

IFRS SUSTAINABILITY DISCLOSURE STANDARDS S1 & S2

THIS INTERACTIVE WORKSHOP WILL START MOMENTARILY



The SSE is a UN Partnership Programme of





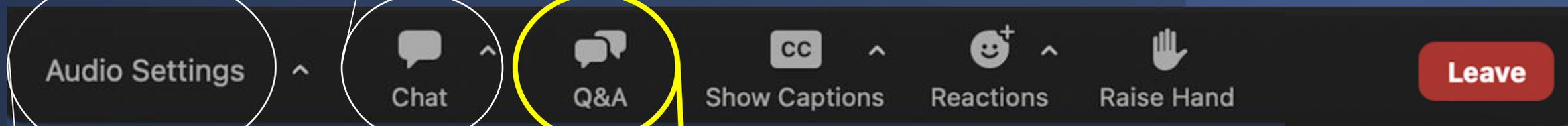
Welcome Remarks

Kopano Bolokwe
Acting Chief Executive Officer

HOUSEKEEPING

CHAT FUNCTION:

Use the chat box to introduce yourself and make comments.



AUDIO SETTINGS:

All participants are currently muted to ensure everyone can hear the presenters. Please use the other functions to interact with us.

Q&A BOX:

Ask any questions you might have in the Q&A box. We will answer them throughout the session.

Today's Workshop



3.5 hours (+homework)



Live Q&A throughout



Participation expected



Certificate requires survey



**Sustainable
Stock Exchanges
Initiative**



TIFFANY GRABSKI
SSE Academy Head



FIONA QUINLAN-WELLS
SSE Training Officer



LOIS GUTHRIE
SSE Senior Specialist



LANDON WILCOCK
SSE Project Officer



JARLATH MOLLOY
Director of Strategic Affairs



BELLA CHENG
Capacity Building Specialist



RALITZA GERMANOVA
ESG Officer



LEARNING OBJECTIVES

Understand the ISSB Standards



LEARNING OBJECTIVES

Understand how
to use the ISSB
standards



LEARNING OBJECTIVES

Identifying what steps can be taken to develop a disclosure plan

BREAKING IT DOWN

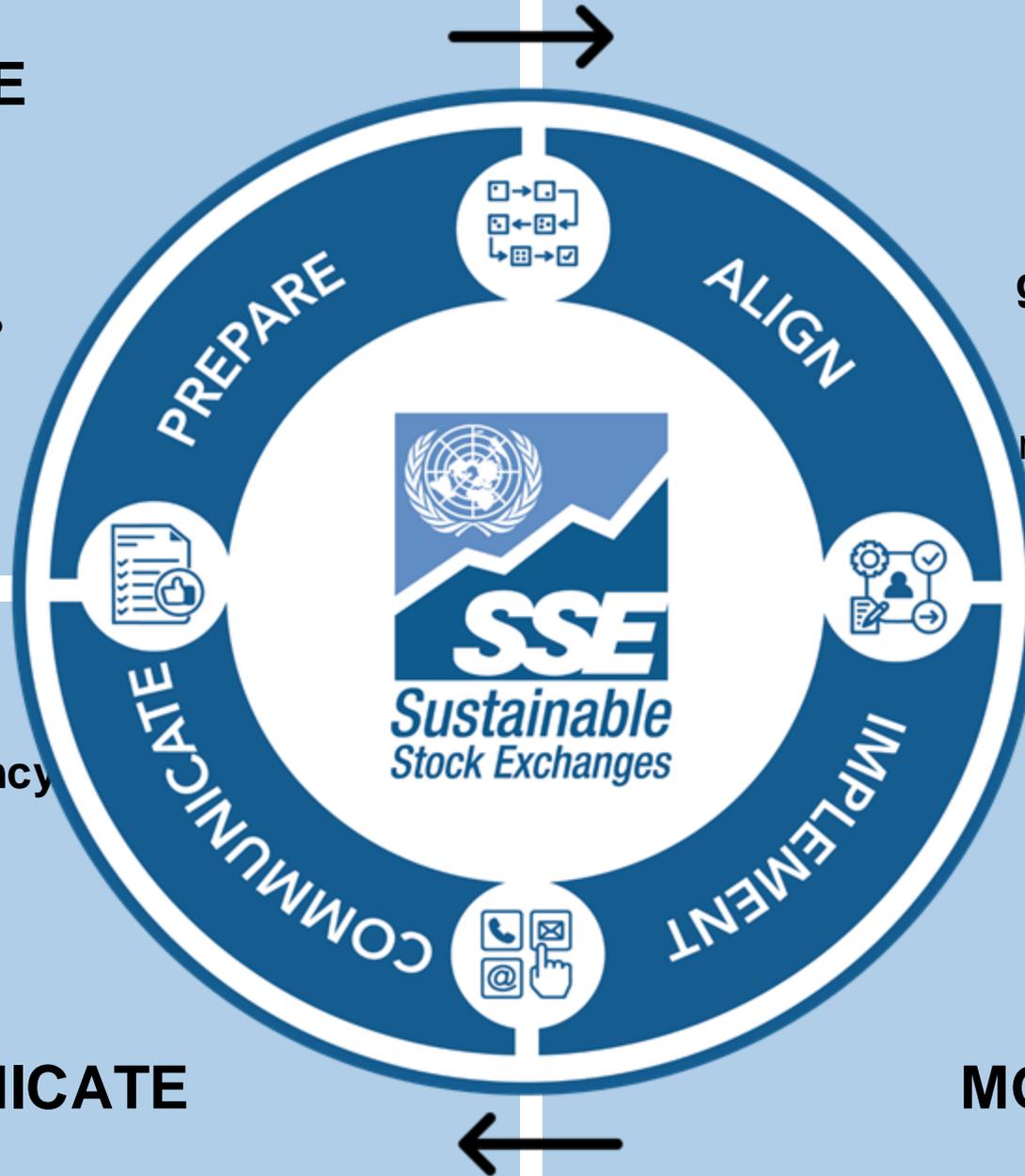


MODULE 1: PREPARE

What is the **case for** and **purpose of** sustainability reporting? How has the reporting **landscape evolved**?

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

MODULE 4: COMMUNICATE



MODULE 2: ALIGN

What do companies have to disclose to **align with the global baseline** in IFRS S1 and S2? How can **additional disclosures** be integrated to meet geographical, sectoral and regulatory requirements?

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

MODULE 3: IMPLEMENT

AGENDA



Duration: 3.5 hours	Topic:
20 minutes	Welcome & introductions
40 minutes	Module 1 – Prepare
40 minutes	Module 2 – Align part 1
5 minutes	Short break
35 minutes	Module 2 – Align part 2
35 minutes	Module 3 – Implement
30 minutes	Module 4 – Communicate
5 minutes	Homework and additional resources



SSE

TRAINING MATERIALS



*Find all training materials on the SSE website
–see link in chat.*



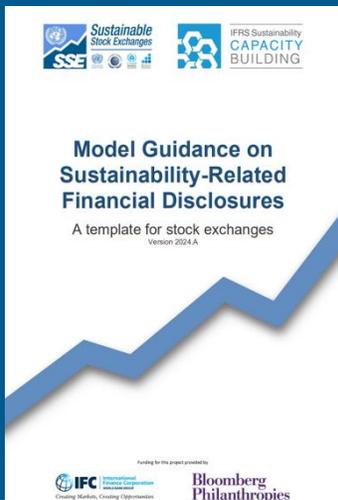
Homework assignment:
Develop a draft disclosure plan for your organization, using what you've learned in this training program

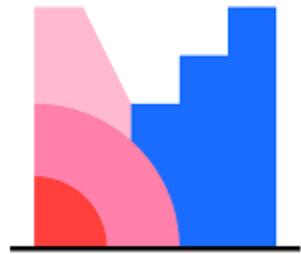


SSE



UN SSE TOOLKIT



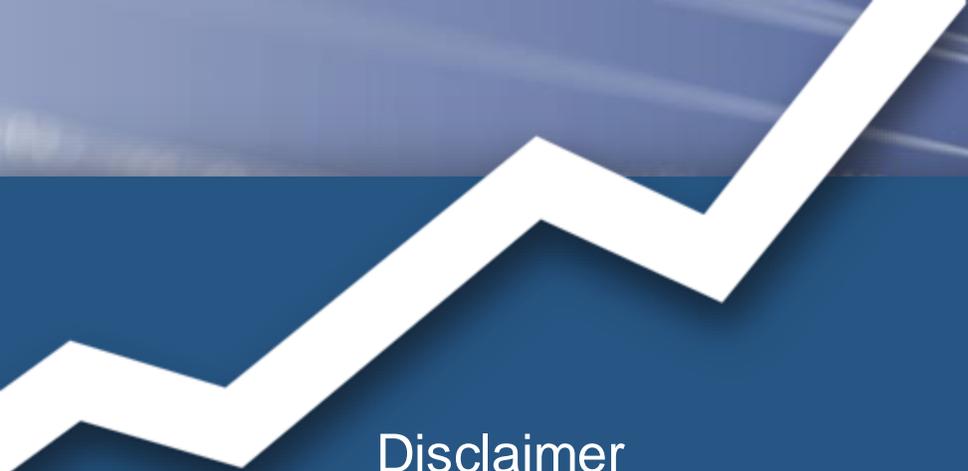


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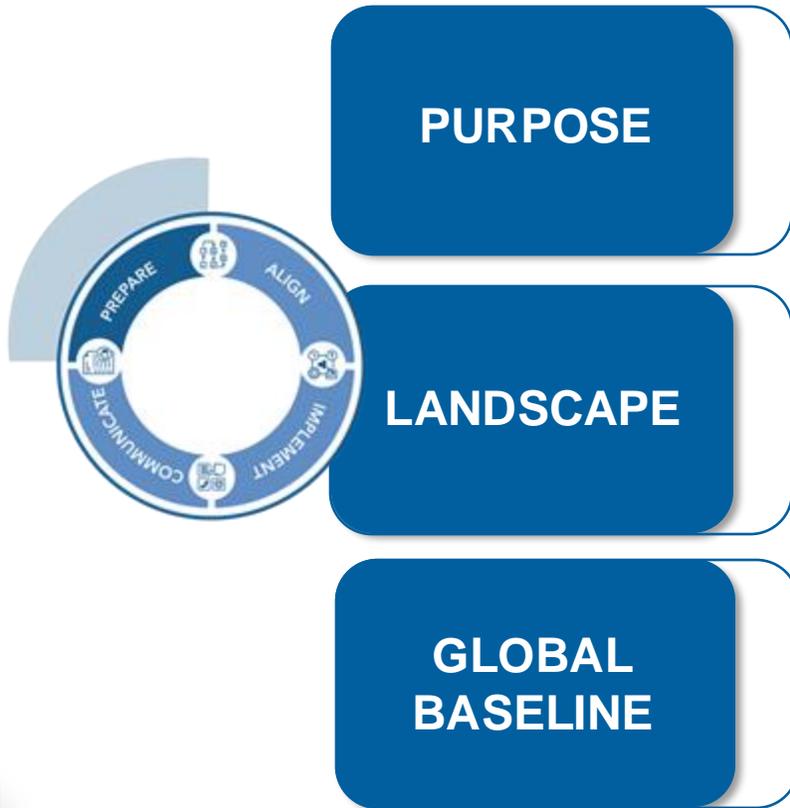
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MODULE 1

Building a solid
foundation of
knowledge



PREPARE



PREPARE



PURPOSE

The case for and market drivers of sustainability reporting

LANDSCAPE

GLOBAL BASELINE

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 are your reasons for disclosing sustainability-related information?
(Select all that apply)

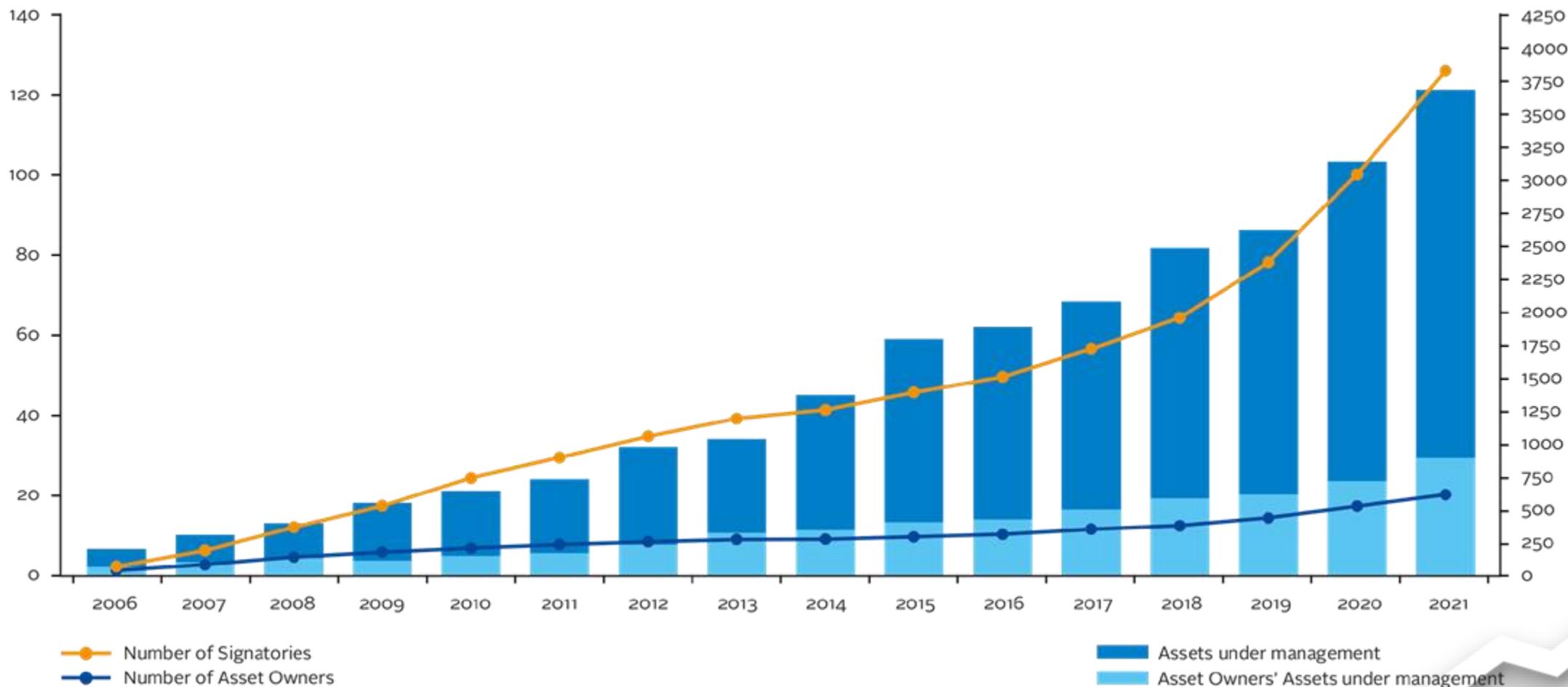
- a. Regulatory requirements
- b. Sharing management's objectives
- c. Societal expectations
- d. Investor interest
- e. Other (indicate in the chat)
- f. We are not disclosing sustainability-related information yet

Growth in investor commitments



Assets under management (US\$ trillion)

N° Signatories



[PRI DATABASE](#)

Individual investor interest in ESG information



Top drivers globally for rising interest in sustainable investing

Percent of respondents 'significantly' or 'somewhat more' interested in sustainable investing due to the issue listed, over the last 12 months.

