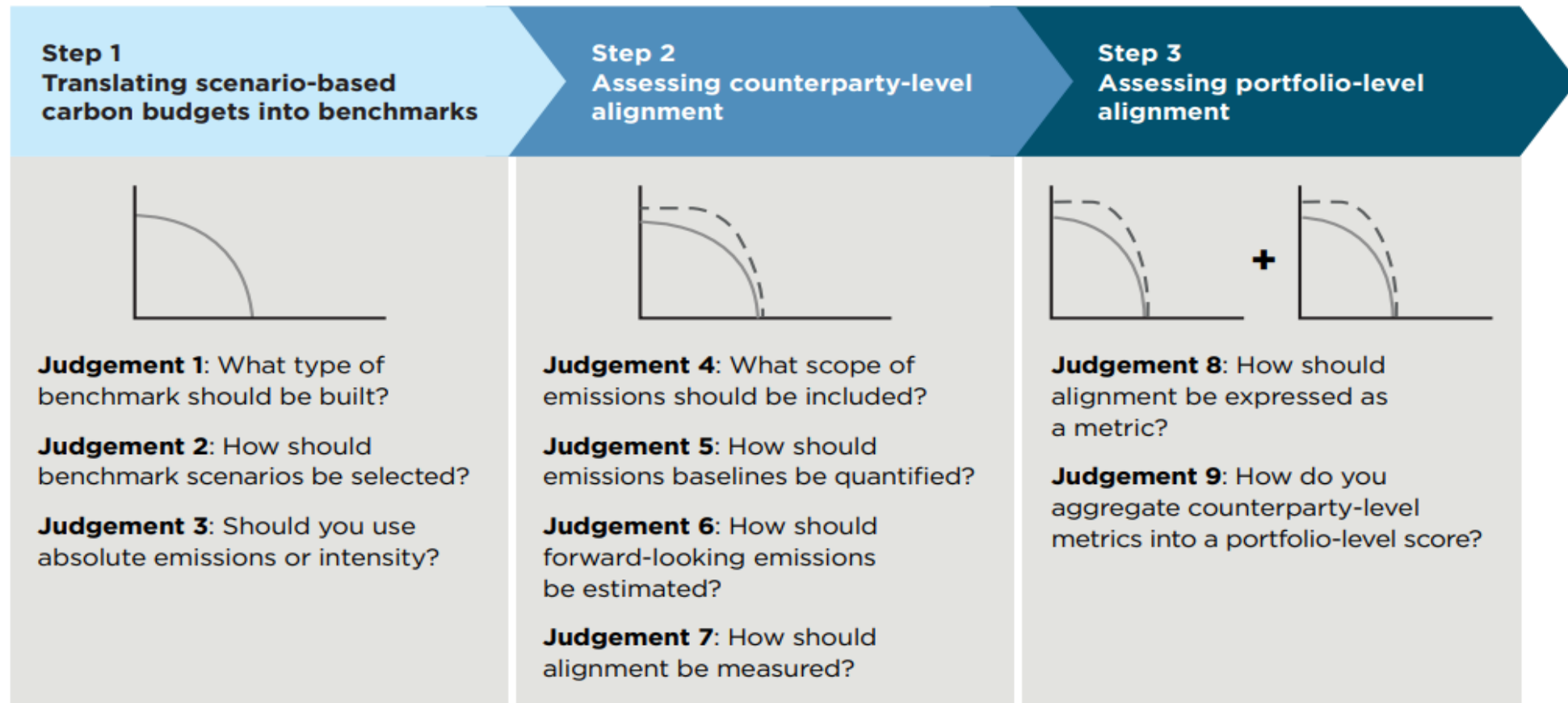
# GFANZ's net-zero transition plan framework across all types of financial institutions





# The GFANZ workstream on portfolio alignment

Financial institutions' portfolio alignment measurement framework<sup>1</sup>



1) [GFANZ, 2022](#)



# Example of a bank's transition plan: HSBC's 2024 Net Zero Transition Plan<sup>1</sup> (1/4)



## 1. Outlining principles & overall strategic approach

- Science-based, transparent and accountable
- Integrating nature
- Just and inclusive

## 2. Including strategy to assist sector transitions






- Energy supply
- Transport
- Heavy industry
- Real estate
- Food, forest and other land use

## 3. Outlining implementation plan

- Supporting customers' transition
- Embedding net zero into operation
- Partnership for systemic change

1) [HSBC, 2024](#)

# Example of a bank's transition plan: HSBC's 2024 Net Zero Transition Plan<sup>1</sup> (2/4)

-  **Emissions trend**  
Requests the customer's current and historic scope 1, 2, and 3 greenhouse gas emissions, including the completeness of the company's emissions reporting and whether it has been validated by a third party.
-  **Ambition of plan**  
Indicates whether the customer has announced a commitment to net zero and set interim targets to reduce emissions over the short, medium, or long term and across relevant emission scopes.
-  **Credibility of plan**  
Identifies details of the customer's plans to achieve its ambition, including the specificity of these plans (for example, the investment required) in the context of its business activities, current source of emissions, and operating context.
-  **Credibility of action**  
Requests evidence of actions that the customer has taken to implement its plan and reduce emissions. This may include how the customer is engaging stakeholders to deliver its plan and the actions it is taking to support a just transition and protect natural capital and biodiversity.
-  **Climate risk**  
Considers physical and transition risks to which the customer may be exposed (see *Managing risk in transition to net zero* on page 64).

## Customer engagement

- Assess the robustness of customer transition plans to guide engagement and financing solutions.
- Offer tailored one-on-one engagement with select corporate and institutional customers to understand and support their specific transition needs.
- Thought leadership, research, and events to inform customers about sustainable investment opportunities and market insights.

1) [HSBC, 2024](#)

# Example of a bank's transition plan: HSBC's 2024 Net Zero Transition Plan<sup>1</sup> (3/4)

1

## **Financing sustainable infrastructure**

Overcoming challenges to financing and investment in sustainable infrastructure to help decarbonise energy systems and hard-to-abate demand-side sectors, such as steel or cement.

2

## **Scaling new economy companies**

Scaling the new economy, including funding companies developing the climate technology solutions that can accelerate systemic change.

3

## **Ecosystem collaboration for supply chain decarbonisation**

Collaborating across ecosystems with large corporate customers, their suppliers, and other stakeholders to help decarbonise supply chains.

4

## **Establishing natural capital as an asset class**

Enabling positive outcomes for nature and mainstreaming nature-regenerative action by developing natural capital as an asset class.









### **Transition solutions for customers**

- Finance the transition through on-balance sheet lending and related services.
- Facilitate capital by connecting investors with issuers (for bonds and equity) and offering ESG insights.
- Generate financial innovations to finance projects critical for the transition that are hard to fund.
- Offer deal advisory solutions, including mergers and acquisitions (M&A).
- Provide enabling solutions like foreign exchange, risk management (e.g., hedging), and cash management.

<sup>1</sup>) [HSBC, 2024](#)



# Example of a bank's transition plan: HSBC's 2024 Net Zero Transition Plan<sup>1</sup> (4/4)

 <b>Core fixed income</b>	<ul style="list-style-type: none"> <li>◆ Global credit bond ESG: Seeks a higher ESG rating and a lower carbon intensity compared to benchmark</li> </ul>	 <b>Core equity</b>	<ul style="list-style-type: none"> <li>◆ Global emerging market equity: Broad regional exposure; Seeking to provide improved ESG score and lower carbon emissions relative to benchmark</li> </ul>
 <b>Carbon</b>	<ul style="list-style-type: none"> <li>◆ Lower-Carbon bond and Equity strategies: Invest in companies seeking to lead in lower-carbon activities to achieve significant overall carbon reduction of the portfolio compared to benchmark</li> </ul>	 <b>Biodiversity</b>	<ul style="list-style-type: none"> <li>◆ Biodiversity-screened exchange trade fund (ETF): HSBC developed the first biodiversity screened equity index family and Asset Management launched the ETF tracking the index in 2022. This is the first investable solution to allow nature considerations in an investment portfolio. It screens companies for several factors, such as higher Corporate Biodiversity Footprint scores (Iceberg Data Lab)</li> </ul>
 <b>Net zero themes</b>	<ul style="list-style-type: none"> <li>◆ Paris Aligned Benchmark ETFs: Deliver portfolios aligned to 1.5°C global temperature rises</li> <li>◆ Sustainable passive strategies: Support lower exposure to climate risks</li> </ul>	 <b>Sustainable themes</b>	<ul style="list-style-type: none"> <li>◆ Circular economy: Invests in companies leading circular economy innovation</li> <li>◆ Green transition: Invests in companies driving transition across EU</li> <li>◆ Sustainable Healthcare: Invests in sustainable healthcare themes and products</li> </ul>
 <b>Climate</b>	<ul style="list-style-type: none"> <li>◆ Renewable energy infrastructure in Asia: To help drive Asia's energy transition, we added energy transition infrastructure expertise capabilities to our Asia Alternatives team</li> <li>◆ Climate Technology Venture Capital Fund: Provides opportunities to invest in tech start-ups that address global climate change challenges</li> </ul>	 <b>Natural capital</b>	<ul style="list-style-type: none"> <li>◆ Climate Asset Management: Invests in activities that preserve, protect and enhance nature-based assets and carbon sinks. We have received commitments of over \$650 million for the two strategies: Natural Capital Strategy and Nature Based Carbon Strategy</li> </ul>

1) [HSBC, 2024](#)



# Core content: Risk Management

## GOVERNANCE

- Governing Body
- Management

## STRATEGY

- Risks & Opportunities
- Effects on
  - a) business model & supply chain,
  - b) strategy
  - c) financial & cash flows
- Resilience

## RISK MANAGEMENT

- Risks
- Opportunities
- Integration

## METRICS & TARGETS

- Metrics
- Targets

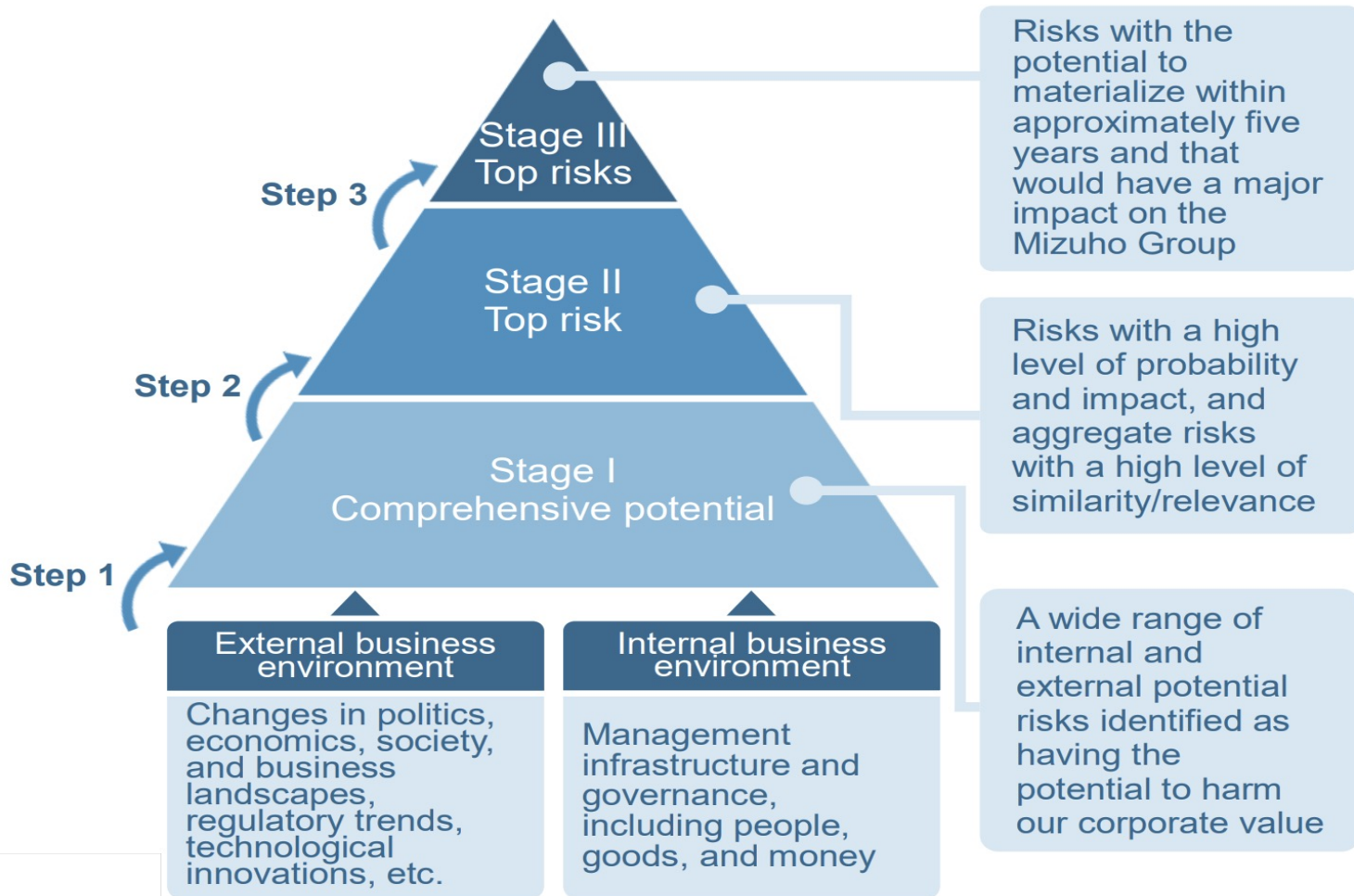


# Risk Management

An entity must disclose information about:

- The **processes and policies** used to identify, assess, prioritise and monitor sustainability-related risks;
- The process used for **identifying, assessing, prioritising and monitoring** sustainability-related opportunities; and
- Whether sustainability risk & opportunity management integrated into the entity's **overall risk management process**.

