Sustainable Stock Exchanges

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

IFRS Sustainability CAPACITY BUILDING

SGX

WELCOME

Applying the IFRS Sustainability Disclosure Standards

Interactive training hosted by the Singapore Exchange

Welcome Remarks

Michael Tang

Head, Sustainable Development Office

SGX's roadmap on climate reporting

Clare Lim

Vice President, Sustainable Development Office

SGX's roadmap on climate reporting

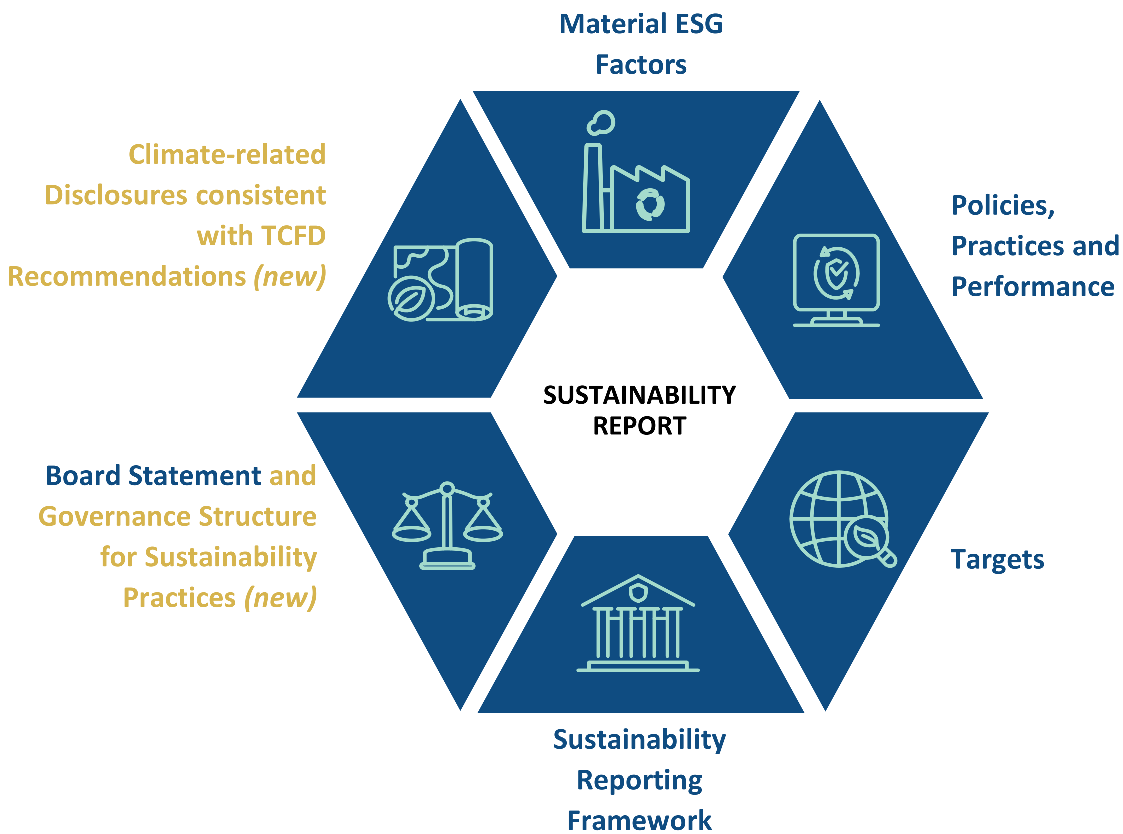
9 November 2023

Singapore Exchange

Commodities | Equity Derivatives | Fixed Income | FX | Indices | Securities

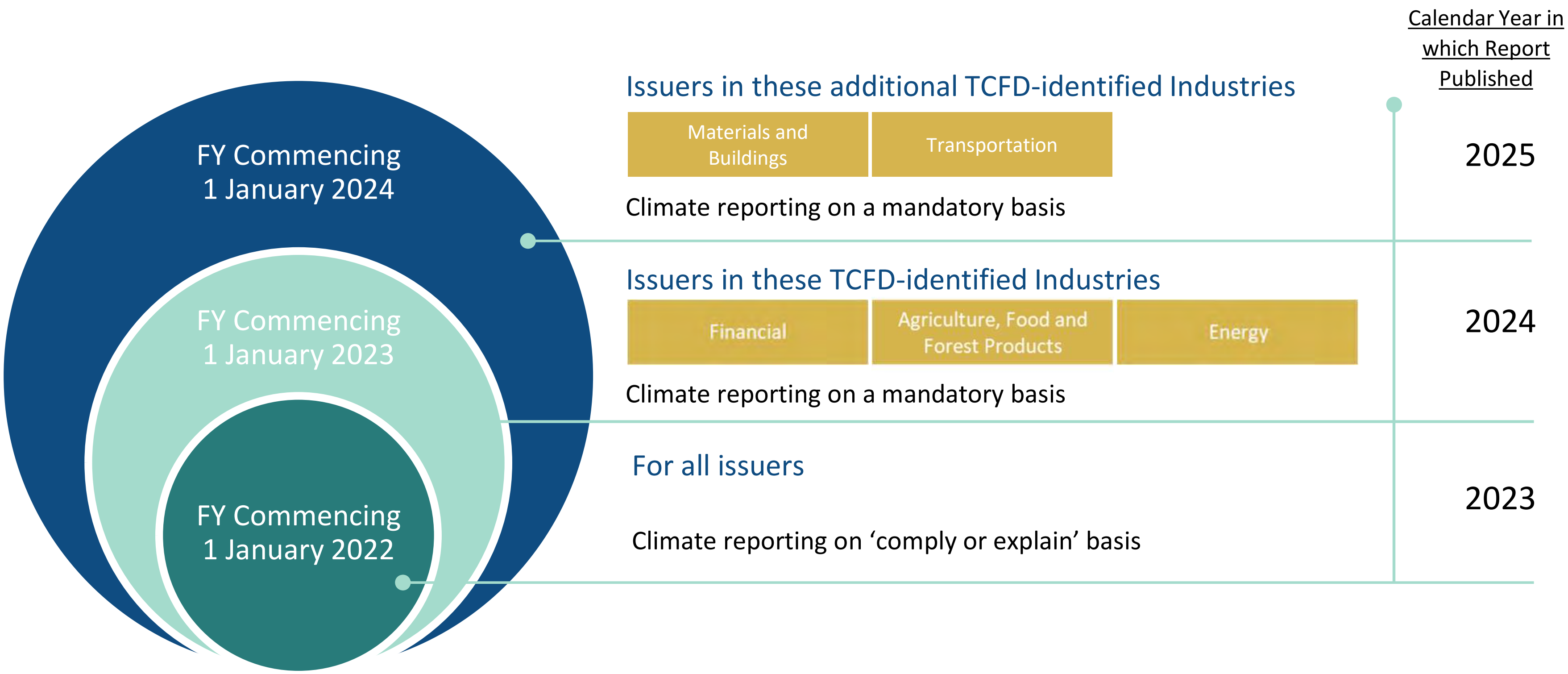
Primary Components of Sustainability Report

Sustainability reports for financial years commencing (FYC) on or after 1 January 2022



Roadmap towards mandatory climate reporting

Roadmap for issuers to provide climate-related disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



Why did we start climate reporting on a 'comply or explain' basis from FYC 1 January 2022?

To allow for its progressive adoption

- As climate reporting is a journey for many issuers, it is expected that time is required for progressive adoption and for reporting to mature in quality and depth.

Serves as a transition period

- 'Comply or explain' serves as a transition period:
  - Before issuers in the five TCFD-identified industries would be required to provide climate reporting on a mandatory basis; and
  - to better prepare issuers for reporting ISSB-aligned climate-related disclosures which build upon the TCFD recommendations.

Highlights from the SRAC's Recommendations

About the Sustainability Reporting Advisory Committee (SRAC)

Set up in June 2022 by the Accounting and Corporate Regulatory Authority (ACRA) and Singapore Exchange Regulation (SGX RegCo):

- To work out a roadmap for implementing sustainability reporting by Singapore-incorporated companies.
- To provide inputs on the suitability of international standards for implementation in Singapore.

Appointed 16 industry leaders and champions of sustainability including representatives from preparers, service providers, users and others (e.g. academia).