Rank	Driver for rising interest in sustainable investment of those investors most interested in sustainable investing	% interested
1	Financial performance of sustainable investments	74%
2	New climate science findings	71%
3	Market dynamics and broader economic performance	69%
4	Inflation	69%
5	Legislation limiting ESG considerations in investments	64%

Effects on financial performance



- **Changes in revenue mix or total revenue**

For example, a change in demand for products and services due to shifts in consumer preferences, or changes in production capacity from input disruption or impacts on workforce management and planning, etc.

- **Changes in expenditures**

For example, changes in operating costs, R&D expenditures required, costs associated with deploying new practices and processes, changes in production costs, changes in workforce costs, etc.

Effects on financial position



- **Changes to assets and/or liabilities**

For example, changes to portfolio value, equity or liabilities or changes in carrying amount of assets from write-offs, asset impairment, early retirement of existing assets, acquisition of new assets, or re-pricing of assets, etc.

- **Changes to financing and the cost of capital**

For example, changes to financing structures, insurance premiums, capital availability, etc.

Further resources

[IFRS Foundation Educational Material on the effects of climate-related matters on financial statements](#)

[ESMA – The Heat is On: Disclosures of Climate-Related Matters in the Financial Statements](#)

[Recent IFRS Foundation C&A educational materials](#)

The evolving risk environment



Global risks ranked by severity over the short and long term

"Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period."

Risk categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

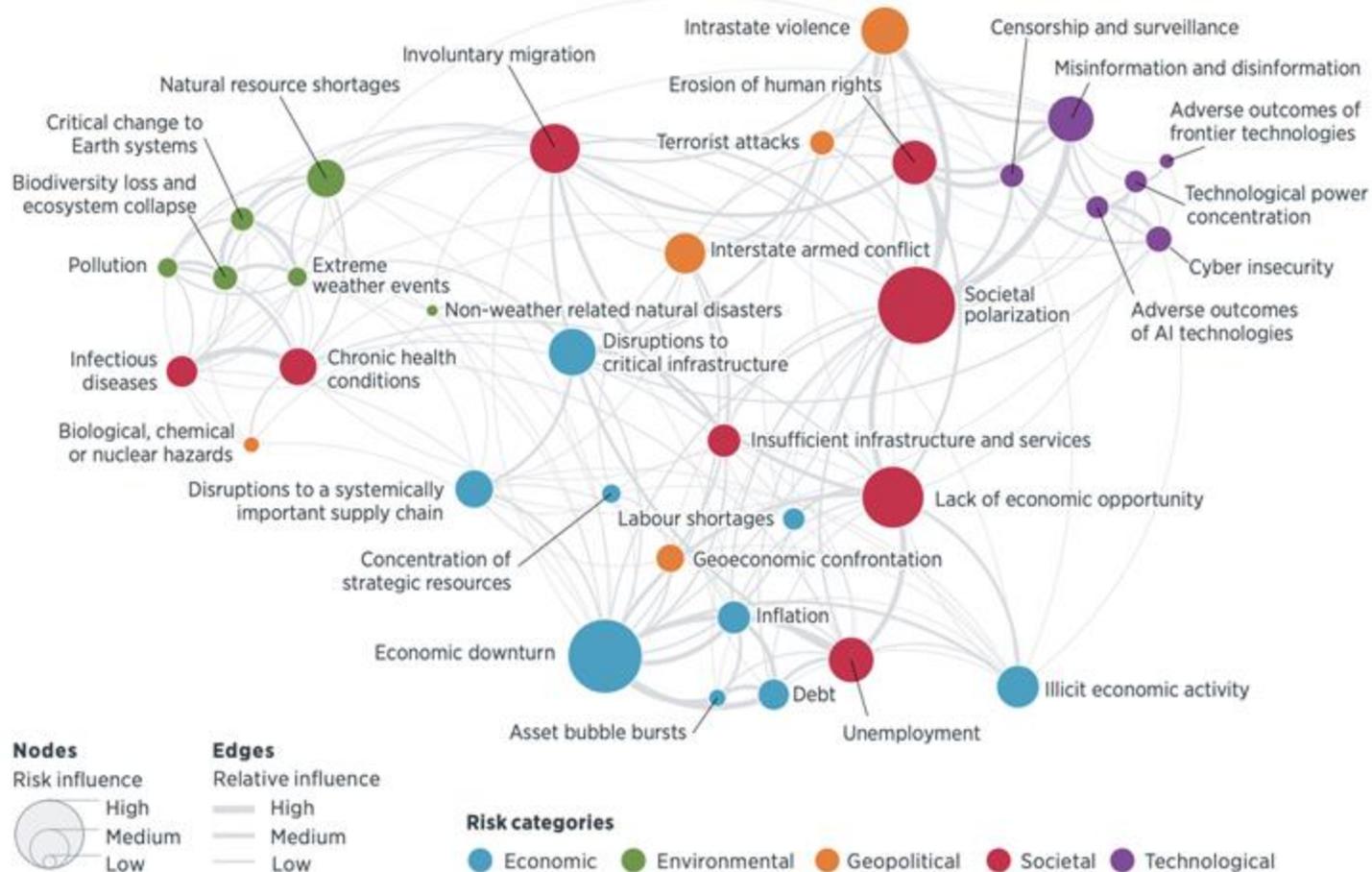
2 years



10 years



Connections between risks



Source: World Economic Forum Global Risks Perception Survey 2023-2024

PREPARE



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. What frameworks are you currently using?

(Select all that apply)

- a. **CDP** (formerly Carbon Disclosure Project)
- b. Global Reporting Initiative (**GRI**)
- c. **Integrated Reporting**
- d. Sustainability Accounting Standards Board (**SASB**)
- e. Task force on climate-related financial disclosures (**TCFD**)
- f. UN Global Compact (**UNGC**)
- g. Others (indicate in the chat)

Structure of the IFRS Foundation



The evolution of reporting standards



ZOOM POLL

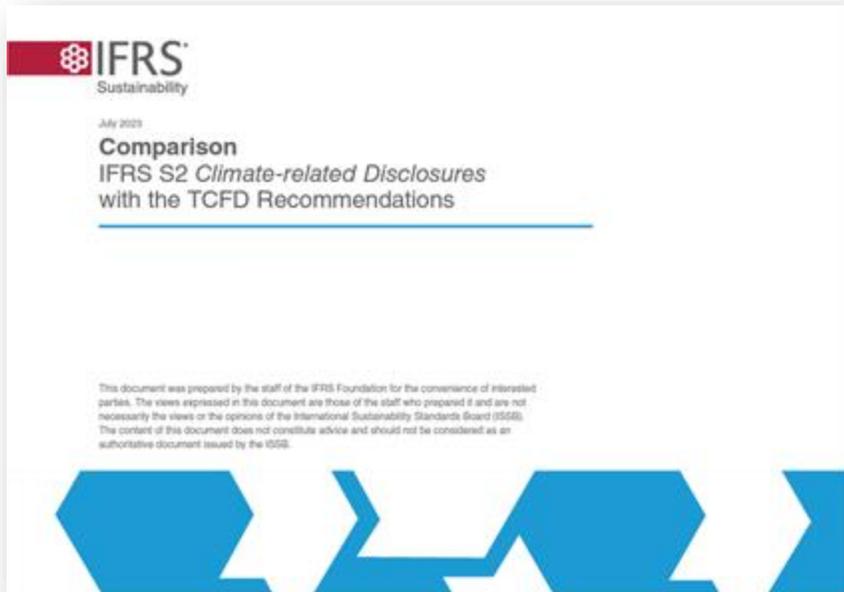
Select the
appropriate answer

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

- a. True
- b. False

Moving from TCFD to ISSB



- TCFD culminated in 07/2023 and the IFRS Foundation has now assumed responsibility of TCFD monitoring (see news item [here](#))
- 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
- IFRS S2 provides some **additional requirements and guidance**

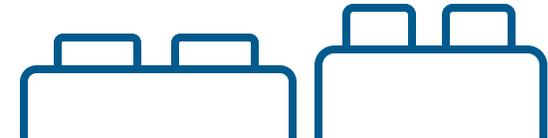
Setting a global baseline



1

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

Global backing for a global standard



ISSB

provide comprehensive
global baseline through
Standards



IOSCO

endorses ISSB
Standards
recommending
adoption



Audit standard- setters

enhance and develop
assurance standards



Jurisdictions

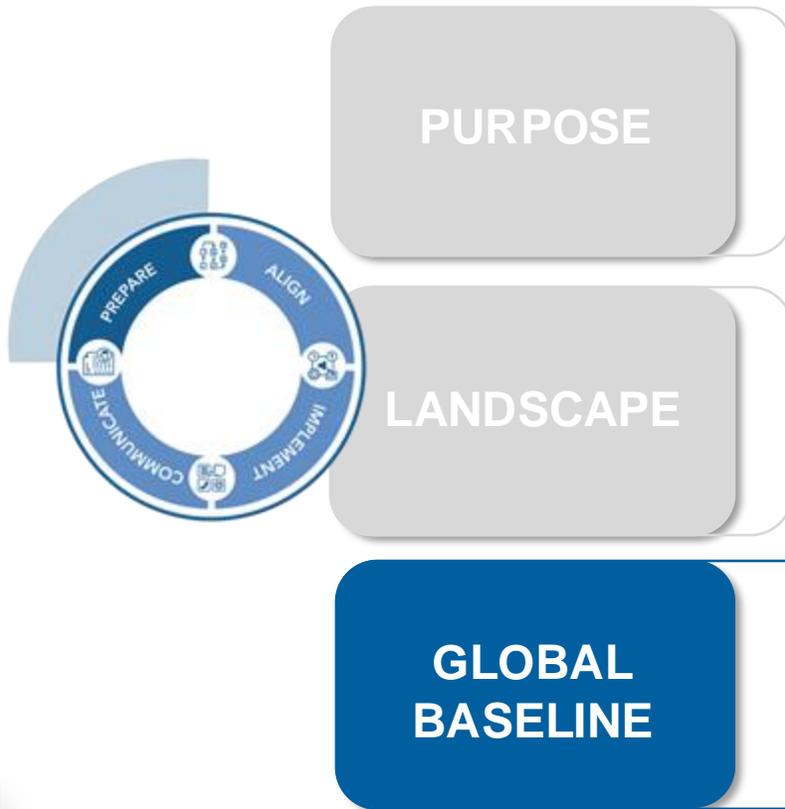
require by adopting the
Standards



Market participants

voluntarily opt to apply
the Standards

PREPARE



Important terms



- **Sustainability-Related Financial Information** – information about a company’s sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions about providing resources to the company (IFRS S1.1).
- **Sustainability-Related Risks & Opportunities** – those risks and opportunities that could reasonably be expected to affect the company’s prospects i.e.: cash flows, access to finance or cost of capital over the short, medium or long term (IFRS S1.3).
- **General Purpose Financial Reports** – sustainability-related financial disclosures could be included in a company’s management commentary or a similar report when it forms part of a company’s **general purpose financial reports**.

Core content areas



GOVERNANCE

- Governing Body
- Management

STRATEGY

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

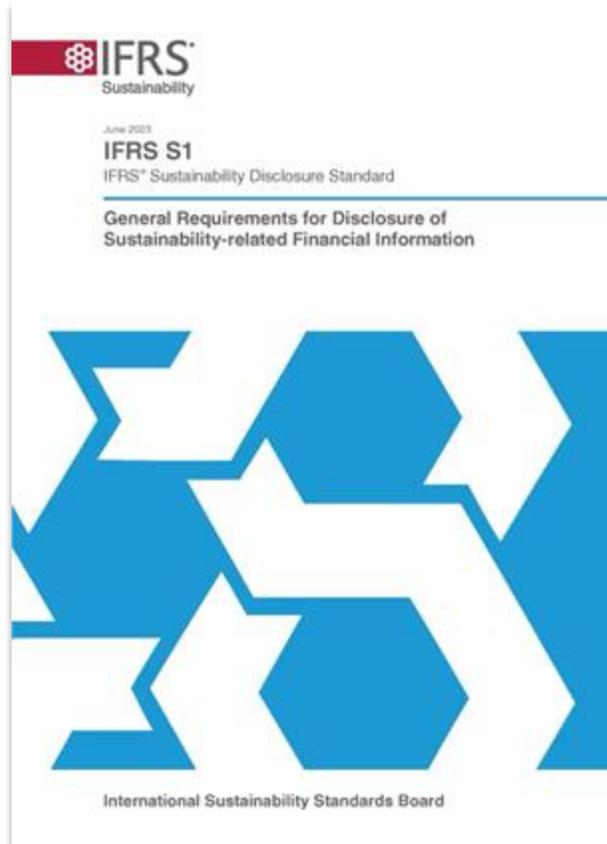
RISK MANAGEMENT

- Processes for risk management
- Overall risk profile

METRICS & TARGETS

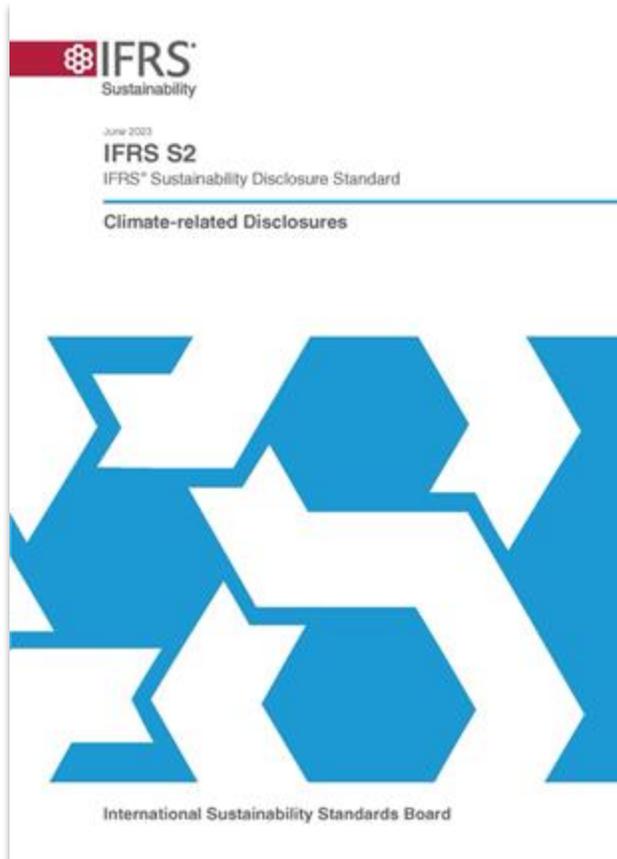
- Metrics
- Targets

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 company
 - timing and location of reporting
 - connections and comparative information in reporting

Conceptual Foundations



- **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
- **Reporting company:** The reporting company for sustainability-related financial disclosures to be the same as the reporting company for the general purpose financial statements.
- **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

EXAMPLE

Connected information

Capital allocation towards pathways and solutions

Decarbonisation is embedded in our annual investment and prioritisation processes. All investment decisions consider the quantity of GHG emissions associated with the project, the cost per tonne of CO₂-e associated with the project and the alignment with the Group pathways to a net zero trajectory.