# Example for risk management disclosure a) - Mizuho Financial Group 2023 TCFD report<sup>1</sup>



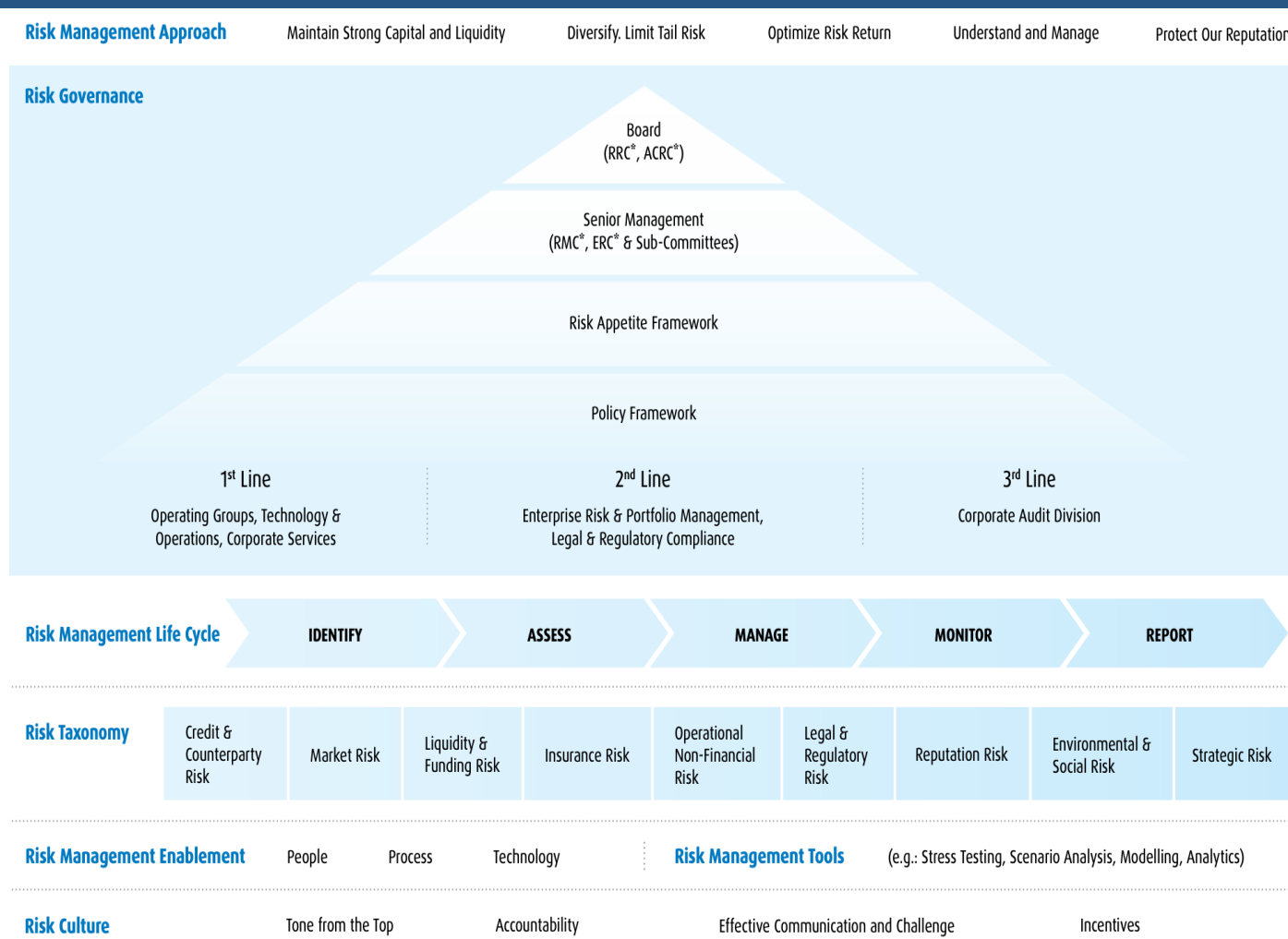
## Implementation tip:

Financial institutions describe the organization's **processes & policies** for identifying and assessing **climate-related risks**. It's also important to discuss how the steps connect with each other.

- The bank illustrates how climate-related risks are identified and shows how they are monitored within their risk management framework.



# Example for risk management disclosure b) - Bank of Montreal (BMO) 2023 TCFD report<sup>1</sup>



**Product offerings**

- Green, social and sustainability-labelled bonds for sustainability and climate transition projects (global)
- Sustainability-linked bonds that have linked financial terms with sustainability performance targets (global)
- Loans with dedicated green and/or social use of proceeds or sustainability-linked loans that link pricing incentives to sustainability performance targets (global)
- Sustainability-linked derivatives that reward ESG performance (global)
- Sustainability-linked deposits with interest benefits tied to the achievement of sustainability performance targets (global)
- Sustainable finance loan guarantee program in partnership with Export Development Canada, helping Canadian exporting companies finance decarbonization projects (Canada)
- Sustainable trade and supply chain finance that incentivizes sustainability, transparency and traceability of supply chains (global)
- Financing partnership with the Canada Infrastructure Bank to incentivize and fund building energy retrofits (Canada)
- Compliance and voluntary carbon offsets (global)

**Service capabilities**

- ESG advisory services to help clients navigate pressing questions about ESG, and climate and energy transition, in the context of shifting regulatory and market expectations
- Carbon market expertise, through BMO Radicle, in carbon credit development, trading in environmental commodities (including compliance and voluntary carbon markets), climate advisory solutions, and technology-driven emissions quantification and management

**Implementation tip:**  
Financial institutions should disclose their **process** for identifying, assessing, prioritising and monitoring **climate-related opportunities**.

1) [BMO, 2023](#)

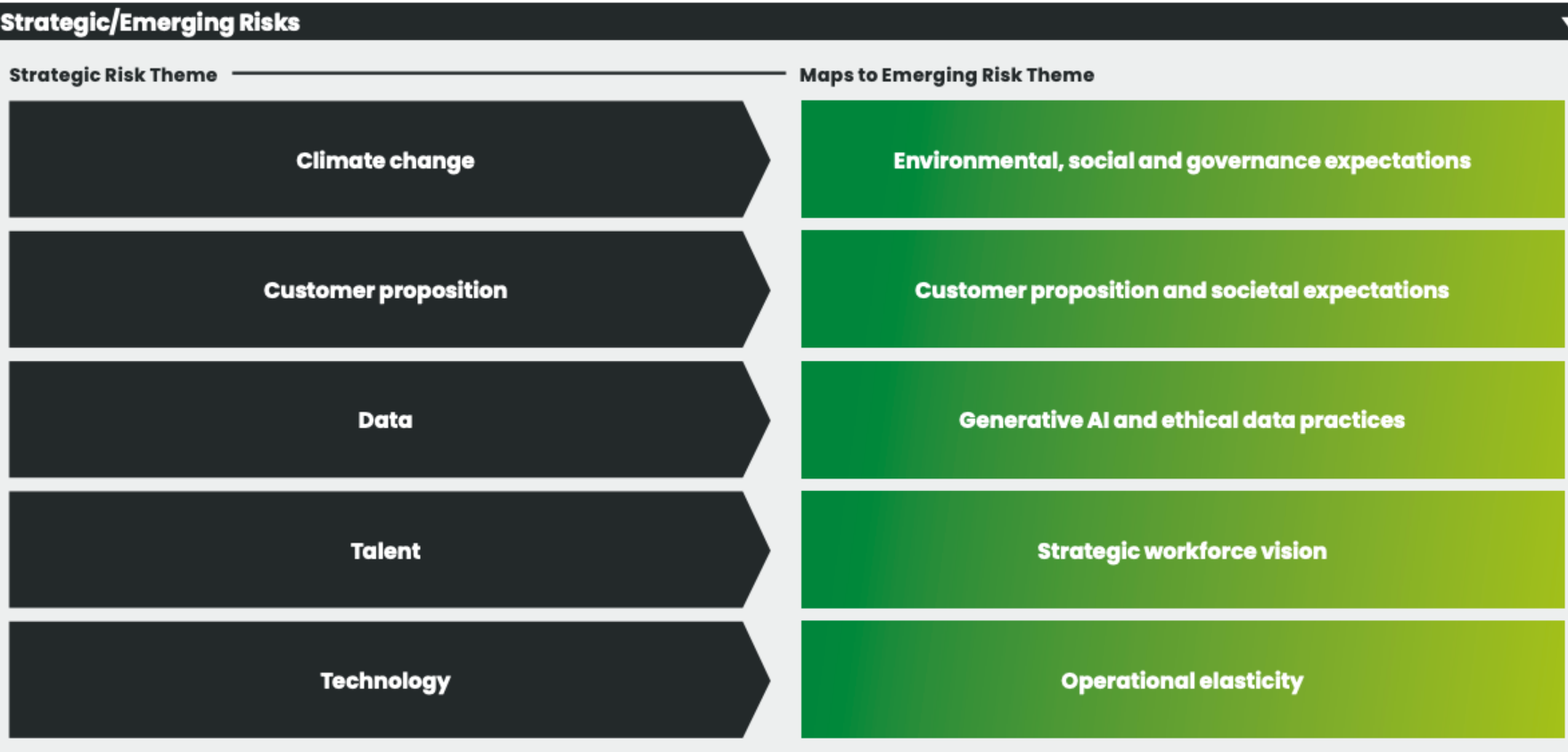
# Example for risk management disclosure b) - Lloyds Banking Group's 2023 annual report<sup>1</sup>

**Implementation tip:**  
Financial institutions should disclose their **process** for identifying, assessing, prioritising and monitoring **climate-related opportunities**.

Opportunities	Driver	Time Horizon
Increasing consumer preference for sustainable products including in relation to our pension offering, sustainability-linked loans, financing of EVs and home improvements	Transition (Technology, Market)	Short, medium, long
Providing finance to support investment in climate-related technology	Transition (Technology, Market)	Medium, long
Develop products to promote climate resilience such as the Build Back Better scheme for home insurance	Physical Transition (Technology, Market)	Short, medium, long
Reducing the emissions from our direct operations	Transition (Reputation, Technology, Market)	Short, medium, long
Develop industry partnerships to help drive energy-efficient solutions for our customers and build knowledge on how we can further support our customers and suppliers to transition	Transition (Technology, Market, Policy, Reputation)	Short, medium, long

1) [Lloyds Banking Group, 2023](#)

# Example for risk management disclosure c) - Lloyds Banking Group 2023 annual report<sup>1</sup>



**Implementation tip:**  
Financial institutions should consider how key climate risks and opportunities are integrated into their overall risk management practices.

- The firm considers climate risk in its Enterprise Risk Management Framework and discusses how major climate-related risks such as credit risk fit into its risk management, portfolio management and case management processes.