Key Milestones

June 2022
Establishment of the SRAC

July 23
Launch of the ACRA – SGX RegCo public consultation on the SRAC's recommendations (Public Consultation)

September 23
Close of the Public Consultation

Highlights from the SRAC's Recommendations

Who needs to report	Report prescribed baseline climate-related disclosures (CRD) mirroring ISSB Standards to the extent practicable	Obtain external limited assurance over scope 1 and scope 2 GHG emissions
For financial year beginning on or after 1 January		
All listed issuers[1]	2025	2027
Non-listed companies (NLCos)		
With annual revenue of at least $1 billion	2027	2029
With annual revenue of at least $100 million to less than $1 billion	A review will be conducted in 2027 with the view to require reporting a few years later, by around FY2030.	

Note: A non-listed subsidiary is exempted from reporting if its parent (local or foreign) reports prescribed CRD or equivalent and its activities are included in that parent's report, which is available for public use.

Reporting and Filing Timelines

- Same statutory timelines for circulation to shareholders, tabling at annual general meetings and filing for public use[2] of the CRD, as those for financial statements.
- Listed issuers can present CRD either (a) in a separate report or (b) as part of the annual report. If CRD is included in a separate report, both reports must be circulated and made available at the same time.
- Propose for climate reporting to have the same legal requirements as those for financial reporting, except for internal controls for CRD (to be encouraged at this juncture but not mandated)[3].

1: Listed issuers are issuers of equity securities listed on Singapore Exchange Securities Trading Limited, comprising Singapore-incorporated and foreign-incorporated companies, business trusts, investment funds (excluding exchange traded funds) and real estate investment trusts.
2: SRAC recommends requiring CRD to be filed in a digital structured format, except those for solvent exempt private companies, to be prescribed by the regulators. It will enhance the accessibility of climate-related information, thereby encouraging the use of such information.
3: To the extent that climate-related information is contained within the financial statements of companies, the existing requirements on internal controls will continue to apply to this information. This requirement should be re-visited when reasonable assurance is imposed on CRD.

Thank you

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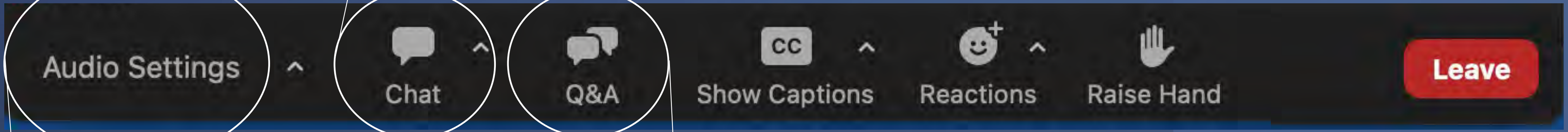
HOUSEKEEPING

- 3.5 hours (+homework)
- Live Q&A throughout
- Participation expected
- Certificate requires survey

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.