In FY2023, we spent US\$122 million on initiatives associated with operational GHG emission reductions, together with value chain GHG emission reductions in areas such as steelmaking and shipping, and BHP Ventures investments. This figure does not include the operating expenditure associated with renewable electricity arrangements established at a number of our operated assets, which collectively represented the main source of operational GHG emission abatement for BHP in FY2023.

From FY2024 to FY2030, we expect to spend around US\$4 billion (nominal value) on operational decarbonisation, with plans reflecting an annual capital allocation of between approximately US\$250 million and approximately US\$950 million per year over the next five years.

On current assumptions, the overall portfolio of decarbonisation projects to support achievement of our medium-term target is expected to deliver a positive net present value (NPV) for the Group, while to date, most implemented projects have delivered a positive or neutral NPV.

BHP Ventures also continues to build a portfolio of investments to help accelerate innovation in the mining industry through assessment and execution of additional investments across emerging technology areas, including long-duration energy storage solutions, diesel displacement and carbon dioxide removal.

 For more information on our range of investments to drive decarbonisation and sustainable growth refer to bhp.com/about/our-businesses/ventures

Connection between decarbonization and net zero strategy and investment decisions

Connection to future spending plans and targets

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. What information should be considered for connected information?

(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

Materiality



- A company shall disclose **material** information about the sustainability-related risks and opportunities that could reasonably be expected to affect the company's prospects.
- Information is material if **omitting, misstating or obscuring** that information could reasonably be expected to influence decisions that **primary users of general purpose financial reports** make on the basis of those reports
- **Primary users of general purpose financial reports** are existing and potential investors, lenders and other creditors

Additional guidance



Application Guidance

Guidance, sometimes presented as an appendix to a Standard. This is just a question of location – this material is still a required piece of the standard

Published with the Standards.



Accompanying Guidance

Guidance issued alongside a Standard to assist companies, demonstrating how the requirements in the Standard could be applied often using examples (non-mandatory)



Educational materials

Separate materials developed to help companies apply the Standards

Published over time to meet preparer needs.

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. Water is a vital input to your business, but the ISSB Standards do not currently have a specific standard on water. What do you do:

- a. Do not disclose anything about water.
- b. Consult the sources of guidance listed by ISSB.
- c. Engage a consultancy to help.
- d. Copy your competitors' reporting.

Module 1 Summary



Start by understanding the benefits of improved disclosure

There can be **important benefits** externally (ie investors interest) and internally (ie enhanced resilience and strategy) from applying the ISSB Standards

Use the ISSB Standards as the baseline – build on top of that

ISSB Standards represent a global baseline for sustainability related financial disclosure that **simplifies the landscape** and provides a comprehensive foundation of disclosure that **allows other building blocks of information to be added on top of ISSB**

Be clear who your audience is

ISSB Standards plus guidance are designed to meet the needs of primary users of general-purpose financial reports and follow the core principles of financial disclosures including fair presentation and connected information.

MODULE 1 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.



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chat

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

MODULE 2



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

ALIGN



ALIGN



APPLYING THE STANDARDS

Applying the IFRS Sustainability Disclosure Standards as the global baseline

ADDITIONAL DISCLOSURES



Core content



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- Overall risk profile

METRICS & TARGETS

- Metrics
- Targets



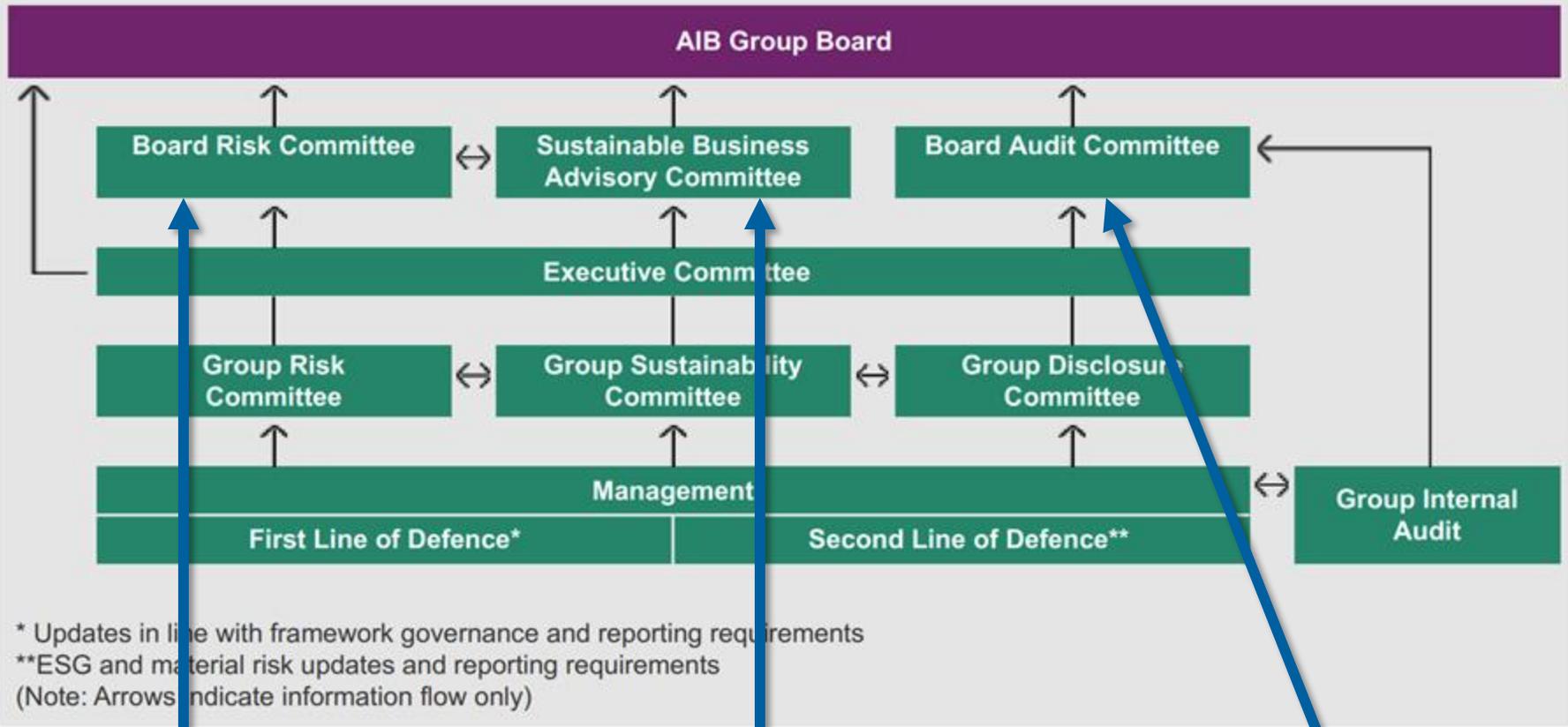
Questions to evaluate (governance)



- Which **Board and Management bodies or committees** are responsible for sustainability and climate-related risks and opportunities?
- What are their **skills and competencies**? (How is this determined?)
- 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?
- How are related performance **metrics included in remuneration policies**?

EXAMPLE

Governance model



Ensures that risks within the Group are appropriately identified, reported, assessed, managed and controlled, including key strategic and operational risk issues. Scope of committee includes ESG risks, including climate risk.

Supports the Group’s sustainable business strategy which includes the development and safeguarding of the Group’s social license to operate, plus sustainability disclosures outside of annual report.

Oversees the quality and integrity of the Group’s accounting policies, financial and narrative reporting, non-financial disclosures and disclosure practices, internal control framework and audit.

EXAMPLE

Governance model

Example source: [Toyota sustainability Data Book 2023](#), pg. 37

Governance

a) Board's Oversight of Climate-related Risks and Opportunities

- At Toyota, to ensure effective strategy formulation and implementation in line with latest societal trends, important climate-related issues, if arise, are **reported to the Board of Directors**.
- The Board of Directors conducts the following duties:
 - Deliberate and supervise strategies, major action plans, and business plans.
 - Monitor the progress toward qualitative and quantitative targets addressing climate issues.
- Monitoring is performed in consideration of the financial impact of the following risks/opportunities, which may turn into climate-related issues:
 - Risks/opportunities related to products, such as fuel efficiency/emission regulations.
 - Risks/opportunities related to low-carbon technology development.
- These governance mechanisms are used in formulating long-term strategy, including the Toyota Environmental Challenge 2050, and in formulating and reviewing the medium- to long-term targets and action plans.
- Cases of decisions made at the Board of Directors Meeting in 2022
 - Reported on and approved the identification of carbon neutrality (CN) as a key matter in relation to climate change and the development of a plan to transition to CN by 2050.
 - The Board of Directors decided by resolution the level of battery-related investment in order to secure the number of batteries which serve as a pacemaker to expand its line of BEVs.

Role of the Board

What it has done to inform strategy

Actions taken, including investment



Core content

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METRICS & TARGETS

- Metrics
- Targets



Questions to evaluate (strategy)



- What **risks and opportunities** that could reasonably be expected to affect a company's prospects have been identified?
- Over **what time horizons** (short, medium or long term) is that effect expected to occur?
- If it is a climate-related risk, is it a **physical or transition** risk?

Find a summary of requirements in the SSE Gap Analysis Checklist [here](#)



Example of risk identification



Strategic priorities

Top 15 Group risks

Risk mitigation priorities





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 company 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](#)



Questions to evaluate (strategy)



- What are the **current and anticipated effects** of those risks and opportunities on the company's business model and value chain, strategy and decision making, and financial position, performance and cash flows?
- **What type** of effect is expected and **where** will that effect take place?
- What is the actual and planned **response** to the effects identified?

Example

Effects on the business model and value chain

Our transformation along the value chain

Supply chain	Production		Products
<p>Energy</p> <p>Renewable energy,¹ low-emission hydrogen, combined heat and power generation</p>	<p>Customer-focused production</p> <p>Minimized transportation routes</p>	<p>Emission-free steam generation</p> <p>Electrified processes, energy recovery</p>	<p>Solutions for a sustainable future</p> <p>Low-emission, innovative products (pioneers, contributors)⁵</p> <p>Climate-smart mobility; healthy, affordable food; efficient construction</p>
<p>Raw materials</p> <p>Renewable and recycled raw materials, raw materials based on the use of CO₂</p>	<p>Optimized Verbund structures</p> <p>Efficient value chains</p>	<p>Pioneering technologies</p> <p>Emission-free and low-emission processes³</p> <p>Key technologies: batteries,⁴ polymers, biotechnology</p>	<p>Business models</p> <p>Digitalized and circular approaches</p>
<p>Infrastructure</p> <p>Network expansion and infrastructure for the transportation of hydrogen and CO₂</p>	<p>Digitalization and automation</p> <p>Efficient processes²</p>	<p>Circular economy</p> <p>New material cycles and recycling technologies</p>	<p>Services</p> <p>Transparency (product carbon footprint, corporate carbon footprint), take-back systems</p>
<p>Suppliers</p> <p>Sustainability evaluations, Supplier CO₂ Management Program</p>	<p>Operational excellence</p> <p>Energy and resource-efficient processes</p>		

Selected projects in the 2023 reporting year

1 Inauguration of the Hollandse Kust Zuid offshore wind farm
For more information, see page 105

2 New supercomputer Curiosity with increased computing power
For more information, see page 30

3 Electrically heated steam cracker furnaces: demonstration plant close to completion
For more information, see page 107

4 Battery materials and recycling: our investment in Schwarzheide, Germany
For more information, see page 32

5 Innovation driver: new Sustainable Solution Steering method
For more information, see page 48



Qualitative and quantitative disclosures



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

- A company is required to disclose **both** quantitative (a single amount or a range) and qualitative information
- A company can provide **qualitative** rather than quantitative information when:
 - The financial effects of the risk or opportunity 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

financial effects



Delivering sustainable business performance

Unilever Annual Report and Accounts 2022



Example source: Unilever Annual Report, pages 50-51

Financial quantification of assessed risks and opportunities

Potential financial impact on profit in the year (€bn)^(a)

Regulatory and Market Risks	Key assumptions	Sensitivity	2030	2039	2050
1. Carbon tax and voluntary carbon removal costs We quantified how high prices from carbon regulations and voluntary offset markets for our upstream Scope 3 emissions might impact our raw and packaging materials costs, our distribution costs and the neutralisation of our residual emissions post-2039.	<ul style="list-style-type: none"> Absolute zero Scope 1 and 2 emissions by 2030 Scope 3 emissions exclude consumer use emissions Carbon price would reach 245 USD/tonne by 2050, rising more aggressively in early years in a proactive scenario The price of carbon offsetting would reach 65 USD/tonne by 2050 Offsetting 100% of emissions on and after 2039 	ρ	-3.2	-5.2	-6.1
		ϵ	-2.4	-4.8	-6.1
Physical Environmental Risks	Key assumptions	Sensitivity	2030	2039	2050
5. Extreme weather (temperature) impact on crop yields We quantified how extreme weather events such as sustained high temperatures could impact crop output and therefore sourcing costs across key commodities.	<ul style="list-style-type: none"> By 2050, in a proactive scenario, extreme weather would increase prices by: <ul style="list-style-type: none"> Palm: -12%; Commodities and food ingredients: -14% By 2050, in a reactive scenario, extreme weather would increase prices by: <ul style="list-style-type: none"> Palm: -18%; Commodities and food ingredients: -21% 	ρ	-0.3	-0.8	-1.9
		ϵ	-0.4	-1.1	-2.8

If *proactive* approach is taken to managing climate change

If *reactive* approach is taken to managing climate change

Additional slide (handout only)



Questions to evaluate (strategy)



- What is the company's **capacity to adjust** to the uncertainties arising from sustainability-related risks (and how this is determined)?
- How is a **scenario analysis** already being used (or going to be used) to assess climate resilience?

Example

Strategy and decision making

Long-term sustainable, profitable growth

Stora Enso has a long and rich history dating back to 1288. Our unique history has supported our survival, proactiveness and adaptability over the centuries. This has nurtured a deep-down business culture which can manage market fluctuations, build on modernisation and innovation, and provide solutions to current demands in the market. In recent years, we have been through a comprehensive transformation process, proactively repositioning our business from largely a pulp and paper company to a global renewable materials company, ensuring our future for many more years to come. Sustainability trends underpin our opportunity for long-term, sustainable, profitable growth, and today our products are mitigating the climate challenge, providing us with new opportunities.