1) [Lloyds Banking Group, 2023](#)

# Core content: Metrics & Targets



## GOVERNANCE

- Governing Body
- Management

## STRATEGY

- Risks & Opportunities
- Effects on
  - a) business model & supply chain,
  - b) strategy
  - c) financial & cash flows
- Resilience

## RISK MANAGEMENT

- Risks
- Opportunities
- Integration

## METRICS & TARGETS

- Metrics
- Targets

# Metrics



## Metrics must:

- Enable primary users to understand the entity's performance on sustainability-related risks and opportunities
- Be reported by an applicable IFRS Sustainability Disclosure Standard – e.g. IFRS S2
- Include metrics the entity uses
- Be associated with industry-specific business models, activities and common features
- Be consistent over time

## Metrics shall refer to and consider:

- Associated disclosure topics included in the SASB Standards

## Metrics can:

- Be taken from a source other than ISSB Standards
- Be developed by the entity

# Targets



Targets may be set by the entity or required by regulation. Targets should be **clearly labelled and defined**. For each target, the entity is required to disclose:

- the **target** - whether qualitative or quantitative, set by the company or by law or regulation
- the **metric used** to set the target
- the **time period** over which the target applies
- the **base period** from which progress is measured
- any milestones and **interim targets**
- performance against each target and an analysis of **trends or changes**
- any **revisions** to the target together with an explanation



# GHG emissions



Companies shall disclose (measured in accordance with the GHG Protocol Corporate Standard):

- ❑ 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**
- ❑ Whether an **internal carbon price** is used for decision making
- ❑ Any climate-related considerations for executive **remuneration**



# Overview of the PCAF Standards on Financed Emissions<sup>1</sup>



## Listed Equity and Corporate Bonds

$$\frac{\text{Outstanding amount}}{\text{EVIC or Total company equity + debt}} \times \text{Company emissions}$$

EVIC = enterprise value including cash



## Business Loans and Unlisted Equity

$$\frac{\text{Outstanding amount}}{\text{EVIC or Total company equity + debt}} \times \text{Company emissions}$$

EVIC = enterprise value including cash



## Project Finance

$$\frac{\text{Outstanding amount}}{\text{Total project equity + debt}} \times \text{Project emissions}$$

### GHG accounting for seven asset classes



## Commercial Real Estate

$$\frac{\text{Outstanding amount}}{\text{Property value at origination}} \times \text{Building emissions}$$



## Mortgages

$$\frac{\text{Outstanding amount}}{\text{Property value at origination}} \times \text{Building emissions}$$



## Motor Vehicle Loans

$$\frac{\text{Outstanding amount}}{\text{Total value at origination}} \times \text{Vehicle emissions}$$



## Sovereign Bonds

$$\frac{\text{Exposure to Sovereign Bond (USD)}}{\text{PPP-adjusted GDP (international USD)}} \times \text{Sovereign Emissions}$$

### WHAT is financed emission:

- Absolute emissions that banks and investors finance through their loans and investments (Portfolio emissions are on average 700 times greater than direct emissions<sup>1</sup>)

### WHY measure financed emissions:

- Enable transparent climate disclosures
- Identify (transition) climate risks & opportunities
- Informs emissions reductions / net-zero target-setting & transition planning

### HOW do PCAF Standards work?

- A global, standardized framework for **GHG accounting** (including emission removals) for the **financial industry**
- Aligned with the **GHG Protocol** – Scope 3 Category 15 Investment Activities

- IFRS S2 (Para. 29aii): An entity shall “measure its GHG emissions in accordance with **the GHG Protocol**”
- IFRS S2 (Paragraph 29avi (2)): For **financial institutions**, **Scope 3** emissions disclosures should include “additional information about... **Category 15** [of Scope 3 emissions of the GHG Protocol] **for financed emissions**”

1) [PCAF, 2022](#); 2) [CDP, 2020](#)

# Example for financed emissions disclosures – HSBC 2024 Net Zero Transition Plan<sup>1</sup>

<b>Sector</b>		<b>HSBC on-balance sheet 2030 financed emissions targets</b> (versus 2019 baseline) <sup>a</sup>	<b>Key transition technologies and strategies</b>	
<b>Energy supply</b>	<b>Oil and gas</b>	34 per cent reduction of absolute financed emissions (Mt CO <sub>2</sub> e)	<ul style="list-style-type: none"> <li>◆ Clean fuels</li> <li>◆ Clean electricity</li> </ul>	<ul style="list-style-type: none"> <li>◆ Carbon capture and storage</li> </ul>
	<b>Power and utilities</b>	Emissions intensity of 138 tCO <sub>2</sub> /GWh	<ul style="list-style-type: none"> <li>◆ Clean electricity</li> <li>◆ Grid infrastructure improvements (inc. smart grids) and storage</li> </ul>	<ul style="list-style-type: none"> <li>◆ Thermal coal phase-out</li> <li>◆ Storage and flexibility</li> <li>◆ Carbon capture and storage</li> </ul>
<b>Transport</b>	<b>Automotive</b>	Emissions intensity of 66 tCO <sub>2</sub> /million vkm	<ul style="list-style-type: none"> <li>◆ Electric vehicles and smart mobility</li> <li>◆ Smart mobility</li> </ul>	<ul style="list-style-type: none"> <li>◆ Infrastructure</li> <li>◆ Public transport improvements</li> </ul>
	<b>Aviation</b>	Emissions intensity of 63 tCO <sub>2</sub> /million rpk	<ul style="list-style-type: none"> <li>◆ Sustainable aviation fuels</li> <li>◆ Electric, hybrid, and hydrogen-fuelled aircraft</li> </ul>	<ul style="list-style-type: none"> <li>◆ Improvements to operational and aircraft efficiency</li> <li>◆ Route optimisation</li> </ul>
	<b>Shipping</b>	No target set; assessing data availability, methodologies and materiality of our portfolio.	<ul style="list-style-type: none"> <li>◆ Clean fuels</li> <li>◆ Optimising vessel routes</li> </ul>	<ul style="list-style-type: none"> <li>◆ Improved vessel design</li> <li>◆ Clean port infrastructure</li> </ul>
<b>Heavy industry</b>	<b>Cement</b>	Emissions intensity of 0.46 tCO <sub>2</sub> /t cement	<ul style="list-style-type: none"> <li>◆ Clean electricity</li> <li>◆ Clean fuels</li> <li>◆ Clinker substitutes</li> </ul>	<ul style="list-style-type: none"> <li>◆ Carbon capture and storage</li> <li>◆ Recycling</li> <li>◆ Energy efficiency</li> </ul>
	<b>Chemicals</b>	No target set; assessing data availability, methodologies and materiality of our portfolio.	<ul style="list-style-type: none"> <li>◆ Alternative feedstocks</li> <li>◆ Clean hydrogen</li> <li>◆ Elimination of single-use plastics</li> </ul>	<ul style="list-style-type: none"> <li>◆ Carbon capture and storage</li> <li>◆ Recycling</li> </ul>
	<b>Iron, steel and aluminium</b>	Emissions intensity of 1.05 tCO <sub>2</sub> /t metal	<ul style="list-style-type: none"> <li>◆ Recycling and secondary production</li> <li>◆ Clean electricity</li> <li>◆ Carbon capture and storage</li> </ul>	<ul style="list-style-type: none"> <li>◆ Inert anodes</li> <li>◆ Clean fuels</li> <li>◆ Upgraded raw materials</li> </ul>
	<b>Mining</b>	Thermal coal mining specific target of 70 per cent reduction of absolute financed emissions <sup>b</sup> Approach to be defined for other mining	<ul style="list-style-type: none"> <li>◆ Thermal coal phase-out</li> <li>◆ Transition metals</li> <li>◆ Decarbonisation of on-site operations</li> </ul>	<ul style="list-style-type: none"> <li>◆ Clean electricity</li> <li>◆ CCS technology</li> <li>◆ Alternative beneficiation and extraction</li> </ul>
<b>Real estate</b>	<b>Commercial and residential</b>	No target set; assessing data availability, methodologies and materiality of our portfolio.	<ul style="list-style-type: none"> <li>◆ Energy efficiency</li> <li>◆ Low-carbon heating or cooling</li> <li>◆ On-site clean energy generation</li> </ul>	<ul style="list-style-type: none"> <li>◆ Reduce embodied emissions</li> <li>◆ Smart buildings/homes</li> </ul>
<b>Food, forests and other land use</b>		No target set; assessing data availability, methodologies and materiality of our portfolio.	<ul style="list-style-type: none"> <li>◆ Reduce Waste</li> <li>◆ Low-carbon consumption</li> <li>◆ Sustainable supply chains (preventing deforestation, low carbon)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Nature restoration</li> <li>◆ Low carbon agriculture (precision agriculture; alternative proteins, pesticides and fertilisers; vertical farming)</li> </ul>

1) [HSBC, 2024](#)

# ZOOM POLL

Select the  
appropriate answer

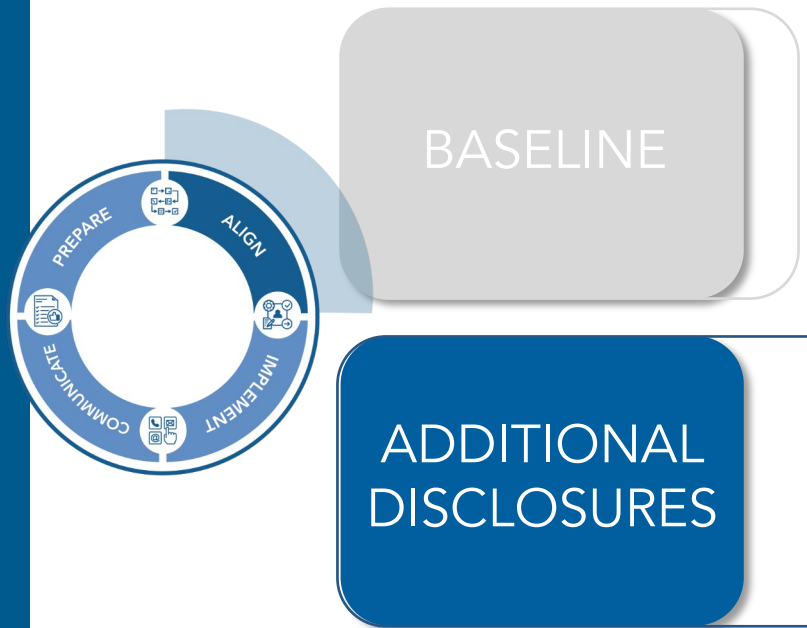
The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

**4. Metrics for sustainability-related financial disclosures should be connected to:**

(Select all that apply)

- a. Financially material risks
- b. Financially material opportunities
- c. Targets
- d. Your strategy

# ALIGN



ADDITIONAL DISCLOSURES

Integrating other disclosure requirements that companies may be required to comply with

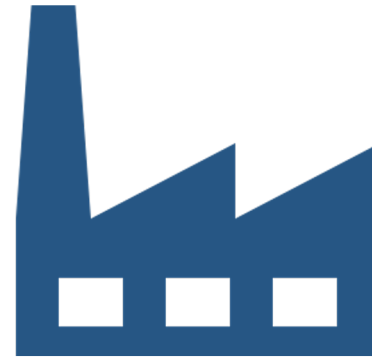
# Building on the baseline



Listing requirements



Policy objectives



Industry standards



Other stakeholders

# Basel III Disclosures

## Context:

- Introduced post 2007-2009 financial crisis, designed to strengthen risk management within banking
- 2021: Climate risks are financial risks<sup>1</sup>
- 2023: Consultation paper on Pillar III Disclosure of climate-related financial risks<sup>2</sup>

## About the proposed **Basel III Climate Disclosure**:

- **Aims to:**
  - enhance financial stability through enhancing banks' disclosures
  - facilitate forward-looking risk assessments by banks
  - promote market discipline & transparency
  - enable market participants to make more informed decision-making
- Designed to complement the **ISSB Standards**<sup>3</sup>
- May include both **qualitative** (i.e. *Governance; Strategy; Risk Management; Concentration Risk Management*) & **quantitative** (i.e. *financed emissions* – exposures to transition risks; *exposures* to physical risks, etc.) disclosure requirements for climate-related financial risks for banks
- May require disclosures in **bank-specific metrics** for quantitative climate disclosures (e.g. disclosures of exposures by credit quality of loans, etc.)
- May require disclosures of **forward-looking data** (e.g. forecasts of climate risk exposures)