SSE FACILITATORS

TIFFANY GRABSKI
SSE Academy Head

Mike Zimonyi
Senior Specialist

IFRS FACILITATORS

Dr Jarlath Molloy

Director of Strategic Affairs

Lois Guthrie

Senior Technical Advisor

SUPPORT TEAM

Anoosha Lalani

ISSB Technical Fellow, IFRS Foundation

Vanina Vegezzi

Project Officer, SSE

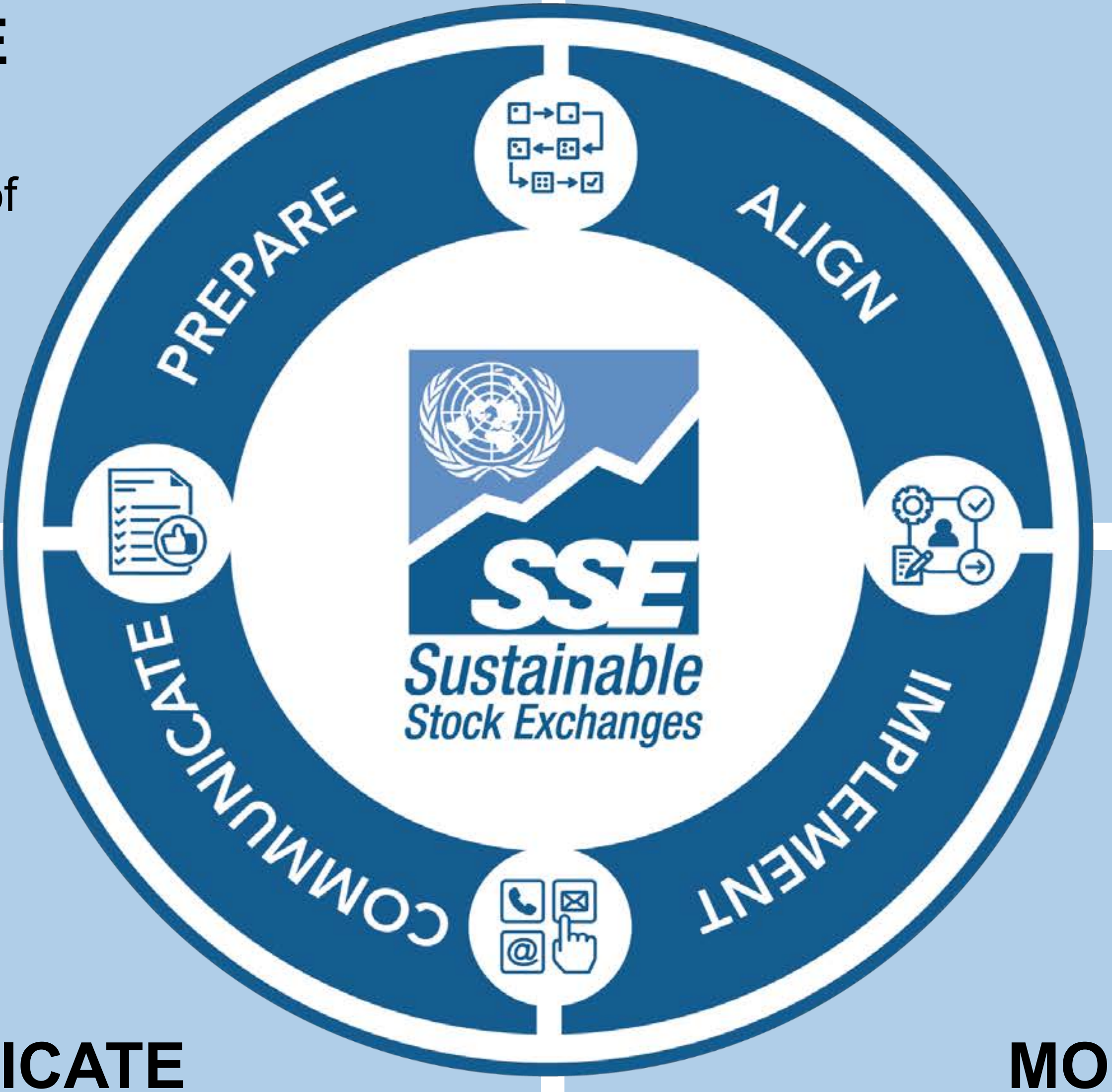
STEP-BY-STEP SIMPLIFICATION

MODULE 1: PREPARE

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

MODULE 2: ALIGN

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



MODULE 3: IMPLEMENT

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

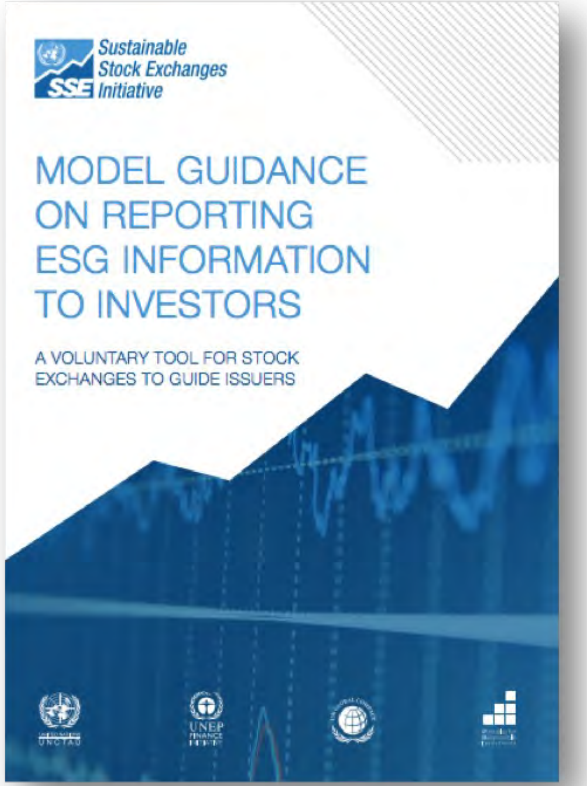
MODULE 4: COMMUNICATE

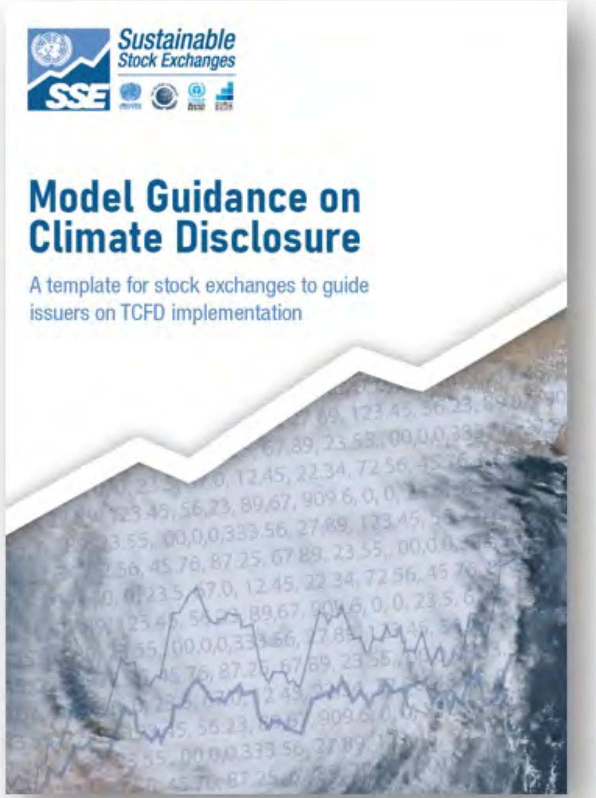
Considering content, location, efficiency and user confidence when disclosing in general-purpose financial reports

Homework assignment:

Develop a draft reporting strategy for your company, using what you've learned in this training program

Coming Soon: SSE Model Guidance





Model Guidance on Sustainability-Related Financial Disclosures

Coming Soon!!!

ENHANCE YOUR LEARNING

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

Launching soon at IFRS.org/knowledgehub

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

AGENDA

Duration: **3.5 hours**	Topic:
20 minutes	Welcome & introductions
30 minutes	Module 1 – Prepare
50 minutes	Module 2 – Align
10 minutes	Break & questions
30 minutes	Module 3 – Implement
30 minutes	Module 4 – Communicate
20 minutes	Bonus Pack (if time permits) on Climate Metrics
10 minutes	Homework – developing a disclosure strategy
10 minutes	Closing and additional resources

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Why did you join today's training?

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How much do you already know?

LEARNING OBJECTIVES

Understand the purpose of the ISSB Standards

LEARNING OBJECTIVES

Identify what sustainability information investors need

03

LEARNING OBJECTIVES