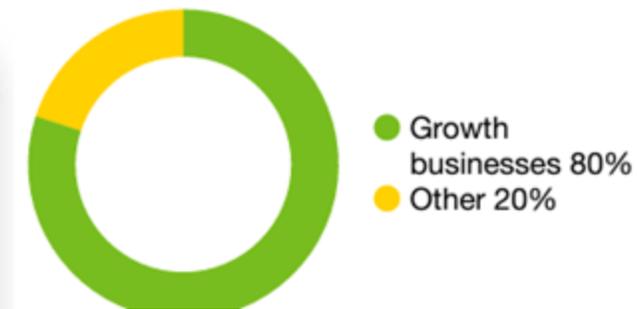
Current and anticipated changes to business model

Our strategy is to drive the green transition by accelerating our growth in renewable packaging, sustainable building solutions, and biomaterials innovations, while staying within the planetary boundaries. We do that through advancing our leading market positions in high-margin products, strong and competitive assets, best-in-class industry competence and control of the renewable resource wood. We are committed to ambitious science-based targets, on areas where we have the biggest environmental impact. These segments involve a higher degree of innovations and value added products which will further future proof our business and strengthen our competitiveness.

Climate change and resource scarcity affect the environment as well as economies and society as a whole. There is strong pressure to maximise the efficient use of raw

materials and to make the value chains circular. As a result of our new strategic direction, Stora Enso is and will be a more efficient and less cyclical company. Our focus, resources and investments are allocated where we have the best business opportunities for profitable growth, with leading market positions and strong competitiveness. Most of our products and solutions are renewable and circular, and the CO₂ they replace and store, helps to mitigate climate change. Our forest assets create a solid and valuable foundation for our business. They deliver growing value that provides Stora Enso with a solid balance sheet, and potential new ancillary revenue streams from wood-based solutions for sustainable wind and solar power as well as carbon credits. Our forests are also an important source of raw material which provides us with competitive wood supply, giving us tactical flexibility, synergies, and value.

Sales in 2030



Example

Scenario Analysis

3.8.1. Transition risks

Scenario analysis

In 2022, we revised our scenario analysis under the following scope:

- Transition risks.
- Focusing on the three most exposed business units, based on total emissions (Scope 1, 2 and 3) and exposure to climate sensitive markets, like automotive and buildings: Soda Ash, Specialty Polymers and Novincare. These three GBUs represent 52% of Solvay's 2021 sales.
- Two International Energy Agency (IEA) scenarios: 1.5°C Scenario (IEA Net Zero Emissions Scenario 2021) and 3°C Scenario (IEA Stated Policy Scenario 2021).
- Using a leading audit, tax and consulting services company's tool for climate scenario analyses.
- Assumptions of price and cost changes, volume changes and adaptation potential (cost pass-through) were taken from the consultant's models. This included price trajectories up to 2050 for oil, coal, gas, CO₂, electricity and energy usage in transport, in our own operations and upstream.
- Analysis of the market dynamics and identification of the essential characteristics of individual sites was based on the consultant and Solvay sector and climate expertise, considering products sold in main markets, namely construction, packaging, automotive, oil and gas, home and personal care, food and feed, and electronics.

The main conclusions of the scenario analysis were:

- The soda ash business relies highly on a competitive price advantage. Since prices for raw materials and our own operations will increase in a 1.5°C scenario, the scenario analysis concluded that, in the absence of cost pass-through measures, the contribution margin could decrease by up to 16%, while additional demand for glass for energy efficient buildings would drive overall profit and sales. Sales could increase to €2.4 billion in the 1.5°C scenario and to €2.1 billion in the 3°C scenario, by 2050.
- The specialty polymers business has the most significant opportunities in a 1.5°C world. Products are expensive and resilient to cost increases and the demand for most customer segments would increase. Focusing on increasing production capacities for this GBU should be prioritized in a 1.5°C world. Sales could increase to €4.7 billion in the 1.5°C scenario and to €4.3 billion in the 3°C scenario, by 2050.
- Novincare faces risks relating to vegetable oil imports. This is because vegetable oils from palm oil and other alternatives are highly CO₂ emissions and water intensive. Shifting to sustainable alternatives is expensive, but it may result in a reputation boost for Solvay and decrease costs for these alternatives in the long run. Novincare has the highest weighted CO₂ intensity in their supply chain. This should be monitored and suppliers should be engaged to reduce Scope 3 emissions. Sales could increase to €2 billion by 2050 in both scenarios.

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. A company may choose to disclose only qualitative information and/or combined quantitative information about current and anticipated financial effects when:
(Select all that apply)**

- a. The company cannot separate the effects of a climate-related risk or opportunity from other effects.
- b. There is a high level of measurement uncertainty.
- c. The quantitative information sheds a negative light on the company.

CLIMATE-SPECIFIC CONSIDERATIONS

STRATEGY





From TCFD to ISSB (Strategy)



Disclosure requirements in IFRS S2 are broadly consistent with TCFD except, IFRS S2:

- Requires a company to refer to and consider the applicability of **industry-based disclosure topics**.
- Requires more detailed information on **where in business model and value chain** risks and opportunities are concentrated.
- Requires more detailed information on **effects of climate-related risks and opportunities**
- Sets out criteria for when **quantitative and qualitative information** is required for disclosure of current and anticipated financial effects.
- Requires use of **all reasonable and supportable information** that is available at the reporting date without undue cost or effort and the use of an approach that is **commensurate with the company's circumstances** for specific requirements.
- **Does not** specify the particular scenarios for climate-related scenario analysis.
- Requires additional information regarding **resiliency**.



Transition plans



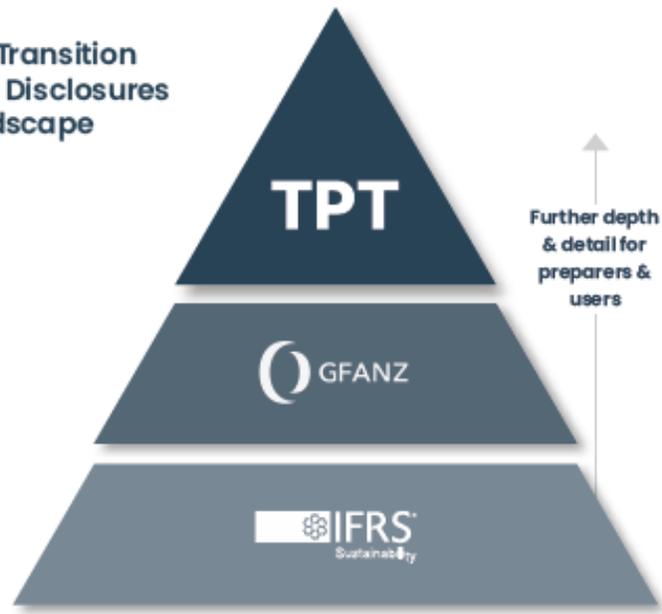
An aspect of the company's overall strategy that includes targets, actions or resources for the transition towards a lower-carbon economy, including, for example GHG emissions reductions plans.

- **Align (internally)** with strategy, business case and business motivation and decarbonization levers most economically and technologically feasible for the company
- **Align (externally)** goals with science, including net zero pledges, climate neutrality goals and Paris aligned commitments
- Set **long term goals** with clear mitigation and adaptation activities and targets and interim milestones
- Be **transparent** about dependencies, risks, challenges of executing the transition plan and explain how residual and unabated GHG emissions will be treated
- Follow **sector specific pathways**
- Consider how the Transition Plan will be evaluated and give it the hallmarks of **credibility**

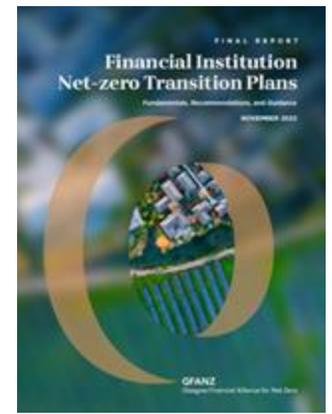
Transition plan resources



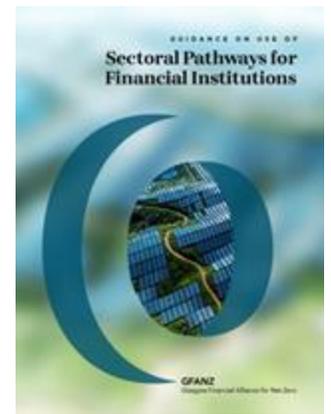
The Transition Plan Disclosures Landscape



Real economy

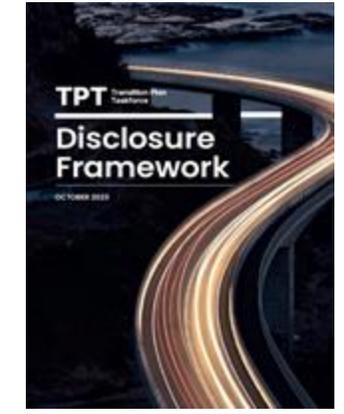


Financial institutions



Sectoral pathways

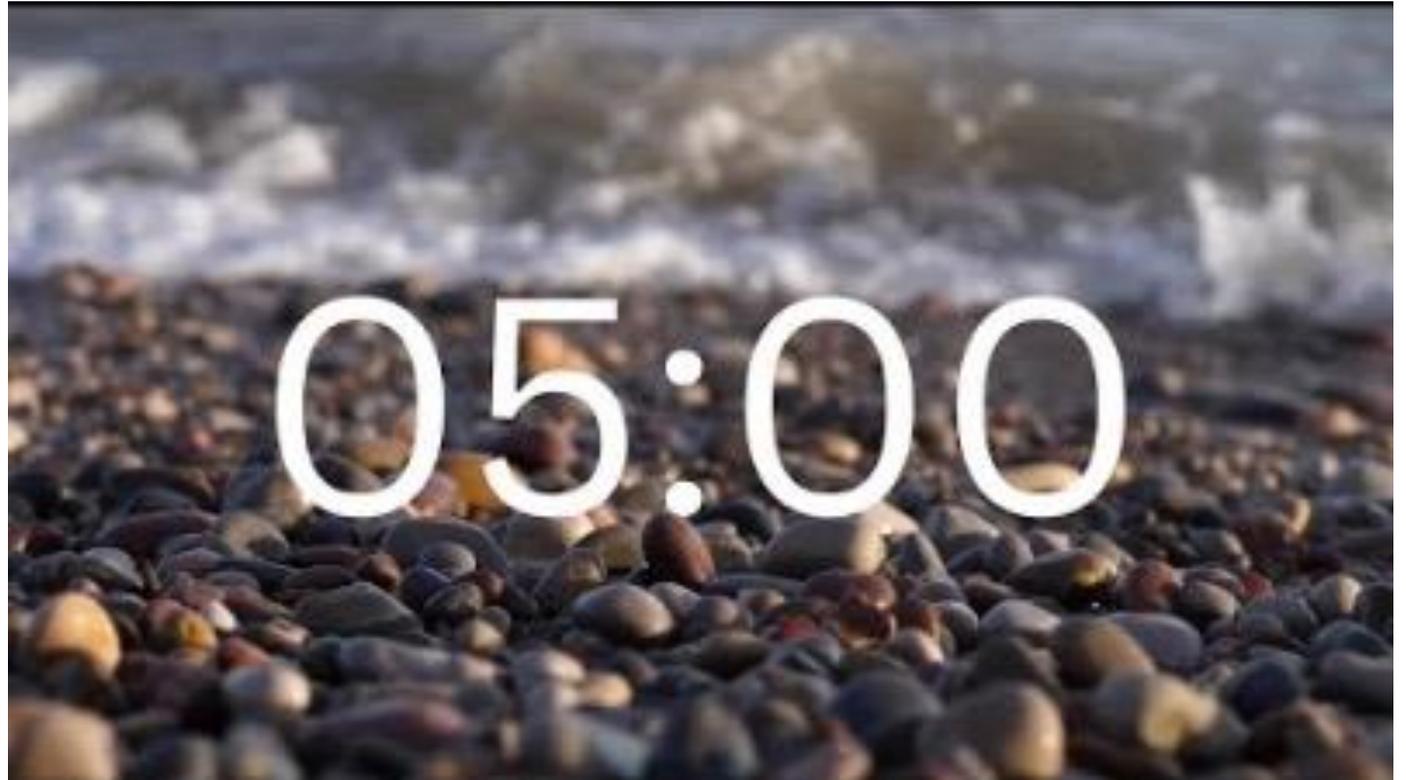
Pathway expectations



Transition pathway disclosure framework

QUICK BREAK

Over the break, feel free
to ask any questions you
have in the Q&A





Core content

GOVERNANCE

- Governing Body
- Management

STRATEGY

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

RISK MANAGEMENT

- Processes for risk management
- Overall risk profile

METRICS & TARGETS

- Metrics
- Targets



Questions to evaluate (risk mgmt.)

- What **processes and policies** are being used to identify, assess, prioritise and monitor sustainability-related **risks**?
- What **processes and policies** are being used to identify, assess, prioritise and monitor sustainability-related **opportunities**?
- How is sustainability risk & opportunity management integrated into the company's **overall risk management process**?

CLIMATE-SPECIFIC CONSIDERATIONS

RISK MANAGEMENT





From TCFD to ISSB (Risk Mgmt)



Disclosure requirements in IFRS S2 are broadly consistent with TCFD except, IFRS S2 requires:

- More detailed information about the **input** parameters used to identify risks, whether and how a climate-related **scenario analysis** is used to inform risk identification, and whether risk management processes have **changed**
- Additional disclosures on the processes used to identify, assess, prioritise and monitor **opportunities**, and how this is integrated into and informs the company's overall risks management process



Climate-related risks



Types of risk

Transition risks

- Policy & Legal
- Technology
- Market
- Reputation

Physical Risks

- Acute
- Chronic

Examples

- Increased pricing of GHG emissions
- Enhanced reporting obligations
- Exposure to litigation
- Cost of transition to lower-emission technologies
- Changing customer behavior
- Uncertainty in market signals
- Increased cost of raw materials
- Stigmatization of sector
- Increased severity of extreme weather events
- Changing weather patterns

Financial effects

- cash flows,
- access to finance
- cost of capital
- over the short, medium and long term



Climate-related opportunities



Types of opportunities

- Resource Efficiency
- Energy Source
- Products and Services
- Markets
- Resilience

Examples

- Improving resource efficiency across value chain
- Use of lower-emission sources of energy
- Use of supportive policy incentives
- Use of new technologies
- Development of low emission goods/ services
- Access to new markets
- Differentiating against competitors
- Resource substitution/ diversification

Financial effects

- cash flows
- access to finance
- cost of capital
- over the short, medium and long term

Example

Risks and opportunity assessment

Weather in 2019

Major storms which cost aviation an estimated **€2.2billion** in 2019 in terms of en-route delays, are expected to increase in intensity.