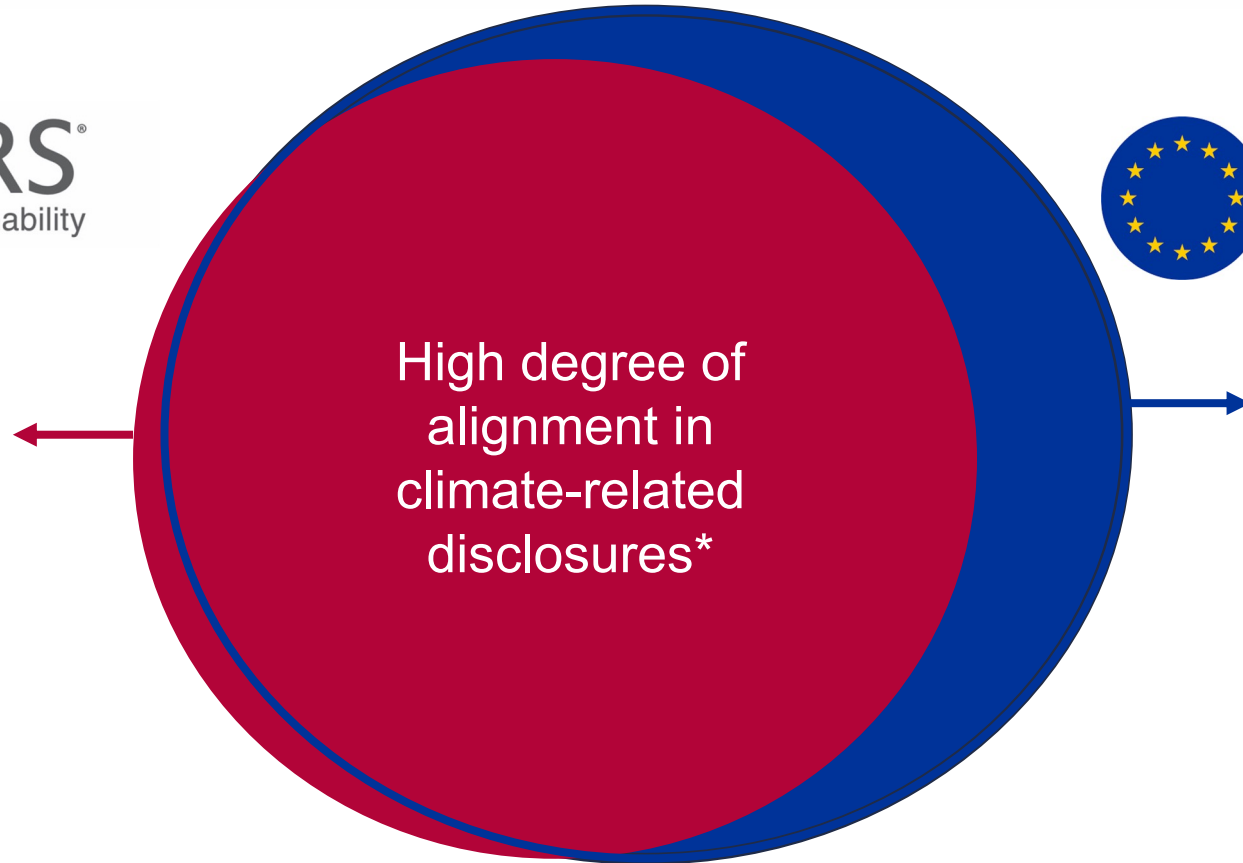


# IFRS and ESRS



## IFRS Sustainability Disclosure Standards:

Additional requirements (eg financed emissions)



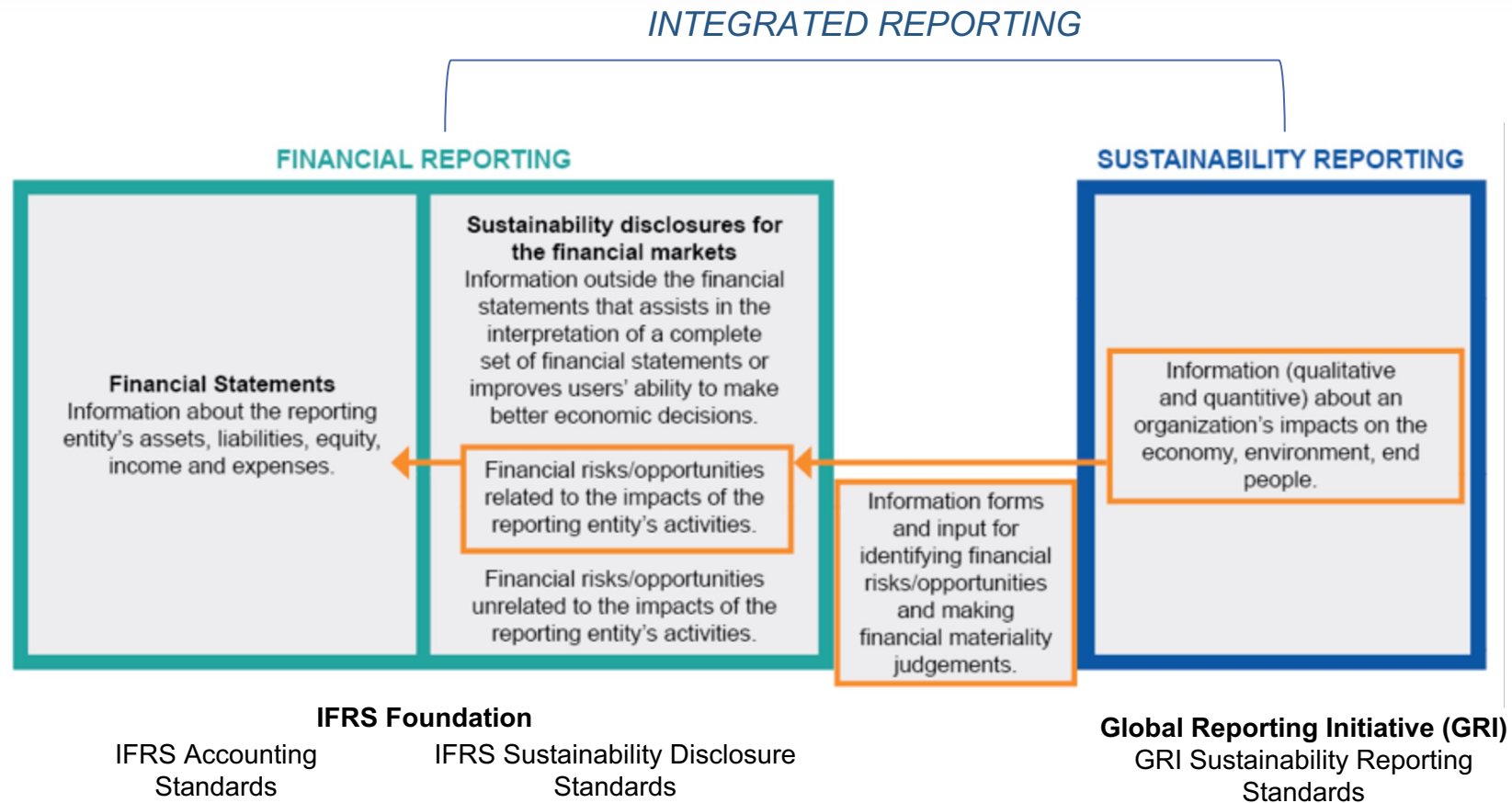
## ESRS:

Additional requirements for stakeholders interested in impacts (that do not create risks or opportunities for a company's prospects) and information that, if missing or obscured, is not reasonably expected to affect investor decisions

\* To read more on this, view the newly released ESRS-ISSB Standards Interoperability Guidance [here](#).



# IFRS and GRI



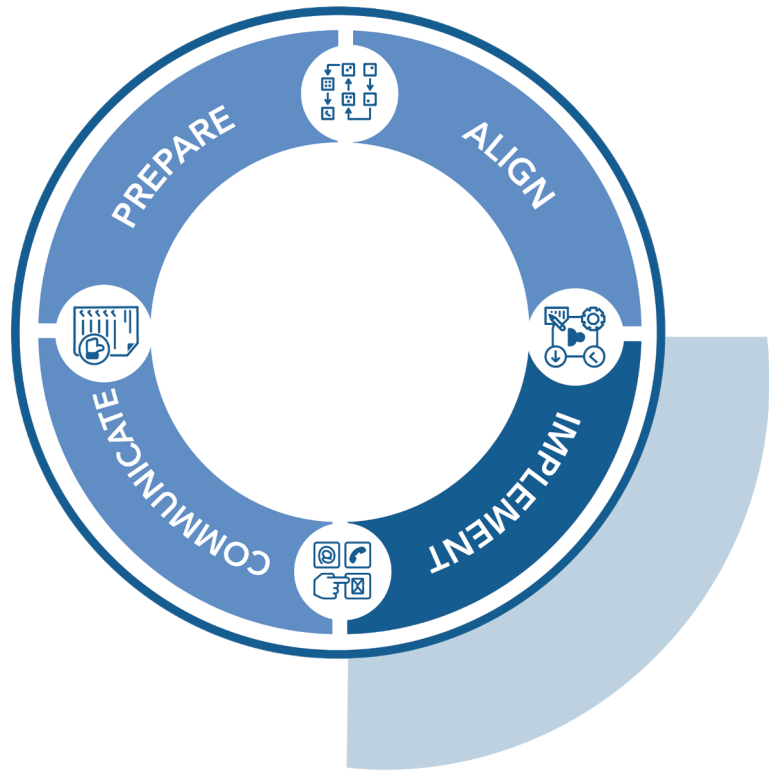
# ZOOM POLL

Select the  
appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

## 5. My disclosure objectives should consider...

- a. The ISSB Standards only
- b. The ISSB Standards and regulatory requirements
- c. Just regulatory requirements
- d. The ISSB Standards, regulatory requirements and other sources of guidance



The backbone of effective disclosure – processes and practices

# IMPLEMENT

IDENTIFY

Identifying sustainability-related risks and opportunities

EVALUATE

INTEGRATE



# Launch of UNEP FI Risk Centre at WEF Annual Meeting Jan 2024 in Davos

**“Climate and nature risks are real but often underpriced and overlooked. Climate change is making parts of the world uninsurable. The degradation or collapse of ecosystems is disrupting supply chains, Food producers, for example, could face higher costs as natural pollinators vanish. We know this as UNEP does the horizon watching via the global environmental outlook, the global chemicals outlook, and other key publications.” – Inger Andersen, Executive Director, UNEP (Access the recorded session [here](#))**



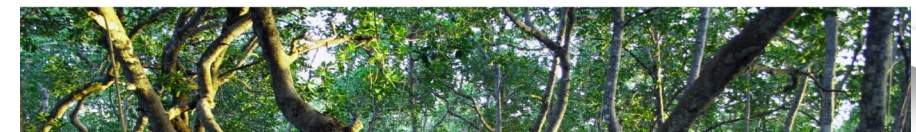
**We see the need for a unified risk approach to provide the baseline for unified action. Following our role supporting the establishment of the TNFD and our earlier work in support of the TCFD we are happy to be rolling out UNEP FI Risk Centre this year. That will address the climate, the nature, the environment and other emerging risks.” (Read our article on WEF [here](#))**



CLIMATE AND NATURE

## How financial institutions can assess environmental risk

Jan 18, 2024



# Risk Centre programme

*A diverse range of activities will engage with peers and experts to develop good practices that advance environmental risk management*

	Content sessions	Technical skill-building workshops**	In-depth working groups***
<b>Format</b>	<ul style="list-style-type: none"> <li>Discussions and Q&amp;As with experts and peers on timely topics</li> </ul>	<ul style="list-style-type: none"> <li>Practical guidance for implementation and on best practices</li> </ul>	<ul style="list-style-type: none"> <li>Development of outputs, including guides, tools, and reports</li> </ul>
<b>Structure</b>	<ul style="list-style-type: none"> <li>1 session</li> </ul>	<ul style="list-style-type: none"> <li>1 - 4 sessions</li> </ul>	<ul style="list-style-type: none"> <li>4+ sessions</li> </ul>
<b>Potential topics and partners*</b>	<ul style="list-style-type: none"> <li>Climate and nature science</li> <li>Regulatory stress tests</li> <li>IEA New Scenario Releases</li> <li>COP 29 Briefing</li> <li>Report on financial users guide to 1.5oC scenarios</li> <li>TPT overview discussion</li> <li>Good practices from the climate financial risk forum</li> <li>Just transition finance</li> <li>Plastic pollution risk overview</li> </ul>	<ul style="list-style-type: none"> <li>Nature-based Solutions, (TBD)</li> <li>Evaluating &amp; using customer transition plans</li> <li>Scenario use cases and applicability, (NGFS)</li> <li>Risk Management, (GARP)</li> <li>Emissions data, (PCAF)</li> <li>Benchmarking credit risk methodologies, (GCD)</li> </ul>	<ul style="list-style-type: none"> <li>Nature and climate scenarios and stress test methodologies</li> <li>Risk tool Demonstrations and development</li> <li>Legal risks incl. greenwashing discussion</li> <li>TNFD implementation support</li> <li>Risk disclosure good practices</li> </ul>

\*Topics to be confirmed, \*\*In-person sessions will be conducted throughout the year. \*\*\*Additional working groups might be added.