Bad weather forced airlines to fly

1m extra km

burning

6,000 tonnes extra fuel

producing

19,000 tonnes extra CO₂

Current acute risks and impacts

Weather in 2050

Extreme weather is predicted to drive these numbers up, with horizontal flight inefficiency on days when storms account for over 50% of air traffic flow management delays expected to **worsen by 0.5%.**

That's an extra

57,000 tonnes of CO₂/yr

increasing every 1,000 nautical mile flight by roughly 40 nautical miles further driving up the cost to airlines, passengers and their carbon footprint.

66% of coastal/low-lying airports are at an increased risk of flooding in the event of a storm surge.

Future acute risks and impacts

Reducing flight durations

Future flight operations will also be modified by climate change with jet streams reducing many transatlantic flight durations both eastbound and westbound.

This will have positive effects on flight times, fuel burn and emissions, and could yield possible saving of

55,000 tonnes of fuel

per year by 2050

c.175,000 tonnes of CO₂

The outcome of chronic changes may be positive in some respects, but strategy will need to respond

Core content



GOVERNANCE

- Governing Body
- Management

STRATEGY

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

RISK MANAGEMENT

- Processes for risk management
- Overall risk profile

METRICS & TARGETS

- Metrics
- Targets

Questions to evaluate (metrics)



- **What metrics** are being used to measure and monitor sustainability-related risks and opportunities?
- What metrics specifically relate to **climate-related** risks and opportunities?
- What **industry-based** metrics are being used?
- How are these metrics **defined and calculated**?
- How is **performance** tracked, using these metrics?

Find a summary of requirements in the SSE Gap Analysis Checklist [here](#)



Metrics considerations



Metrics must:

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

Metrics can:

- Be taken from a source other than ISSB Standards
- Be developed by the company
- Be associated with the industry-specific business models, activities and common features (an company shall refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards)

Additional slide (handout only)

Questions to evaluate (targets)



- Are targets **set** by the company or by law or regulation?
- Are the targets used **qualitative or quantitative**?
- What is the associated **metric used** to set the target? (also see questions on metrics)
- Over what **period of time** do the targets apply and what base period is being used?
- What **milestones** and interim targets are being set to track progress?
- Have there been any **revisions** to the target since the last reporting period?

Find a summary of requirements in the SSE Gap Analysis Checklist [here](#)

Example

Linking strategy, targets and assumptions

Decarbonization strategy

Decarbonization is at the heart of the Company's climate action strategy, aiming to have a leadership position within the steel industry in terms of target-setting, performance and disclosure. In 2021, ArcelorMittal set out a clear roadmap for achieving medium-term 2030 CO₂e targets with an anticipated gross investment of approximately \$10 billion, and its commitment to achieve net-zero steelmaking globally by 2050.

The Company's target is to reduce carbon emissions intensity by 25% globally and by 35% in Europe by 2030. Both targets cover Scopes 1 and 2 for steel and mining per tonne of crude steel.

(definitions: GHG intensity - the average GHG emitted in the production of one tonne of crude steel. It includes emissions from all the processes involved in the production of an 'average' tonne of steel, scope 1 and 2.

Scope 1: process CO₂e emissions from steel + CO₂ from mining + CH₄ from mining. Scope 2: indirect emissions from 'net' purchased electricity + electricity purchased at mining sites.)

Assumptions behind targets

To set the ArcelorMittal's target, the Company has made a key set of assumptions:

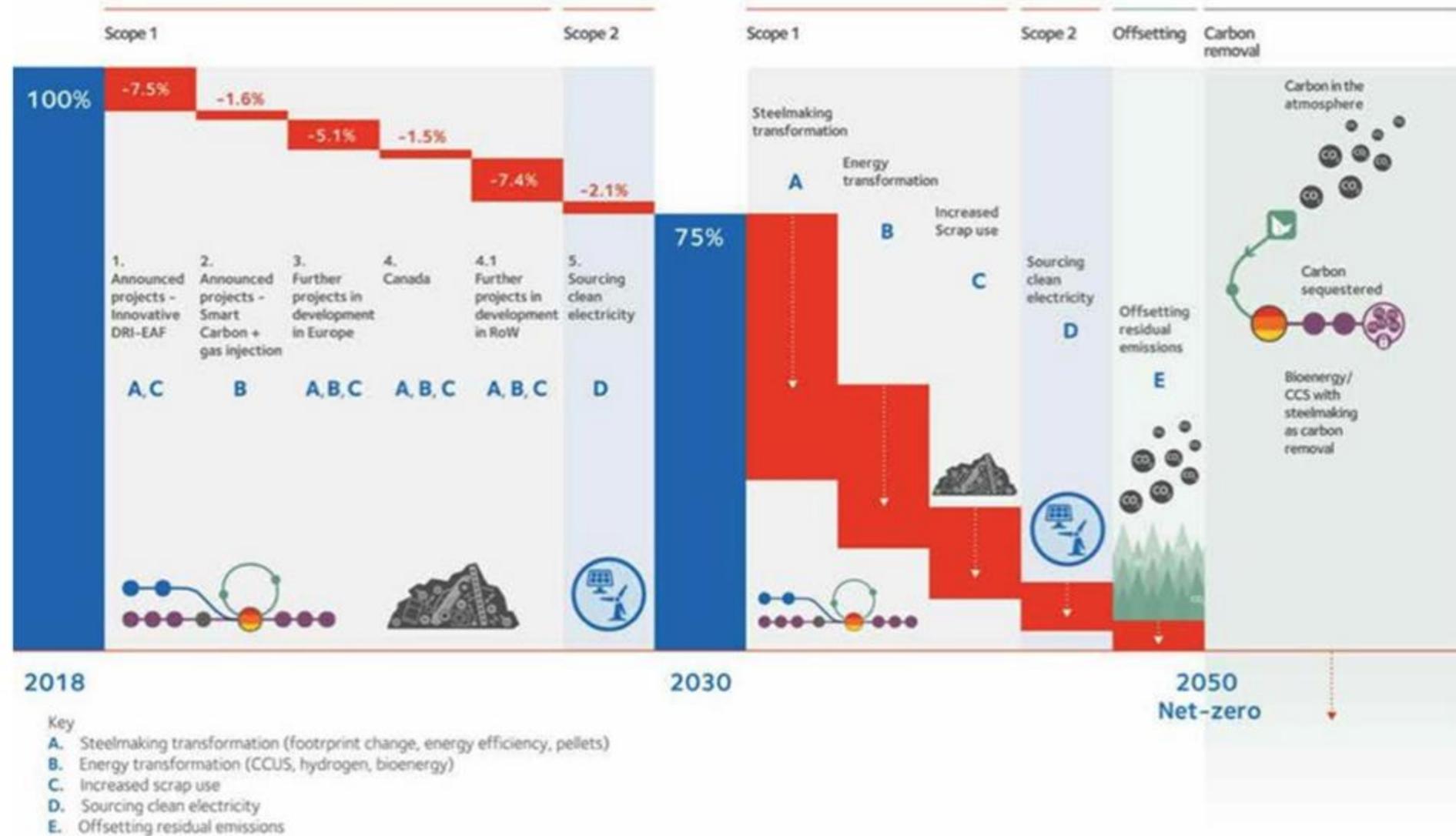
- a. The cost of green hydrogen will become increasingly competitive over the next decade but will still require government support in ArcelorMittal's countries of operation
- b. Carbon capture, utilization and storage ("CCUS") infrastructure will take time to be built at scale. While Europe is expected to take the lead, CCUS infrastructure has the potential to expand quickly in the US and Canada – providing some potential upside to the business' assumptions
- c. Different regions of the world will continue to move at very different paces and the level of climate ambition will differ between jurisdictions at any given time
- d. The introduction of climate-friendly policies in other regions will be 5-10 years behind Europe and the US
- e. As it has been reported, 2060 may not be a realistic net-zero target for developing economies, which may mean emissions do not peak until 2030.

Example

Linking strategy, targets and assumptions

Additional slide (handout only)

The waterfall chart 2030-2050 breakdown is for illustrative purposes only



Example source: [ArcelorMittal's 2022 Annual Report](#), pg. 62

CLIMATE-SPECIFIC CONSIDERATIONS

METRICS & TARGETS



From TCFD to ISSB (metrics)



Disclosure requirements in IFRS S2 are broadly consistent with TCFD except, IFRS S2:

- Requires disclosure of **industry-based metrics**
- Requires additional disclosures related to a company's **GHG emissions**
- Sets out a **Scope 3 measurement framework** to provide guidance for preparing Scope 3 GHG emissions disclosures
- Does not explicitly require a company to disaggregate its GHG emissions disclosures by the **constituent gases**, however IFRS S1 includes requirements on **disaggregation** that would result in the disclosure of the constituent gases being required if such disaggregation provides material information

Review the full comparison document of IFRS S2 and TCFD [here](#).

From TCFD to ISSB (targets)



Disclosure requirements in IFRS S2 are broadly consistent with TCFD except, IFRS S2:

- Requires disclosures about how the **latest international agreement** on climate change has informed the target and whether the target has been **validated by a third party**
- Requires disclosure of more detailed information on **GHG emissions targets**
- Includes additional requirements on the approach to **setting and reviewing each target**, and how it **monitors progress** against each target

Review the full comparison document of IFRS S2 and TCFD [here](#).



GHG emissions metrics



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**

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.

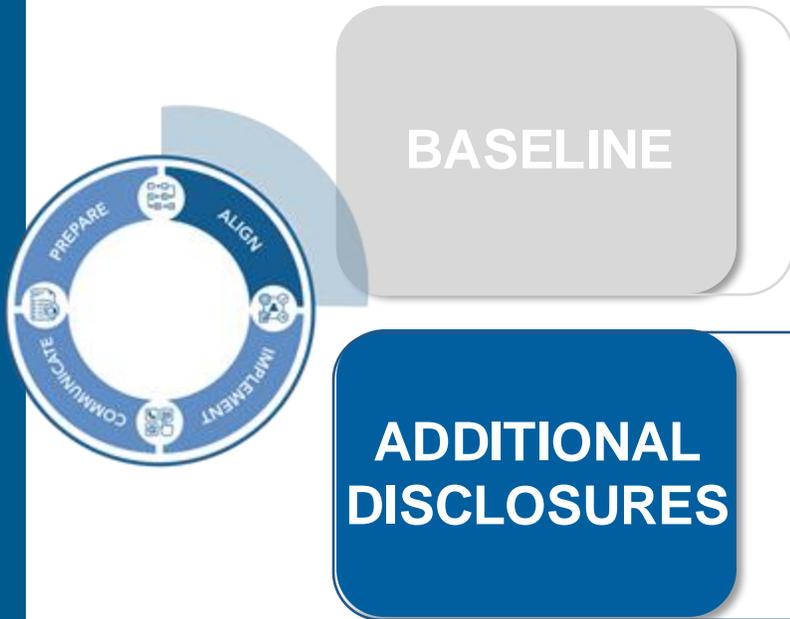
7. What is the objective of metrics?:

(Select all that apply)

To enable report users to:

- a. Understand performance in relation to company's sustainability-related risks and opportunities.
- b. Understand progress towards any targets.
- c. Understand the company's assumptions for the future.

ALIGN



**ADDITIONAL
DISCLOSURES**

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

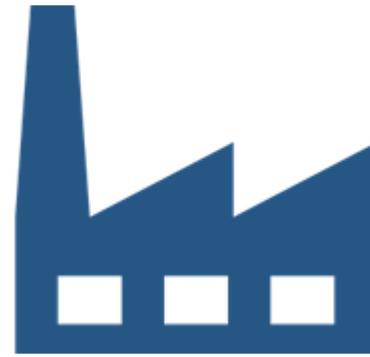
Building on the baseline



Listing requirements



Policy objectives



Industry standards



Other stakeholders

Jurisdictional consultations



- Jurisdictional progress towards the adoption or other use of ISSB Standards continues to gain momentum
- More than 20 have already committed to using ISSB Standards
- Dedicated support is available from the IFRS as part of a regulatory implementation programme
- Completed and ongoing jurisdiction consultations is available
ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdiction-consultations-on-sustainability-related-disclosures

Strategic relationships support interoperability



- **CDP** – ISSB’s climate standard is the foundational baseline for CDP’s climate disclosure
- **GHG Protocol** – governance arrangements so that the ISSB is actively engaged in updates to the GHG Protocol Corporate Standard
- **GRI** – seeks to deliver full interoperability through jointly identifying and aligning common disclosures to deliver a seamless sustainability reporting system
- **Transition Plan Taskforce (TPT)** – the IFRS Foundation will assume responsibility for TPT’s disclosure-specific materials
- **Taskforce on Nature-related Financial Disclosures (TNFD)** – ISSB will consider how to build upon the recommendations of the TNFD to meet investors' information needs

ISSB and GRI



January 2024

Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards

Contents

Introduction	1
Analysis of requirements in GRI 305 and IFRS S2 related to GHG emissions	2-4
Mapping of requirements in GRI 305 and IFRS S2 related to GHG emissions	5-12

Introduction

This document illustrates the areas of interoperability between *GRI 305: Emissions 2016* (GRI 305) and *IFRS S2 Climate-related Disclosures* (IFRS S2) that a company should consider when measuring and disclosing Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions in accordance with both Standards.^{1,2}

This document is not a comprehensive assessment of the requirements in GRI 305 and IFRS S2. When applying GRI or ISSB Standards, preparers must refer to the GRI and ISSB Standards respectively, including their respective definitions of materiality.

According to the ISSB Standards, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence investor decisions. ISSB Standards are focused on meeting the information needs of investors.³

According to the GRI Standards set by the Global Sustainability Standards Board (GSSB), a topic is material when it represents an organisation's most significant impacts on the economy, environment and people, including impacts on their human rights. GRI Standards are focused on meeting the information needs of stakeholders, including investors.

This document uses the 2016 version of GRI 305, which is currently under revision, and will be updated to reflect changes to GRI 305.⁴

¹ This document does not analyse the circumstances in which companies are required to provide disclosures on GHG emissions.

² The GRI Standards use 'organization' to refer to preparers and apply to all types of organizations and the ISSB Standards use 'entity' to refer to preparers. This document uses 'company' as an umbrella term.

³ An entity need not disclose information otherwise required by ISSB Standards if the information is not material, even if an ISSB Standard contains a list of specific requirements or describes them as minimum requirements (paragraph 825 of IFRS S1).

⁴ See <https://www.globalestablishment.org/standards/standards-development/project-for-climate-change-standard-s/>.