# High-level overview of our working groups

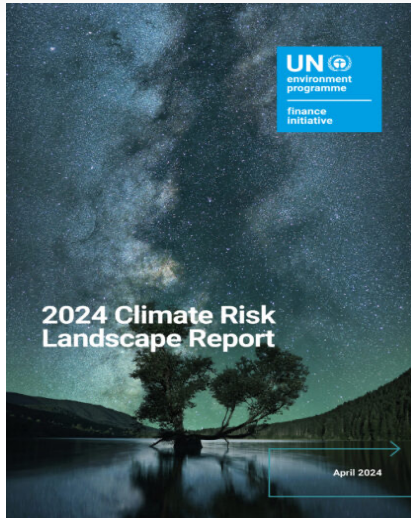
1. **[Risk Assessment and Tools WG](#)**: Focusing on risk assessment framework and tools for environmental risk management including climate and nature.
2. **[Disclosures & Reporting Good Practices WG](#)**: Helping financial institutions embark on and enhance disclosure & reporting, incl. implementing IFRS S1 & S2, CSRD/ESRS, GRI, with a focus on risk and opportunity-related disclosures.
3. **[Stress Testing WG](#)**: Aiming to enhance current practices for environmental stress testing, with a focus on climate stress testing.
4. **[TNFD Implementation Support WG](#)**: Building capacity on nature-related risks through the TNFD framework.
5. **[Legal Risks WG](#)**: Developing good environmental and social practices in financial institutions, taking into account existing and emerging regulatory/supervisory/private enforcement actions/other complaints and lessons learned from them.

*Sounds interesting and want to learn more?*

Check out our [website](#) and [sign up for free](#) to receive our latest updates.

# UNEP FI Risk Centre

## A glimpse at some of our latest free resources



### UNEP FI 2024 Climate Risk Landscape report

- Overview of available tools for assessing physical and transition climate risks
- Case studies illustrating successful implementation of climate risk tools for effective risk assessments



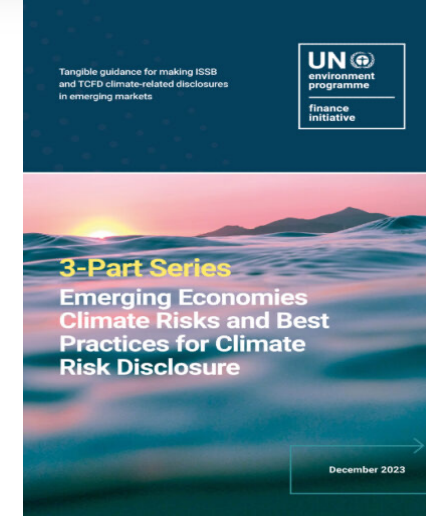
### UNEP FI Climate Risk Tools Dashboard

- Comprehensive overview of >58 tools for climate risk assessments
- User-friendly filters by risk type, scenarios, geographical & asset class coverage
- Updated quarterly since June 2023



### UNEP FI Technical Supplement to 2023 Climate Risk Landscape

- Common metrics for climate risk assessments
- Results from multiple tool / data providers on a dummy portfolio analysis
- Key data challenges



### 3-part report on Emerging Economies: Climate Risks & Best Practices for Climate Risk Disclosures

- Key climate risks relevant for emerging market participants
- Regulatory landscape for disclosures in emerging markets
- Best practice examples for disclosures

***Sounds interesting and want to learn more?***

Check out our [website](#) and [sign up for free](#) to receive our latest updates.

# IMPLEMENT



IDENTIFY

**EVALUATE**

Evaluating the materiality of information and using scenarios to test resilience

INTEGRATE

# The ISSB approach to materiality<sup>1</sup>

- **IFRS S1:** “An entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects.”
- Materiality is judged based on whether the lack or distortion of information could influence the decisions of primary users of the disclosed information about:
  - Buying, selling or holding equity and debt instruments;
  - providing or selling loans and other forms of credit; or
  - exercising rights to vote on, or otherwise influence, the entity’s management’s actions on the entity’s economic resources

IFRS S1: Sustainability-related financial disclosures are intended to meet common information needs of primary users.

# The EU Approach to Materiality<sup>1</sup>

## How the EU defines double materiality



- Materiality is a concept relevant for sustainability-related disclosures
- Two types of materiality:
  - **Financial materiality:** assessing information that can impact a company's **financial performance and statements**, influencing economic decisions, incl. potential financial impacts of sustainability matters
  - **Non-financial / impact materiality:** how companies' operations and decision-making could potentially **influence external factors**, incl. the impact on people, society and the environment

# Using SASB for materiality assessments<sup>1</sup>

SASB materiality map could be useful for IFRS S1, S2 disclosures

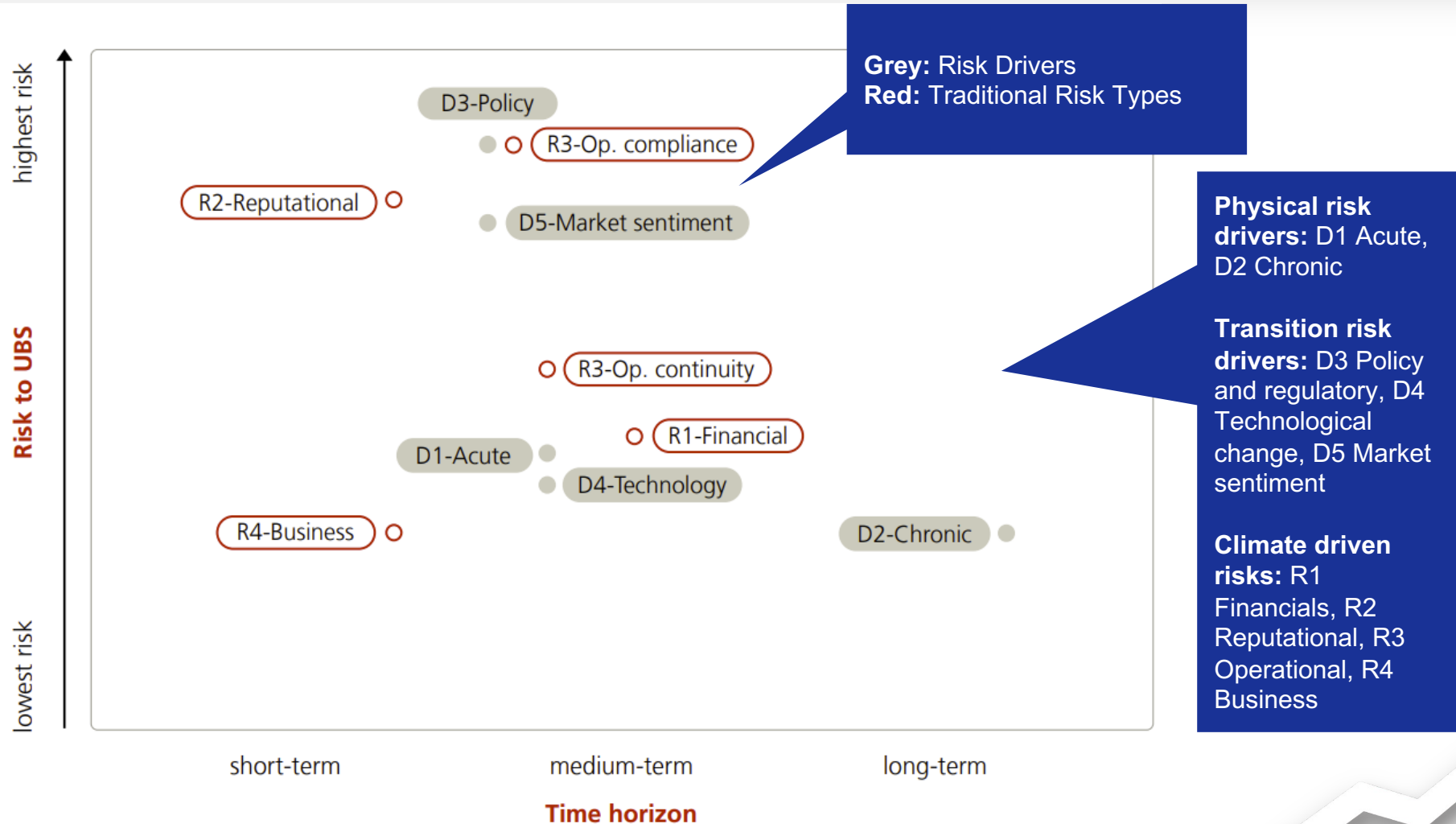
		Consumer Goods	Extractives & Minerals Processing				
Dimension	General Issue Category <sup>①</sup>	Click to expand	Coal Operations	Construction Materials	Iron & Steel Producers	Metals & Mining	Oil & Gas – Exploration & Production
Environment	GHG Emissions		■	■	■	■	■
	Air Quality			■	■	■	■
	Energy Management	■		■	■	■	
	Water & Wastewater Management	■	■	■	■	■	■
	Waste & Hazardous Materials Management		■	■	■	■	
	Ecological Impacts		■	■		■	■
Social Capital	Human Rights & Community Relations		■			■	■
	Customer Privacy	■					
	Data Security	■					
	Access & Affordability						
	Product Quality & Safety	■					
	Customer Welfare						
	Selling Practices & Product Labeling						

1) [SASB, 2024](#)



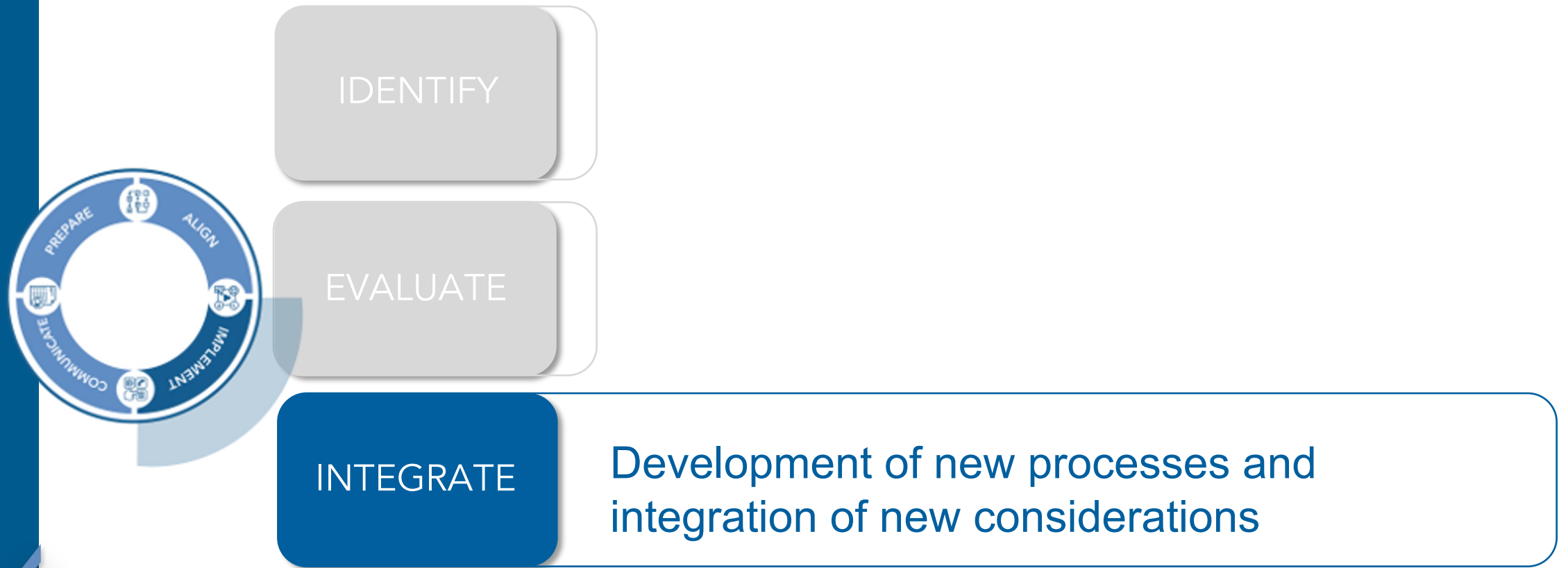
# Example of materiality assessment<sup>1</sup>