1



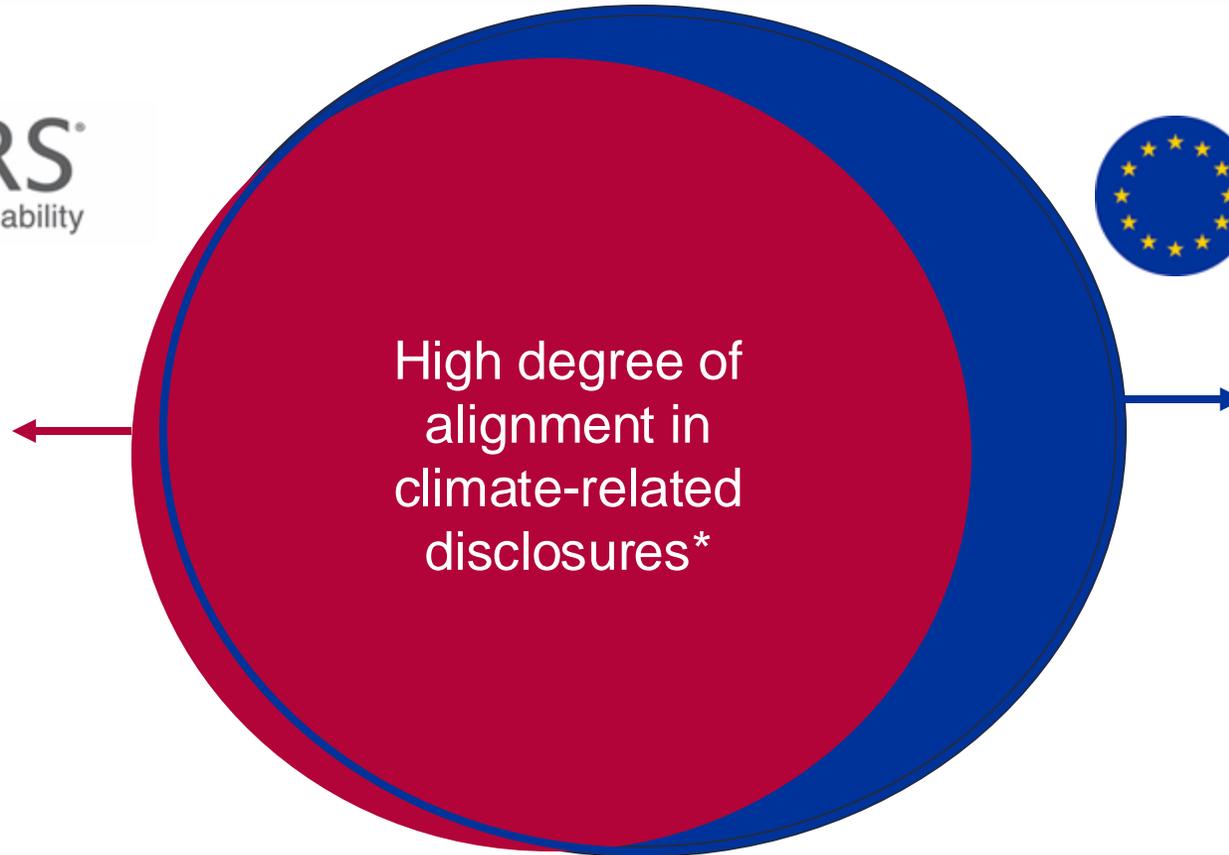
- GRI and IFRS Foundation are committed to **jointly identify and align common disclosures** that address information needs under the distinct scopes and purposes of respective standards, for both thematic and sector-based standard-setting
- GRI and IFRS Foundation published **analysis and mapping** for disclosing Scope 1, Scope 2 and Scope 3 GHG emissions with both GRI and IFRS S2
- Collaboration to deliver **full interoperability**, starting with GRI 101 Biodiversity Standard and ISSB's project on Biodiversity, Ecosystems and Ecosystem Services
- IFRS Foundation a convening partner of GRI's **Sustainability Innovation Lab** in Singapore

ESRS and ISSB



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](#).

Integrated Reporting



- The Integrated Reporting Framework and the requirements in IFRS S1 and IFRS S2 are **complementary tools** for investor-focused communications
- When used together with the ISSB Standards, the Integrated Reporting Framework can support a **holistic view of the value creation process** and provide a **more complete picture of how value is created over time** while meeting investor needs for material, comparable, consistent and reliable information on sustainability and climate-related information on risks and opportunities
- Tools to support IR and ISSB preparers include:
 - Dedicated FAQs
 - A mapping tool
 - A getting started guide to Integrated Reporting

Integrated Reporting (2)



How to apply the Integrated Reporting Framework with IFRS S1 and IFRS S2: A mapping tool

This table maps IFRS S1 and IFRS S2 core content disclosure requirements to the Integrated Reporting Framework content elements, showing one possible way to incorporate IFRS S1 and IFRS S2 disclosures within an integrated report. Thus the mapping does not capture all disclosures required by IFRS S1 and IFRS S2.

To comply with ISSB Standards, an entity must comply with the requirements as set out in IFRS S1 and IFRS S2. An entity cannot rely on this mapping tool as the basis for compliance with ISSB Standards. For more information and resources, visit the [ISSB knowledge hub](#) and [disclaimer](#).

S1

S2

- **IFRS S1 and IFRS S2 are complementary standards to integrated reporting**
 - they can help populating an integrated report with material and comparable standardised disclosures for users
 - IFRS S1 and IFRS S2 can help to strengthen the quality of integrated reports by potentially filling in some of the current reporting gaps
- Experienced integrated reporting adopters are well positioned to be the **frontrunners in the voluntary adoption** of IFRS S1 and IFRS S2
- **Integrated thinking remains a critical enabler** for the adoption of integrated reporting, IFRS S1 and IFRS S2

Additional slide (handout only)

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. 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.

Module 2 Summary



Connectivity is key

While disclosure is based around core content areas (**governance, strategy, risk management and metrics & targets**), it's important to remember the connections between them and ensure the same assumptions are being used to the extent possible throughout

Baseline + building blocks

Additional disclosures can be made in the general purpose financial report, beyond that required by S1 and S2, including to satisfy **wider stakeholders and regulatory requirements**. The key is to **not obscure** information provided to meet the requirements of S1 and S2.

ALIGN ACTIVITY



Identify where you are now and where you want to be

1. **Conduct a gap analysis** to determine what areas your organization is not yet communicating to investors on. There is a simplified checklist in the homework sheet which can be used to start to identify key aspects of disclosure that should be considered for a high-level gap assessment.
2. **Identify what ‘enhancements’ or additional reporting requirements** your organization wants to consider when setting a goal for sustainability-related disclosure practices.

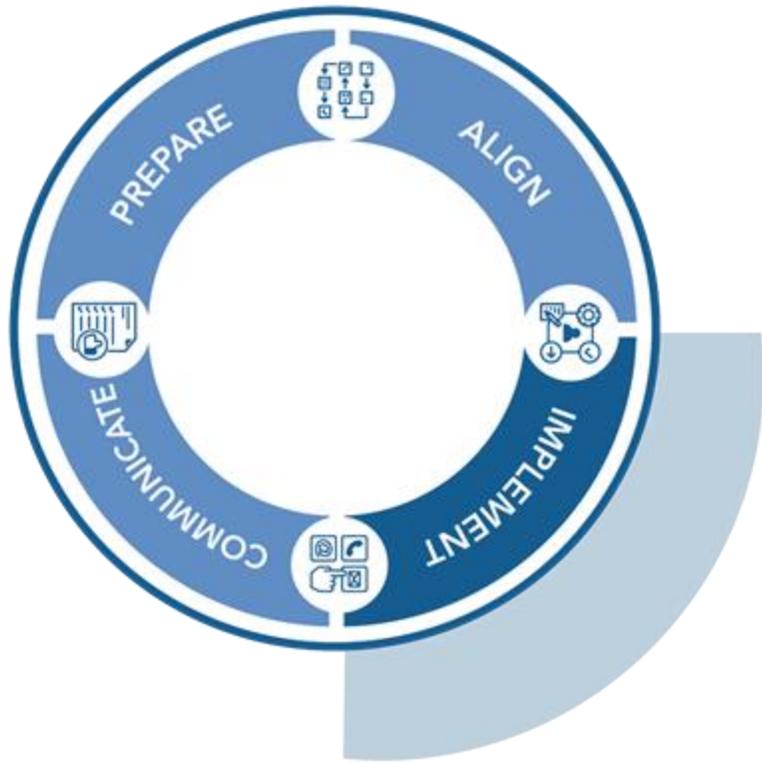


Visit www.menti.com
and type the code that
we are sharing in the
chat

**What tools can you
use to identify the
gaps in your current
disclosures?**

MODULE 3

The backbone of effective disclosure – processes and practices



IMPLEMENT



IDENTIFY

EVALUATE

INTEGRATE

IMPLEMENT

IDENTIFY

Identifying sustainability-related risks and opportunities

EVALUATE

INTEGRATE



Guidance for developing sustainability disclosures



Which risks & opportunities?

To identify relevant risks and opportunities, a company uses ISSB Standards and **shall consider**:

- SASB Standards

A company **may also consider**:

- CDSB Framework Application Guidance
- industry practice
- materials of investor-focused standard setters

Which information?

To identify what information to disclose, a company uses ISSB Standards, and for matters other than climate, **shall consider**:

- SASB Standards

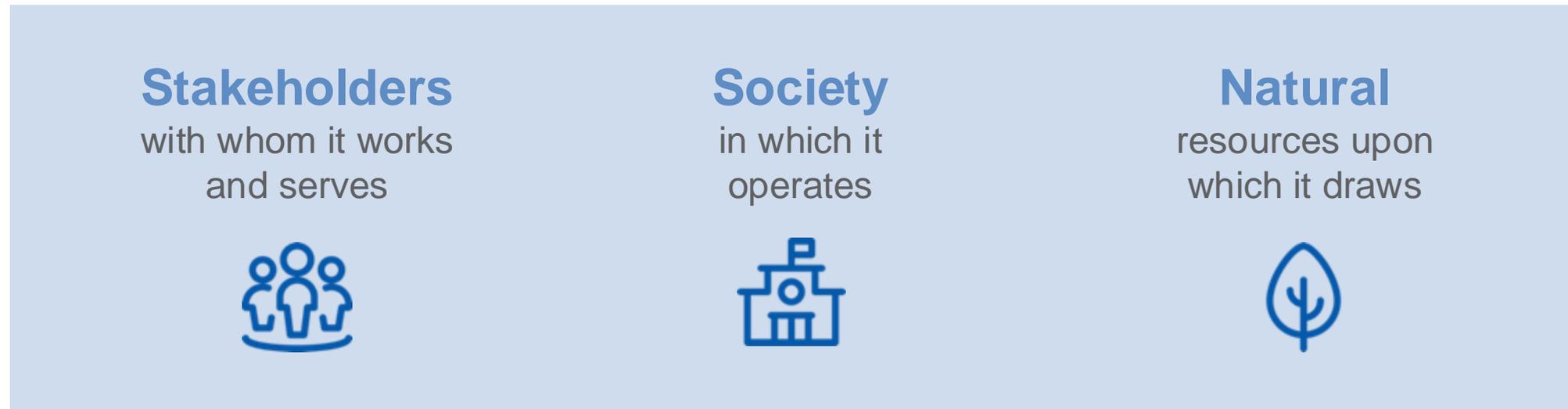
A company **may also consider**, to the extent it meets investor information needs:

- CDSB Framework Application Guidance
- industry practice
- materials of investor-focused standard setters
- GRI Standards
- European Sustainability Reporting Standards

Identifying sustainability-related risks and opportunities



Generally, risks and opportunities come from interactions between the company and its:



Together, the company and the resources and relationships throughout its **value chain** form an **interdependent** system in which the company operates.

Additional slide (handout only)

Connecting the dots



The **resources and relationships** that a company **depends on and affects** can take various forms, such as natural, manufactured, intellectual, human, social or financial.

These can be:

- **internal**—such as the ability to attract and retain talent
- **external**—such as relationships with suppliers, distributors and customers

IFRS S1 provides examples illustrating the close relationship between the value a company **creates, preserves or erodes** for others and its own ability to **succeed and achieve its goals**.

Additional slide (handout only)

Example

Identifying risks, starting with megatrends

MEGATRENDS

Global macrotrends inform and influence Yara's market megatrends



Growing and increasingly urban global population

- Sustained and continued global population growth, with biggest magnitude in developing countries, driving growth in consumer demand
- Changing demographic structures, with growing urban population



Geopolitical and trade uncertainty

- Covid-19 and war in Ukraine bringing uncertainty to the globalization and future trade flows, with likely slow-down in globalization
- Increasing importance of resource security across food, energy, and other critical resources

MEGATRENDS

Opportunities and risks from the megatrends

Megatrends present new opportunities we can actively pursue, as well as risks we need to mitigate.

market and value chain



Opportunities

- Shifts towards sustainability and transparency, where our crop nutrition offerings provide a good starting point for finding solutions
- Digital tools to enable new market channels and reduce the yield gap through farmer connectivity
- Mainstream adoption of clean ammonia and hydrogen
- Focus on soil health, water use, and biodiversity, where optimal fertilizer use has a positive impact
- New monetization opportunities from increased data access



Risks

- Regulatory changes, consumer demand for sustainability, and optimized fertilizer use can lead to lower fertilizer demand growth
- Environmental costs and taxes can increase costs
- Physical climate change risks to our operations and customers
- Reduction in demand, commoditization, and increased price competition can challenge premium fertilizer margins
- Competitive landscape can be disrupted
- Increased uncertainty around the competitive position of our European production



Soil health



Zero waste and circular economy



Agri and food industry integration



Digitalization

Example

Identifying opportunities

Potential implications of climate change for Neste

	Net Zero World	Net Zero EU and North America by 2050	Compromised climate targets
Description	Rapid and radical emissions reductions globally to meet Net Zero emissions by 2050 and limit global warming to 1.5 °C, building on the IEA Net Zero 2050 Scenario.	Advanced economies demonstrating strong climate action while developing economies follow slower action, consistent with a 2 °C trajectory, building on the IEA Announced Pledges Scenario.	Failure to take climate action leads to the continuation of the current trends, causing global warming of 2.5 °C to 3 °C or more by the end of the century. The scenario is partly built on the IEA Stated Policies Scenario.
Opportunities	The accelerated global demand for renewable and circular products provides Neste opportunities to leverage global reach, expand to new markets, and optimize across raw materials, countries and customer sectors.	Continued demand growth in renewable and circular solutions; regulatory markets supported by voluntary climate ambitions.	Modest demand growth in renewable products due to less favorable regulatory framework gives room for differentiation and serving selected voluntary markets efficiently.
Risks	Accelerated global demand for renewable and circular products and a supportive regulatory landscape may present transition risks related to stringent competition for key raw materials and in entering new markets.	Identified transition risks are related to regulation limiting the competitiveness of renewable fuels or narrowing the eligibility of key raw materials. A steep decline of demand for fossil fuel could also be seen as a transition risk for Neste's current business. Risks related to accelerated alternative technology development have also been identified.	Modest demand growth in renewable products due to less favorable regulatory framework gives scope for differentiation and serving selected voluntary markets efficiently.
Indicative financial impact to Neste	Positive	Base case	Slightly negative

Example source: [Neste Annual Report 2023](#), Pg. 59

Proportionality Mechanisms



In applying specific requirements, a company is required to use **all reasonable and supportable** information that is available at the reporting date **without undue cost or effort**

Reasonable and supportable information is information that:

- is **specific** to the company
- takes account of the **external** environment
- includes information about **past events, current conditions and forecasts**
- in some cases, is **specified** by IFRS Sustainability Disclosure Standards

IMPLEMENT



IDENTIFY

EVALUATE

Evaluating the risks and opportunities and testing resilience

INTEGRATE

Resilience & addressing uncertainty

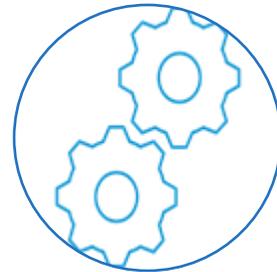


Use **climate-related scenario analysis** to assess your climate resilience



Climate resilience assessment

- Implications of climate change for the company's strategy and business model; and
- Company's financial & operational capacity to adjust/adapt over short, medium and long term.