## How UBS approached the exercise

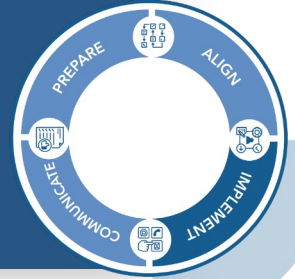


1) [UBS, 2023](#)

# IMPLEMENT



# Developing new processes and adapting existing processes



A company's management should assess existing systems and processes or determine whether new systems and processes are needed. Management may consider:

- ❑ **Gap analysis** –check for gaps in existing systems and processes;
- ❑ **Suitability** – evaluate existing processes for identifying sustainability-related risks and opportunities;
- ❑ **Prioritisation criteria** – for example, likelihood, impact, vulnerability, speed of onset;
- ❑ **Controls** – evaluate existing internal risk controls;
- ❑ **Contributors** – for example, departments with relevant processes and expertise to contribute;
- ❑ **Interconnections** between different internal and external factors; and
- ❑ **Uncertainties** from sustainability-related risks and opportunities.

# Using a disclosure plan



**By developing a disclosure plan as a stand-alone strategy or as part of a wider disclosure strategy, you can:**

- Take control of **your narrative**
- Support internal **collaboration**, knowledge sharing and cross-functional team discussions with staff
- Create a **reference point** and audit trail, including where and how judgements have been made

# ZOOM POLL

Select the  
appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

**6. Is a disclosure plan is required by the IFRS Sustainability Disclosure Standards?**

- a. Yes
- b. No

# ZOOM POLL

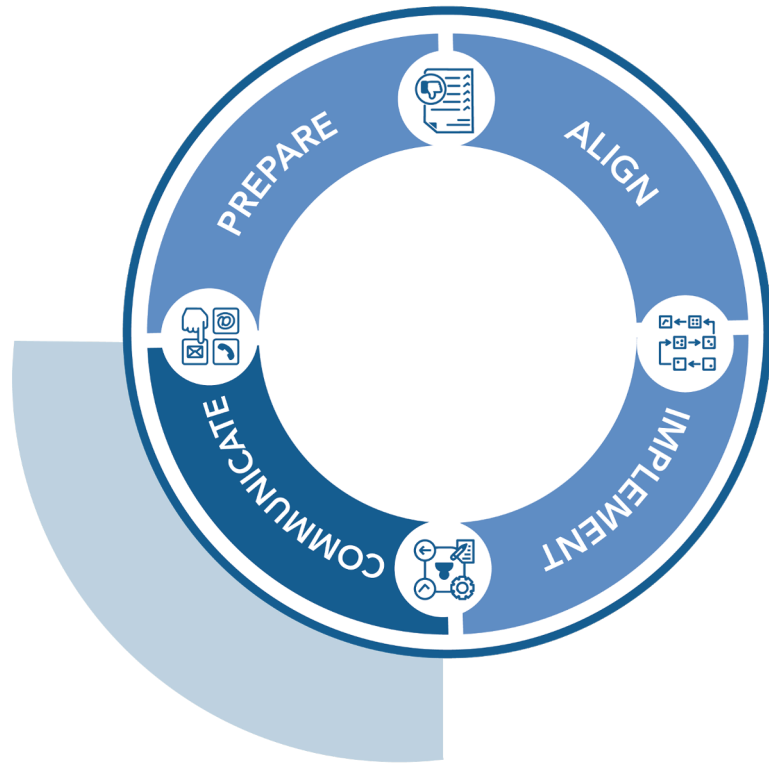
## Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

### 7. A disclosure plan can help a company to: (Select all that apply)

- a. Take control of its narrative within general purpose financial reports
- b. Support collaboration, knowledge-sharing and cross-functional team discussions
- c. Act as a reference point and audit trail for disclosure preparation
- d. Skip full disclosure as prescribed by the ISSB





# Communicating with investors – what, where and how

# COMMUNICATION

LOCATION /  
TIMING

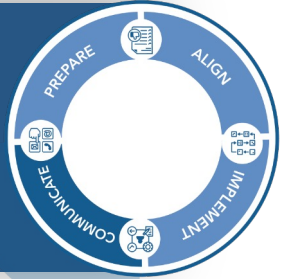
Where disclosure should appear and  
frequency of reporting

EFFICIENCY

CONFIDENCE



# Getting started



To help ensure smooth and efficient adoption of the standards, you may want to consider:

- Using well-known terminology and concepts
- Taking into consideration proportionality (for example, use reasonable and supportable information available without undue cost or effort, qualitative scenario analysis if getting started, and take into consideration skills, capabilities and resources)
- Taking into consideration the available reliefs in first year (for example, starting with climate then working on other sustainability disclosures, delayed reporting with half-year results, scope 3 not required in the first year, GHG Protocol not required if alternative in place, no comparative info required).
- Guidance and other resources

# Disclosing material information

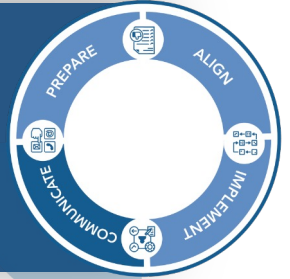


When disclosing material sustainability-related financial information:

- Make it clearly **identifiable** [and do not obscure it]
- Use **clear** language
- Avoid scattering** material information about a particular issue across disclosures
- Provide **additional (non-material) information only if necessary** – but distinguish additional information from material information

*Note: No need to disclose information if it is not material (IFRS S1.B25)*

# Where to report sustainability-related financial information



Information is to be reported in the company's **general purpose financial reports**, with associated financial statements.

Different requirements may apply in different jurisdictions.

No requirements on exact placement of information.

Examples of corporate approaches in practice:

- Integrate
- Separate
- Navigate

# EXAMPLE



Page references

Ayala's **value creation framework** is anchored on its **vision, mission, purpose, core values, promise** and **commitment to sustainability** ⇨ page 001

## Capitals

Ayala leverages various relationships and resources to achieve its medium- to long-term ambitions and deliver value to its stakeholders.

**Financial**  
 → Strong financial position  
 → Diversified business portfolio  
 → Affordable and reliable access to capital

**Intellectual**  
 → Long and rich corporate history  
 → Deep expertise of the Philippine economy  
 → Corporate culture of innovation and lifelong learning

**Human**  
 → Best-in-class local and global talent  
 → Diverse workforce with multi-disciplinary backgrounds

**Social and Relationship**  
 → Relationships with partners, investors, communities, academe and other institutions  
 → Strong, recognizable and trusted brand

## Creating Value

**Outlook** ⇨ page 050  
 → Reopening of the Philippine economy  
 → Resilient consumer class  
 → Accelerated digital transformation and the continuous evolution of new business models  
 → Focus on decarbonization and shift to more sustainable business models  
 → Greater multi-sectoral collaboration

**Strategy** ⇨ page 050  
**Vision**  
 → Focused Execution  
 → Brand & Transformation  
 → Leadership in Sustainability

**Business Model** ⇨ page 054  
 → Business development  
 → Capital allocation  
 → Portfolio management  
 → Balance sheet management  
 → Strategic human resources management  
 → Governance processes  
 → Stakeholder management

while mitigating risks and identifying opportunities

**Risks and Opportunities** ⇨ page 056  
 1 Capital Markets & Financing  
 2 Information & Cyber Security  
 3 Political & Regulatory  
 4 Climate Change  
 5 Epidemic & Pandemic  
 6 Portfolio Management

to generate long-term value for...

**Stakeholders** ⇨ page 064  
 Investors and Shareholders  
 Government Agencies and Regulators  
 Bank Counterparties and Creditors  
 Employees Insurers Suppliers  
 Business Partners and Affiliates  
 Media Communities Customers  
 Industry Associations Nature

with ESG Priorities in mind

**ESG Priorities** ⇨ page 076  
 1 Contribute to climate change action and biodiversity protection ⇨ page 096  
 2 Improve resource efficiency and waste management ⇨ page 106  
 3 Maintain a positive workplace experience and engaged workforce ⇨ page 114  
 4 Prioritize customer experience and protection ⇨ page 123  
 5 Implement equitable business practices ⇨ page 130

## Value Generated

**Financial**  
 Ayala's diversified portfolio supported financial performance and delivered value to shareholders:  
 → Core NIAT of P27.7 billion, up 18% YoY  
 → Generated P10.2 billion in proceeds in 2022, ending the year at 60% of P50 billion 2023 target  
 → Return on common equity ended at 7.7%  
 → Blended interest rate of 4.5%  
 → Loan to value ratio of 11.1%

**Intellectual**  
 Ayala maintained leadership and strengthened expertise in the core value drivers:  
 → **Ayala Land** in large-scale mixed-used and sustainable estates  
 → **BPI** as among the top three banks in the country with leadership in digital and sustainable financing  
 → **Globe's** strategic and purpose-led pivot from a traditional telecom company to a full-fledged tech enterprise  
 → **ACEN** as one of the fastest growing renewable energy companies in the region

**Human**  
 → A competent, diverse and engaged workforce of more than 64,000 direct employees across the businesses  
 → Deep bench for leadership positions across the group  
 → Inclusive workplace with expanded benefits  
 → Management excellence as evidenced by award-winning teams across Finance, Governance, Corporate Strategy and Strategic Human Resources

**Social and Relationship**  
 → Ayala remains a strong and trusted brand  
 → Eight Ayala companies recognized in ASEAN Corporate Governance Scorecard awards  
 → Sustained ongoing relations with existing business partners while keeping doors open for new ventures and partnerships  
 → Established strong linkages with global institutions, government agencies, academe and other organizations to address business and ESG issues

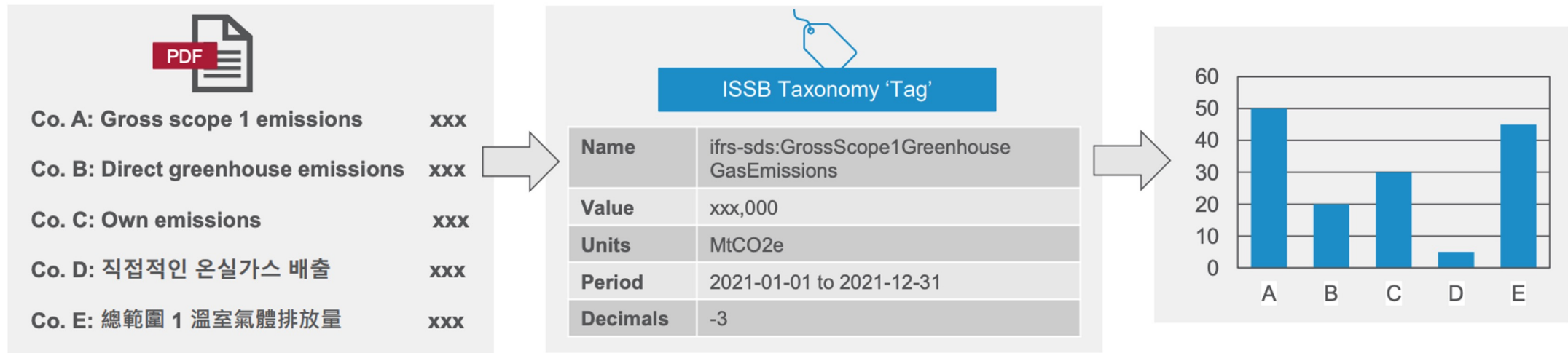
**Action on Climate** ⇨ page 082

**Ayala Sustainability Blueprint** ⇨ page 150





# Evolution towards digital reporting



- **The ISSB Taxonomy** provides the common elements (or 'tags') needed to make sustainability disclosures machine-readable
- By tagging disclosures, computers have the context to identify information, making analysis easier

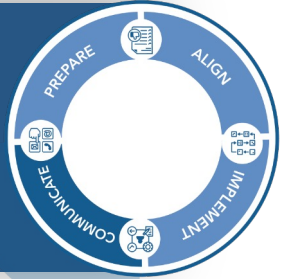


Reporting taxonomies are different to green taxonomies used to classify environmentally sustainable economic activities.

# COMMUNICATION



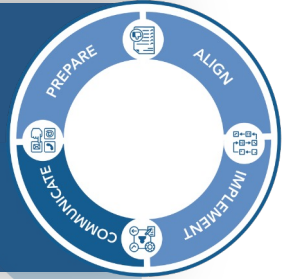
# Effective Communication



This section sets out how a company might disclose its material sustainability-related financial information so that information is:

- Clear
- Distinguishable from other information
- Connected
- Comparable over time
- Succinct

# Quality of information disclosed



To ensure quality of information, report prepares should remember:

- Provide comparative information
- Correct errors from previous years
- Minimize duplication
- Cross referencing to other reports meets conditions
- Information disclosed is:
  - Material
  - Connected
  - Aggregated or disaggregated, as appropriate

# Cross-referencing



To keep general purpose financial reports succinct, companies can cross-refer to other reports they publish, provided that:

- ❑ Cross-referenced information is available on the **same terms** and at the **same time**;
- ❑ The cross referencing **enhances rather than obscures** the ability of readers to understand the report;
- ❑ The information included by cross-reference **meets all the requirements** of IFRS Sustainability Disclosure Standards;
- ❑ The cross-referenced information is **authorised** in the same way as information in the general purpose financial report;
- ❑ It is clear where the cross-referenced information is located and **how it can be accessed**.

# EXAMPLE

**Connectivity with TCFD disclosures**

**Note** expands on capital expenditures, cash flows, businesses impacted and more

**Note** explains considerations and assessment for decarbonization strategy

**Note** states climate change and policy risk considerations

## Impact of Climate Change and Carbon Emissions Reduction Targets

Climate change risks including the impact of achieving the Group's carbon emissions reduction targets and the risks identified in the TCFD disclosures on pages 56 to 59 have been considered and assessed in the preparation of the Consolidated Financial Statements for the year ended 31 December 2022. There has been no material impact identified on the estimates and underlying assumptions made in the preparation of the Group's Consolidated Financial Statements as a result of climate change risks. In line with the application of our accounting policies, estimates and underlying assumptions are reviewed on an ongoing basis as we continue to develop and implement our strategy to meet our carbon emissions reduction targets. The table below provides details of where further information has been provided in these Consolidated Financial Statements.

<b>Climate Change and Carbon Emissions Reduction Targets</b>	<b>Pages</b>
Impairment testing of goodwill and property, plant and equipment	182, 211
Useful lives of assets	186, 209
Provisions for liabilities	183
Inventories	187
Retirement Benefit Obligations	234

The Directors are aware of the ever-changing risks attached to climate change and regularly assess these risks against judgements and estimates made in the preparation of the Group's Consolidated Financial Statements.

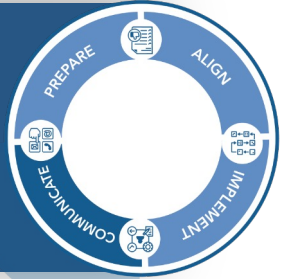
In early 2023, the Science Based Targets initiative (SBTi) validated the alignment of our existing Scope 1 and Scope 2 carbon emissions reduction target to a 1.5°C warming scenario. The target previously aligned to a well below 2.0°C scenario. The Group's assessment is that the impact of the adoption of this updated target will not have a material impact on the estimates, judgements and assumptions set out in the relevant disclosures referenced above. The overall absolute Scope 1 and Scope 2 carbon emissions reduction target by 2030 is consistent with the previous target.

**Cross reference** to where targets have been considered in the financial statement





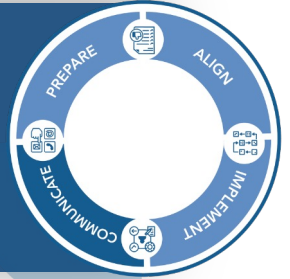
# Consistent disclosures



Sustainability-related financial disclosures should be:

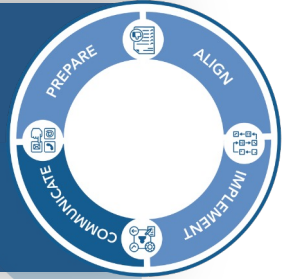
- Prepared for the **same reporting company and reporting period** as the financial statements
- Provided at the **same time as the financial statements**, as part of the general purpose financial reports
- Include **data and assumptions that are consistent with those in the financial statements**, to the extent possible.

# Aggregation / disaggregation



- Aggregate* information to minimise scattering and increase understandability
- Do not let aggregation reduce understandability or obscure material information
- Disaggregate* information to, for example:
  - Show the breakdown of sustainability-related risks by location; or
  - Distinguish resources drawn from environmentally stressed vs abundant areas

# Reminder – why we report



Around the world, sustainability factors are becoming—if they are not already—a mainstream part of investment decision-making.

These factors are also increasingly central to how companies plan, manage and report.

Reports can:

- Satisfy compliance requirements
- Reflect management's objectives
- Conform with peer practice



# ZOOM POLL

Select the  
appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

**8. Information disclosed in accordance with the ISSB Standards should be:**

(Select all that apply)

- a. Decision-useful
- b. Material
- c. Misleading
- d. Comparable

# ZOOM POLL

## Select the appropriate answer

The zoom poll should appear on your screen momentarily. If it does not appear, feel free to answer in the chat box or message the hosts directly.

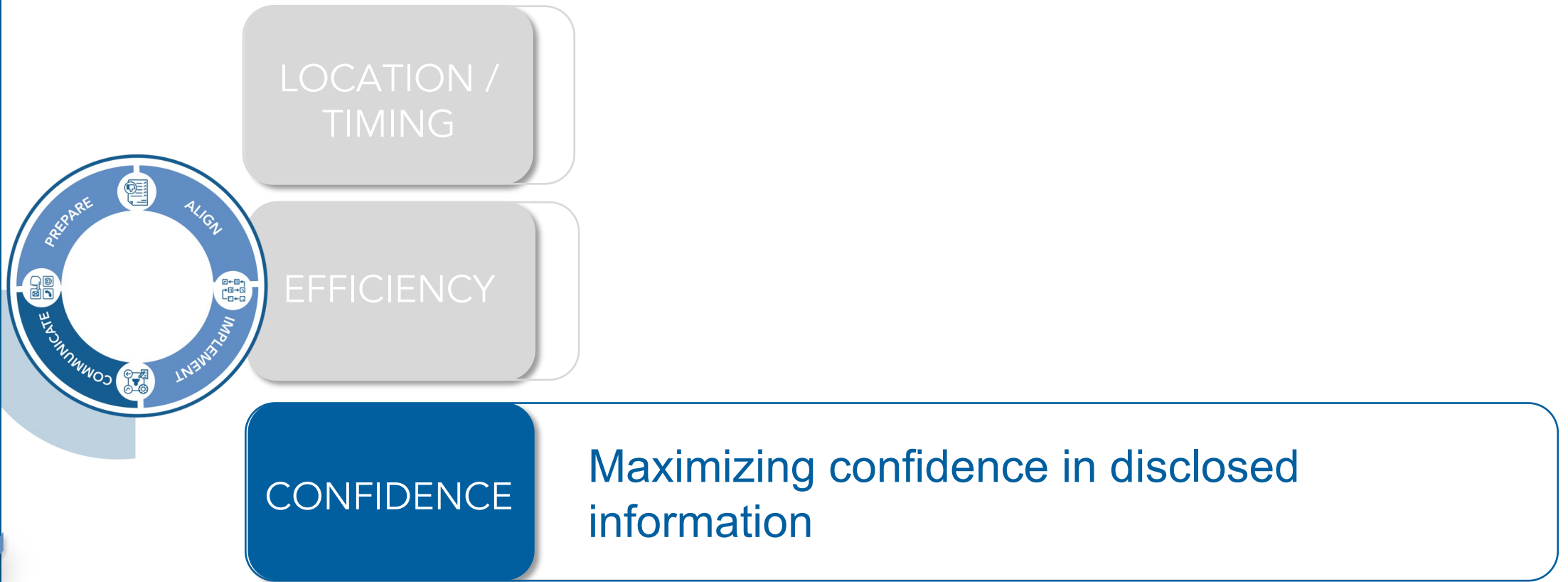
### 9. Information is decision useful if it is...

(Select all that apply)

- a. relevant and faithfully represent what it proports to represent
- b. comparable
- c. verifiable
- d. timely
- e. understandable



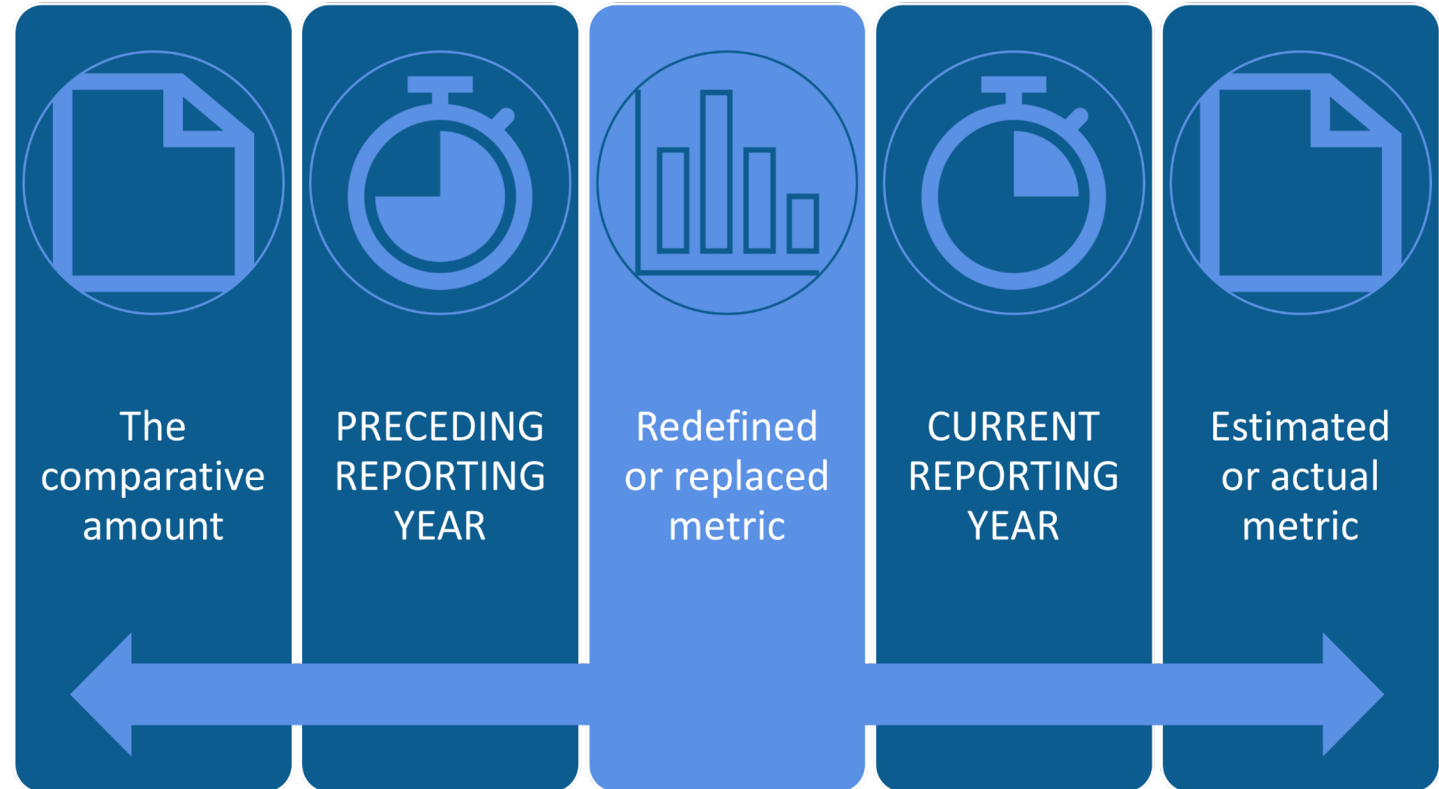
# COMMUNICATION



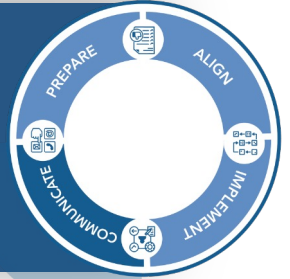
# Comparative information



- ❑ Disclose comparative information for the preceding reporting period *for all amounts* disclosed;
- ❑ For estimates: revise comparatives according to new information and explain differences.
- ❑ Specific requirements apply to redefined, replacement and new metrics.
- ❑ If it enhances understanding, provide narrative information for the preceding reporting year