Inputs and key assumptions

- Use relevant scenarios, and provide information about scenarios selected; and
- Provide information on assumptions used.

Example

Scenario Analysis Alignment

Example source: [CEMEX, 2022 Integrated Report](#), p. 258

SCENARIO NAME	STATED POLICIES						SUSTAINABLE DEVELOPMENT						NET ZERO EMISSIONS BY 2050					
Short name - external reference scenario	STEPS						SDS						NZE					
STRATEGY EFFECTIVENESS: RISKS AND OPPORTUNITIES																		
RISKS	PROBABILITY			IMPACT			PROBABILITY			IMPACT			PROBABILITY			IMPACT		
	LOW	MED	HIGH	LOW	MED	HIGH	LOW	MED	HIGH	LOW	MED	HIGH	LOW	MED	HIGH	LOW	MED	HIGH
Reduced market demand for higher-carbon products/commodities	█			█			█			█			█			█		
Physical: Increased business interruption and damage across operations and supply chains with consequences for input costs, revenues, asset values, and insurance claims	█	█		█	█		█			█			█			█		
Increased input/operating costs for high carbon activities under regulated markets (even threats to securing license to operate)	█			█			█			█			█			█		
Risk of stranded assets: plants that cannot be easily upgraded and close to end of their lifetime	█	█		█			█			█			█			█		
OPPORTUNITIES																		
Increased demand for energy-efficient, lower-carbon products and services	█			█	█		█	█		█	█		█	█		█	█	
New technologies available at competitive cost that disrupt markets	█			█	█		█			█	█		█	█		█	█	
Access to competitive energy sources (AF cost)	█			█			█			█	█		█			█	█	
Opportunity to enhance reputation and brand value	█	█		█	█		█	█		█	█		█	█		█	█	

Future events & uncertain outcomes



When judging whether information about possible future events with uncertain outcomes is material, a company is required to consider:

- **All pertinent facts and circumstances** that could affect possible outcomes
- Potential effects on **the amount, timing and uncertainty** of the company's future cash flows over the short, medium and long term
- **Low-probability and high-impact outcomes**
- The effect of potential risks **individually and in aggregate**
- Materiality judgements – **reassess at each reporting date**
- **Scenario analysis** is a useful tool for considering the range of future uncertainties and evaluating materiality and resilience accordingly. Resources that could help include the [WBCSD Scenario Catalogue](#)

IMPLEMENT



IDENTIFY

EVALUATE

INTEGRATE

Development of new processes and integration of new considerations

Considerations when creating or adjusting 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.
- **Resources** in place to manage existing / new systems and processes

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

Example

Developing a disclosure plan

1.1 INTRODUCTION

Our Basis of Reporting (BoR) sets out the basis under which we report on the environmental and social impacts of our business activities, covering the period 1 January 2022 to 31 December 2022. It provides information on the approach and scope used for data collection and verification of ESG performance data as published in our Annual Report 2022, ESG Report 2022 and ESG Databook 2022, including mandatory Greenhouse Gas (GHG) emissions and our annual voluntary non-financial reporting.

Our primary environmental disclosures are reported on a location based methodology, albeit in certain disclosures we also provide market based figures for transparency.

PRESENTATION OF INFORMATION

MANDATORY GHG DISCLOSURES

We have reported mandatory GHG emissions since 2008. These are calculated on an absolute 100% asset basis for all properties under the Group's management plus our corporate offices.

2022 emissions are available on page 27 of our Annual Report 2022 and Section 2 of this ESG Databook 2022.

PROPORTIONALLY CONSOLIDATED DISCLOSURES

The Group's property portfolio comprises properties that are either wholly owned or co-owned with third parties. The Group evaluates the performance of its portfolio for internal management purposes by aggregating its share of results for properties under the Group's management based on the proportionally ownership of each property.

This is the basis of environmental reporting adopted for our Net Zero pathway and 2021 Sustainability Linked Bond.

PREMIUM OUTLETS

Our reporting excludes the Group's premium outlet property interests held through the investment in Value Retail (and also prior to 2020, VIA Outlets). These interests are excluded as these are independently managed and financed by their third party owners. This approach is consistent with our approach for disclosing the Group's financial and operational performance.

VOLUNTARY NON-FINANCIAL DISCLOSURES

Our ESG Report 2022 and ESG Databook 2022 meets the core requirements of Global Reporting Initiative (GRI) standards and the EPRA Sustainability Best Practice. Any relevant tables throughout the Databook are labelled with the appropriate reference and the GRI symbol.

Our GRI index provides the full index of where relevant information can be found.

Example source: [Hammerson ESG Databook 2022](#), page 7

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

- a. Yes, you must disclose your plan.
- b. No, but it's a very helpful tool!

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.

10. 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.

Module 3 Summary



Connections are key (within and outside a company)

Risks and opportunities come from interactions between the company and its stakeholders, society and nature. These interactions will connect to multiple sections of disclosures and should be connected appropriately

Use consistent assumptions

When evaluating risks and opportunities through tools like scenario analysis, make sure that the assumptions you use are consistent to the extent possible throughout the company

Don't start from scratch

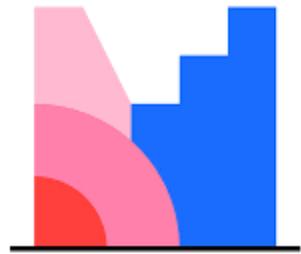
You may already be collecting the data you need, but for another purpose. If you are not, you may be able to use existing processes and adapt them to the new needs

IMPLEMENT ACTIVITY



Building on the gaps identified in the previous section, identify which of the gaps require new processes or systems in place to achieve your disclosure objectives

- **Data collection:** Identify how you can collect the data that is not being collected but is required to be disclosed by IFRS
- **Data management:** Identify what teams are responsible for managing this data and what synergies can be capitalized on



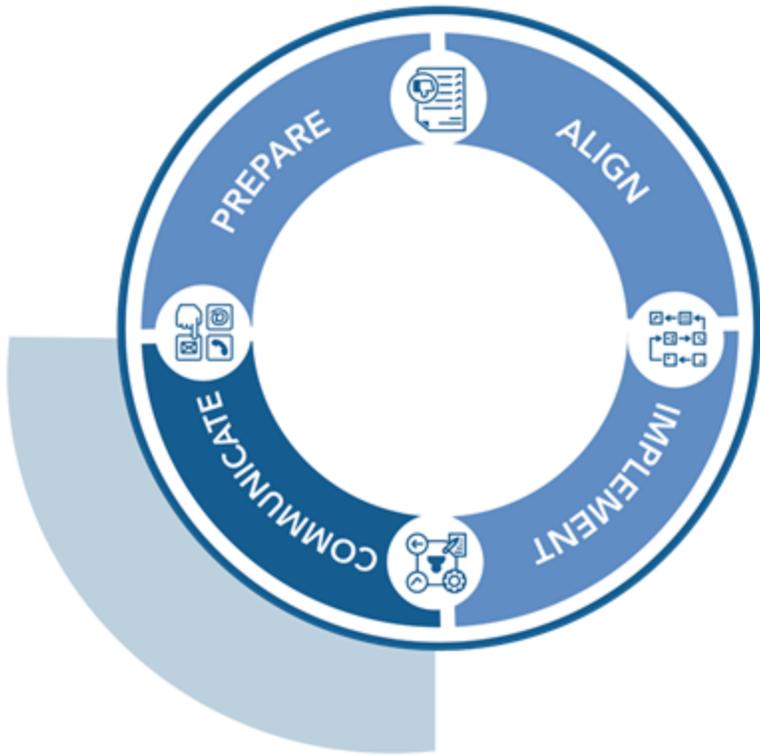
Mentimeter

Visit www.menti.com
and type the code that
we are sharing in the
chat

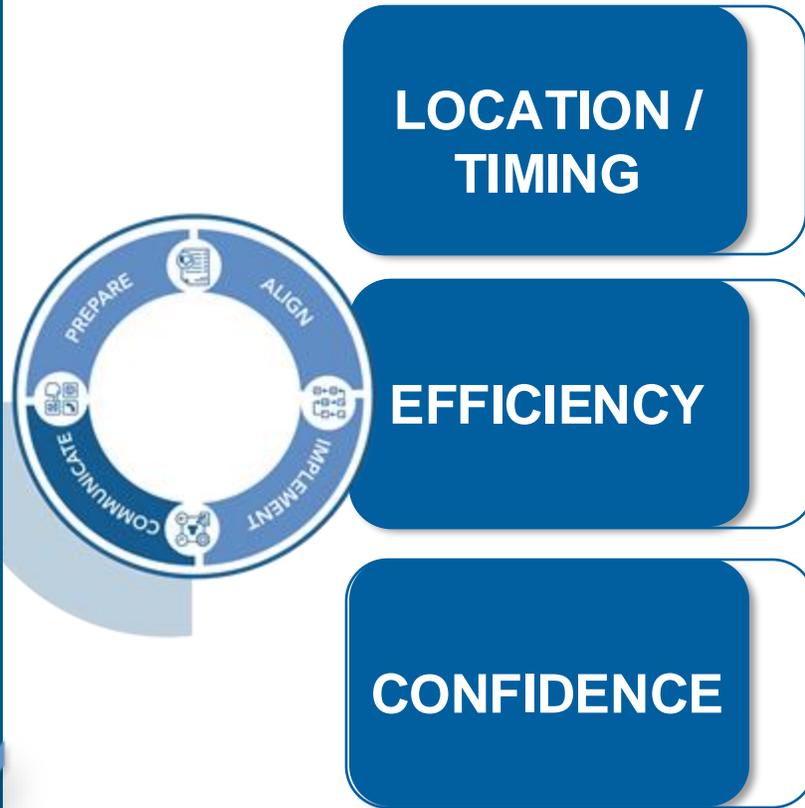
**What existing systems
and processes for data
collection can be
adapted?**

MODULE 4

Communicating with investors – what, where and how



COMMUNICATE



COMMUNICATE

LOCATION

Where disclosure should appear

EFFICIENCY

CONFIDENCE



Holistic reporting package



INVESTOR FOCUSED

Financial
accounting



Sustainability-related
financial reporting



MULTI-STAKEHOLDER FOCUSED



Potential areas of focus for primary users



Generally, investors may want to understand:

- Effects of environmental degradation and social challenges on **inputs** of resources to the business, key relationships, and risks and opportunities
- Whether and how the company **is managing sustainability-related risks and opportunities**
- What **types of assets** the company holds and whether they are at risk of becoming stranded
- How the **governance body takes account** of sustainability-related risks and opportunities when designing strategy and making decisions
- How **resilient the company** is to possible future risks in different scenarios.

Additional slide (handout only)

What is material information?



*ISSB indicates that information is material if omitting, misstating or obscuring it could reasonably be expected to **influence investor decisions**.*

- Consider the **characteristics of the investors** and the company's own circumstances
- Different investors can have different and sometimes conflicting information needs
- Sustainability-related financial disclosures are intended to **meet the common information needs of investors**

Test of materiality



Additional slide (handout only)

Making materiality judgements

- Is the information material in the context of the company's sustainability-related financial disclosures taken as a whole?
- Have you considered both quantitative and qualitative factors?
- Have you considered the potential effect of future events on the company's future cash flows?
- Have you considered the range of possible outcomes and the likelihood of the possible outcomes?

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)

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.

11. Information should be disclosed in the annual report when applying ISSB Standards if...

(Select all that apply)

- a. Omitting that information could reasonably be expected to influence investors' decisions
- b. It could reasonably be expected to affect the company's cash flows
- c. It exemplifies the values of the leadership team

Where to report for ISSB



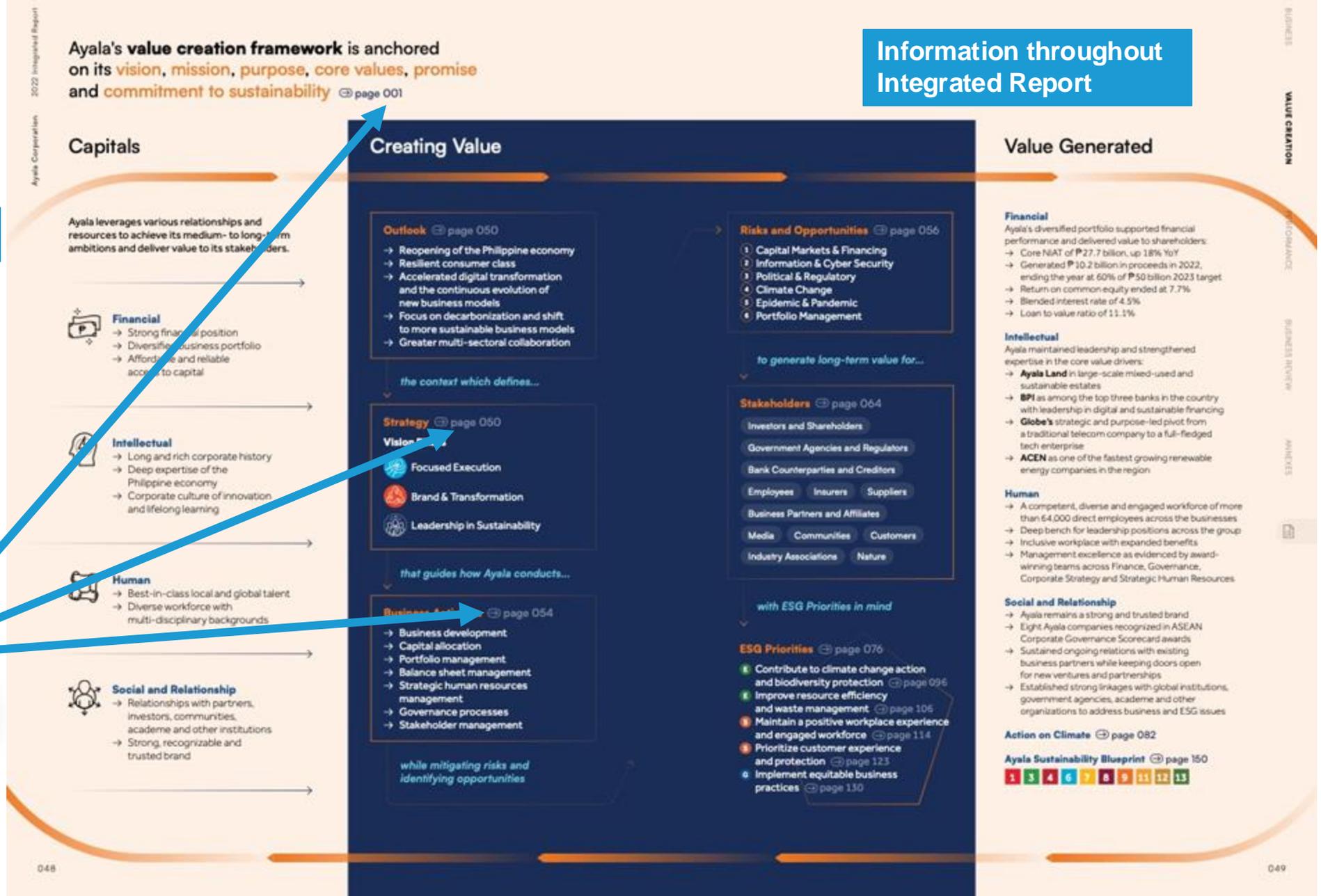
- Sustainability-related financial information is to be reported in the company's **general purpose financial reports**.
- Different requirements may apply in different jurisdictions.
- No requirements on exact placement of information.
- Examples of corporate approaches in practice:
 - Integrate
 - Separate
 - Navigate