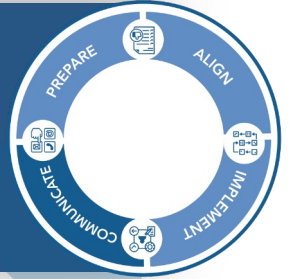
# Using reasonable estimates



Companies can use reasonable estimates and assumptions when preparing sustainability-related financial information – it does not have to be perfectly precise in all respects. Judgement can be used. However:

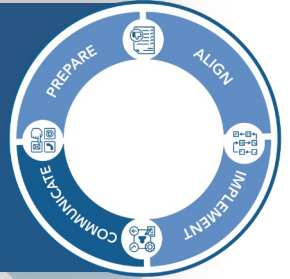
- ❑ Estimates should be based on information of **sufficient quality and quantity**;
- ❑ Estimates should be **clearly identified** as such and information provided about the inputs and methods used to produce the estimates;
- ❑ Information about judgements must reflect both the judgements made and the **information on which they are based**;
- ❑ Special requirements apply to **measurement uncertainty** and what to do when past assumptions and estimates change.

# Statement of compliance



- ❑ Companies are required to make an explicit and unreserved statement of compliance when they have met all the requirements of IFRS Sustainability Disclosure Standards.
- ❑ Commercially sensitive information can be omitted if conditions are met.
- ❑ Information prohibited from disclosure by applicable local laws and regulations can be omitted.

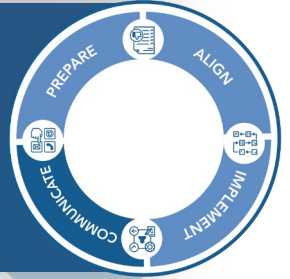
# Commercially sensitive information



Companies are not required to disclose commercially sensitive information provided that:

- the information is **not already publicly available**;
- disclosure of the information could reasonably be expected seriously **to prejudice potential economic benefits**, and there is no other way of disclosing the information to limit or remove that risk;
- the company **discloses the fact that it used the exemption** for commercially sensitive information; and
- the company **reassesses** at each reporting date.

# Things to remember



## Ensure **information is:**

- Relevant
- Material
- Represented
- Faithfully
- Comparable
- Verifiable
- Timely
- Understandable

## Ensure that investors can understand **connections between:**

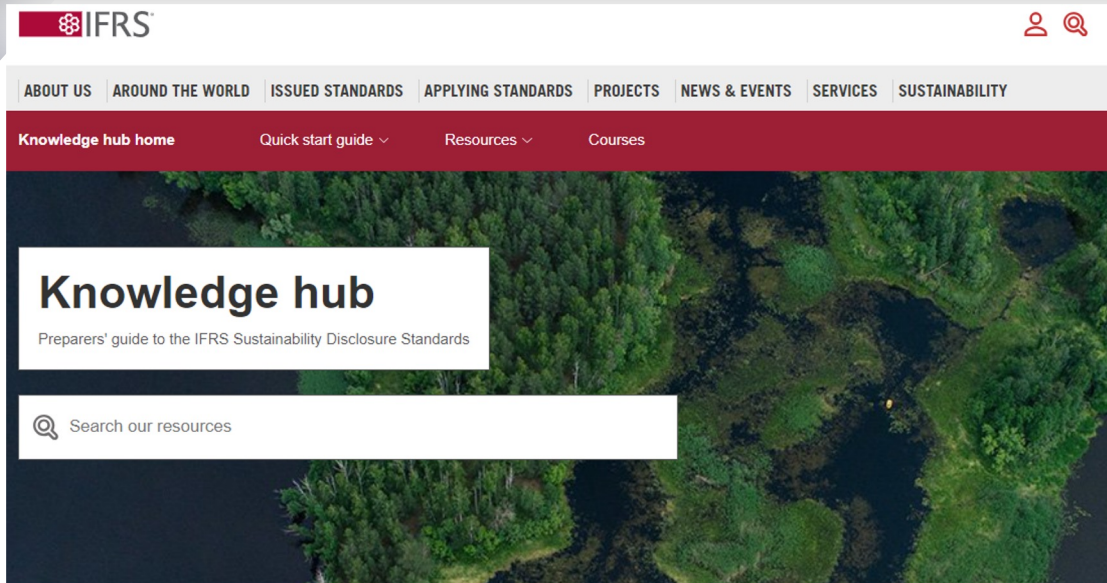
- Sustainability-related risks and opportunities
- Disclosures on core content
- Sustainability-related financial disclosures and financial statements

## Ensure that disclosures:

- Are for the **same period and same reporting company** as the related financial statements?
- Cover **all material information that investors need**, including on core content
- Include **comparatives**
- Include a **statement of compliance**

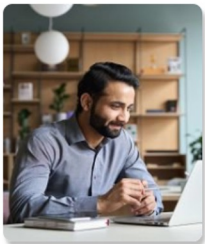


# CONTINUE YOUR LEARNING



The IFRS knowledge hub is a free online resource for preparers designed to support them in understanding and getting ready for IFRS S1 and S2. It incorporates an easy to navigate and searchable repository of resources, e.g. e-learning, case studies, good practice guidance, webinars, research, publications, FAQs on the standards and their implementation. The curated content will evolve over time.

## Videos



### IFRS S1 Introduction

General overview of IFRS S1 presented by ISSB Vice-Chair Sue Lloyd and Acting Executive Technical Director Bryan Esterly

[Watch video](#)

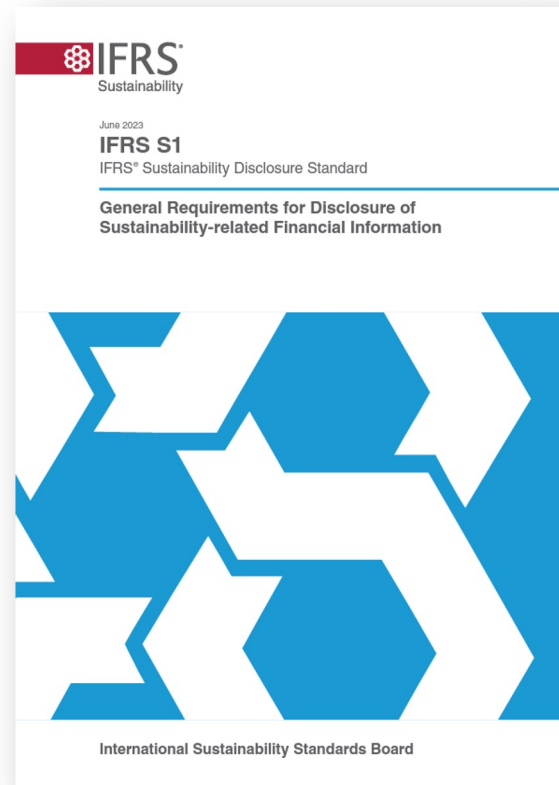


### IFRS S2 Introduction

Key features of IFRS S2 presented by ISSB Vice-Chair Sue Lloyd and ISSB Technical Staff—IFRS S2 Lead Caroline Clark-Maxwell

[Watch video](#)

# CONTINUE YOUR LEARNING



Download your copy:  
<https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/>

# IFC Beyond the Balance Sheet



## One-stop-shop

one-stop shop providing guidance and a framework to improve sustainability and climate reporting tailored to emerging markets.

## Toolkit & learning

tools and resources comprising a digital toolkit, e-learning opportunities, company self-assessments, and extensive information resources to navigate the sustainability reporting landscape.

## Public good

public good for companies and banks, providing resources to enhance their sustainability reporting journey.

public good for regulators and stock exchanges, providing resources to enhance disclosure and transparency regulations and practices.

<https://www.ifcbeyondthebalancesheet.org/>



***Beyond***  
the Balance Sheet



AN INNOVATION OF

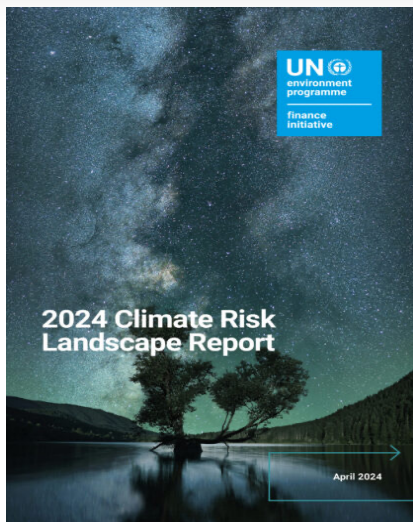
**IFC**

**International  
Finance Corporation**  
WORLD BANK GROUP



# UNEP FI Risk Centre

## A glimpse at some of our latest free resources



### UNEP FI 2024 Climate Risk Landscape report

- Overview of available tools for assessing physical and transition climate risks
- Case studies illustrating successful implementation of climate risk tools for effective risk assessments



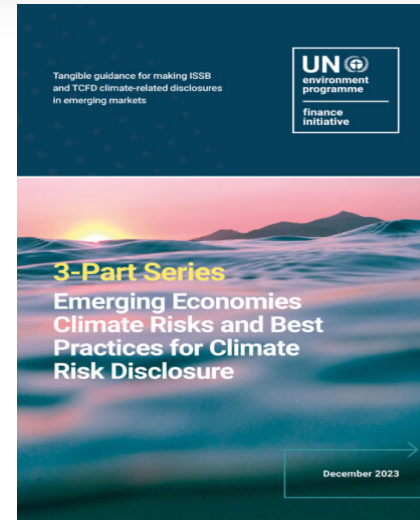
### UNEP FI Climate Risk Tools Dashboard

- Comprehensive overview of >58 tools for climate risk assessments
- User-friendly filters by risk type, scenarios, geographical & asset class coverage
- Updated quarterly since June 2023



### UNEP FI Technical Supplement to 2023 Climate Risk Landscape

- Common metrics for climate risk assessments
- Results from multiple tool / data providers on a dummy portfolio analysis
- Key data challenges



### 3-part report on Emerging Economies: Climate Risks & Best Practices for Climate Risk Disclosures

- Key climate risks relevant for emerging market participants
- Regulatory landscape for disclosures in emerging markets
- Best practice examples for disclosures

***Sounds interesting and want to learn more?***

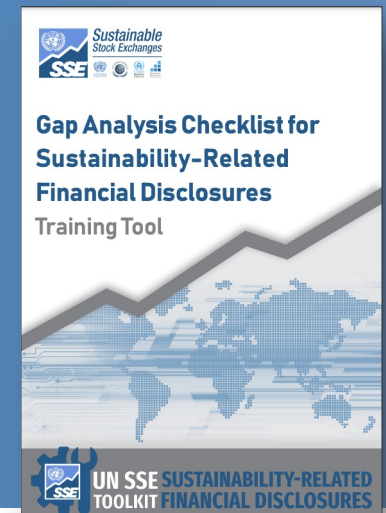
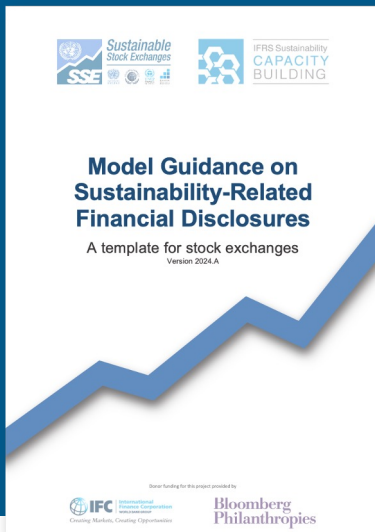
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