Example

Integrating information

Page references

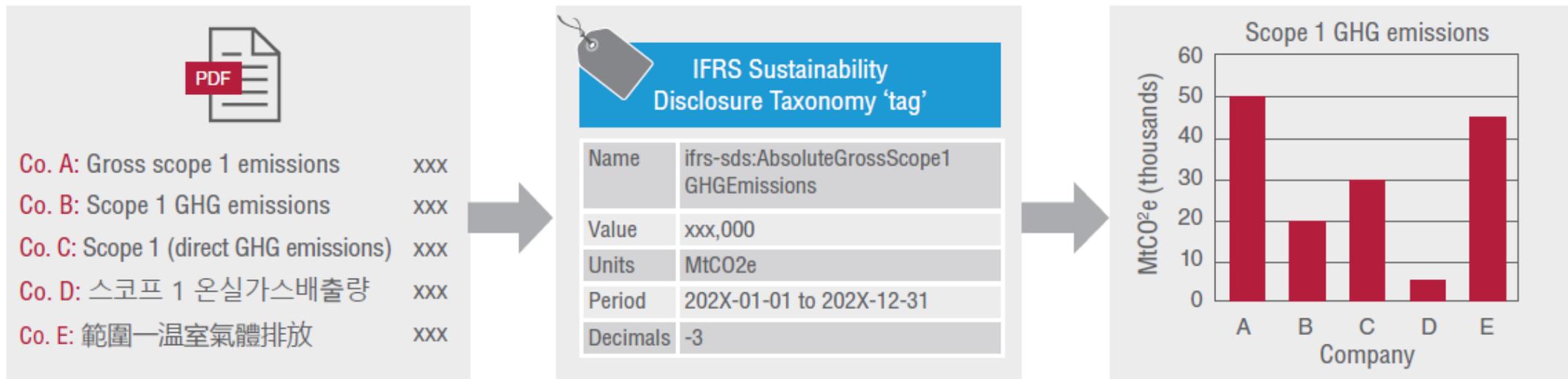
Information throughout Integrated Report



Evolution towards digital reporting



The ISSB Taxonomy provides the common elements (or 'tags') needed to make sustainability-related financial disclosures computer-readable



The ISSB Taxonomy reflects the requirements and accompanying materials of the ISSB Standards.

It does not introduce any new requirement.

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

Cross-referencing

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.

Climate Change and Carbon Emissions Reduction Targets References	Pages
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

Commercially sensitive information



Companies are not required to disclose commercially sensitive information about a sustainability-related opportunity provided that:

- the information is **not already publicly available**
- disclosure of the information could reasonably be expected seriously **to prejudice potential economic benefits** the company would otherwise be able to realise;
- it is impossible to disclose the information without prejudicing seriously the economic benefits that would otherwise be realized;
- the company **discloses the fact that it used the exemption** for commercially sensitive information; and
- the company **reassesses** at each reporting date.

Additional slide (handout only)

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.

Additional slide (handout only)

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

Additional slide (handout only)

Mechanisms that support adoption



- Use of well-known terminology and concepts
- Proportionate e.g. use reasonable and supportable information available without undue cost or effort, qualitative scenario analysis permitted, plus consideration of skills, capabilities and resources
- Reliefs in first year e.g. climate first (followed by other sustainability disclosures), later reporting with half-year results, scope 3 not required, GHG Protocol not required if alternative in place, no comparative info required
- Guidance and other resources

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.

12. 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

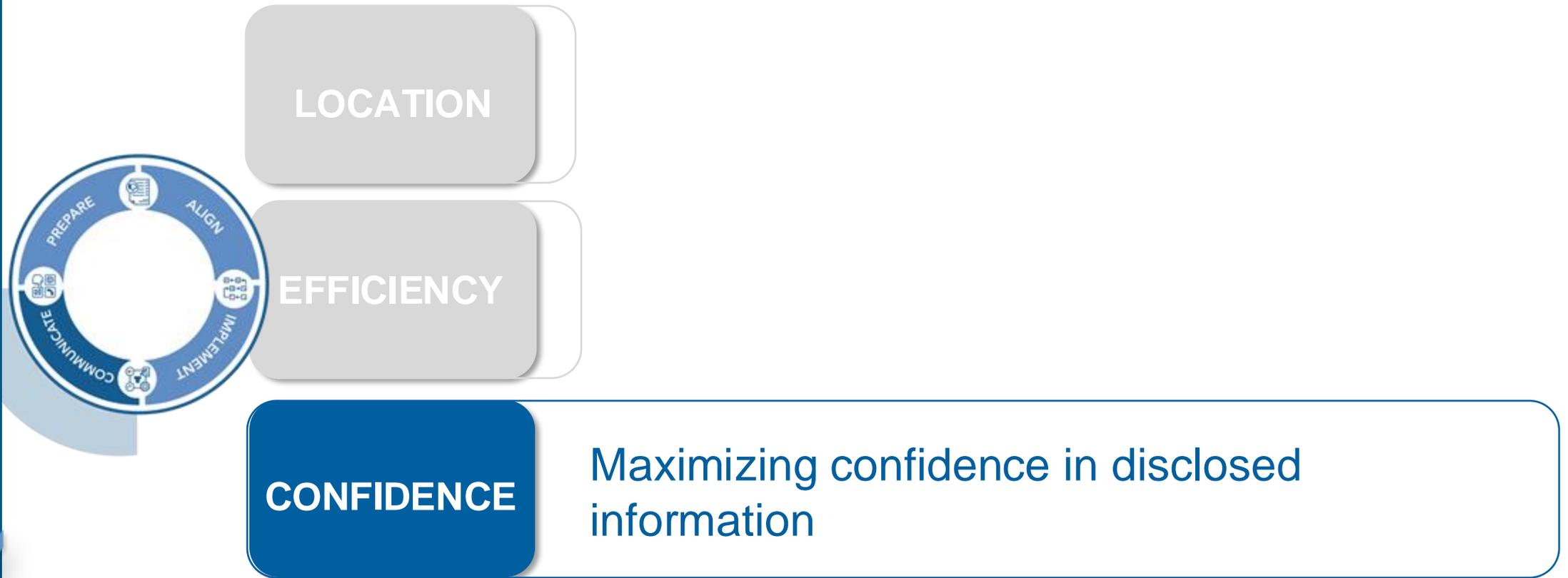
Select the
appropriate answer

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.

13. 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.

Additional slide (handout only)

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 about a sustainability-related opportunity can be omitted if conditions are met.
- Information prohibited from disclosure by applicable local laws and regulations can be omitted.

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**

Module 4 Summary



Be clear about your audience

The **format of the disclosure matters** – make sure that when communicating to investors you're providing the information investors need in the format they will use.

Less is more

This is not a competition for the most words on paper. **Only provide information that is deemed to be material** and be as clear and concise as possible.

Be confident in your data

If you're not confident in the data you report, how will investors be confident in it? By keeping clear audit trails, **ensuring practices are well documented**, and having appropriate oversight, you can be confident in your data!

COMMUNICATE ACTIVITY

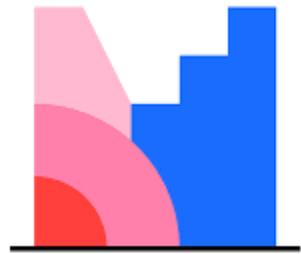


- **Presentation approach** – identify whether your company should present information in an integrated format (in one report), an autonomous format (a stand-alone sustainability report) or a combination, and why.
- **Navigation techniques** - brainstorm techniques that can be used to navigate the reporting format you choose and ensure information is easy to identify. Consider for example:
 - Navigation techniques, icons, indexes? Get creative!
 - Highlight connections between information
 - Put similar pieces of information together



Visit www.menti.com
and type the code that
we are sharing in the
chat

**What techniques do
you find useful in a
report to make it easy
to navigate?**



Mentimeter

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chat

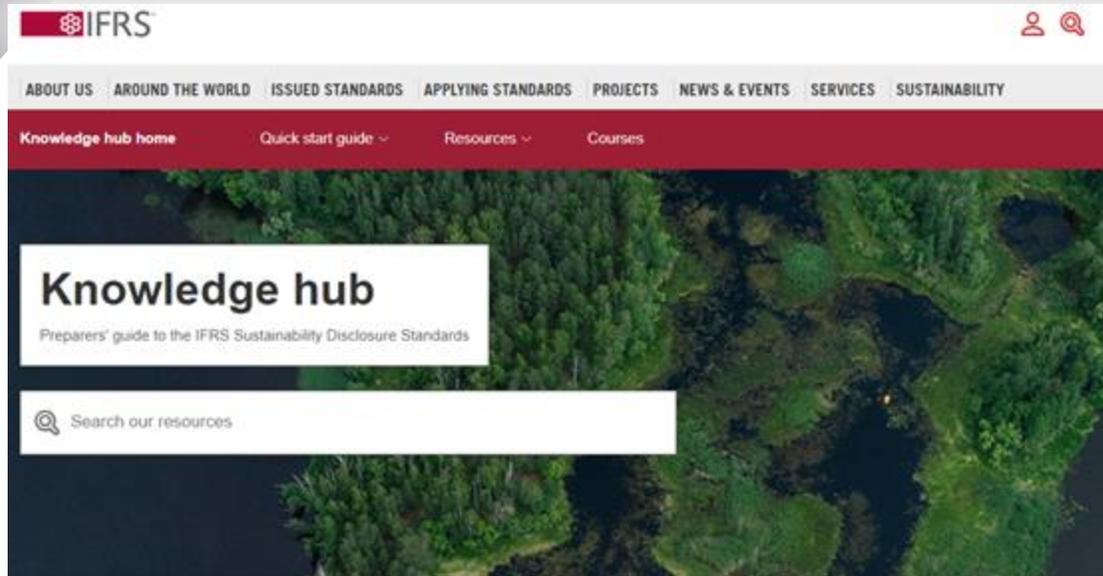
**Did we achieve our
learning objectives?**

**What worked or did not
work?**

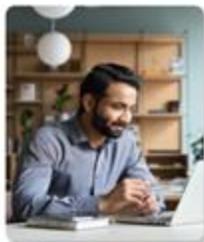


Your Homework:
Develop a draft **disclosure plan** for your company, using what you've learned in this training program

CONTINUE YOUR LEARNING



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

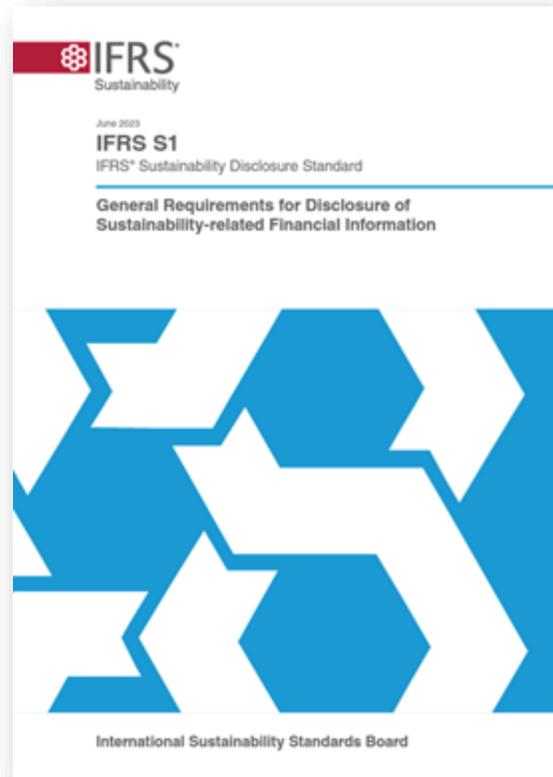
Watch video

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, for example e-learning, case studies, good practice guidance, webinars, research, publications, FAQs on the standards and their implementation. The curated content will evolve over time.

[IFRS.org/knowledgehub](https://www.ifrs.org/knowledgehub)

CONTINUE YOUR LEARNING



Download your copy [here](#)

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

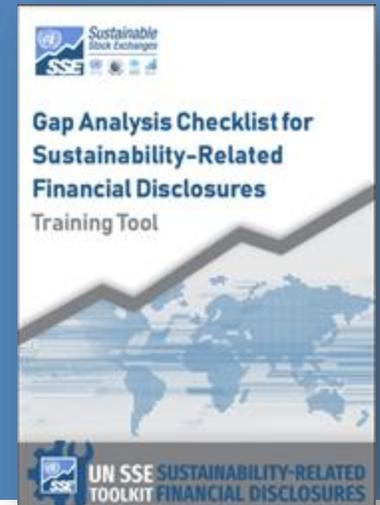
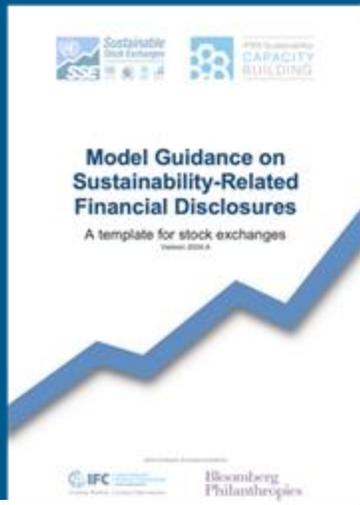
**International
Finance Corporation**
WORLD BANK GROUP



SSE



UN SSE TOOLKIT





Certificate of Participation

[FIRST_NAME LAST_NAME]

Participated in

ISSB: Applying the IFRS Sustainability
Disclosure Standards



IFRS Sustainability
**CAPACITY
BUILDING**



3.5 CPD credits

PLEASE HELP US IMPROVE THIS TRAINING

Your feedback will help us to improve this module before offering it to your market. We appreciate you taking the time to fill in this feedback survey.

Click on the link in the chat.

THANK YOU TO OUR OFFICIAL SUPPORTERS





In partnership with



Thank you!

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IFC: rgermanova@ifc.org

The SSE is a UN Partnership Programme of