Develop a disclosure strategy that supports your preparation for ISSB Standards

Building a solid foundation of knowledge

PREPARE

PURPOSE	The case for and market drivers of sustainability reporting
LANDSCAPE	The evolution of sustainability-related financial disclosures

PREPARE

PURPOSE

The case for and market drivers of sustainability reporting

LANDSCAPE

The evolution of sustainability-related financial disclosures

The evolving risk environment

Global risks ranked by severity over the short and long term

	2 years	10 years
1	Cost-of-living crisis	Failure to mitigate climate change
2	Natural disasters and extreme weather events	Failure of climate-change adaptation
3	Geoeconomic confrontation	Natural disasters and extreme weather events
4	Failure to mitigate climate change	Biodiversity loss and ecosystem collapse
5	Erosion of social cohesion and societal polarization	Large-scale involuntary migration
6	Large-scale environmental damage incidents	Natural resource crises
7	Failure of climate change adaptation	Erosion of social cohesion and societal polarization
8	Widespread cybercrime and cyber insecurity	Widespread cybercrime and cyber insecurity
9	Natural resource crises	Geoeconomic confrontation
10	Large-scale involuntary migration	Large-scale environmental damage incidents

Risk categories: Economic | Environmental | Geopolitical | Societal | Technological

Source: World Economic Forum Global Risks Perception Survey 2022-2023

Case Study – Climate Risks

Scenario Phenomena	Time Horizon	Category of risks and opportunities	Description of impact	Impact
Acute Physical	From a short period (1 to 3 years)	Extreme Events	Particularly extreme and intense weather events.	Extreme events can cause impacts in terms of damage to property and lack of continuity of operations.
Chronic Physical	From a long period (2030 - 2050	Market	Increased or decreased demand for electricity; increase or decrease in production.	Electricity demand is also affected by temperature, fluctuating in which may affect our business. Renewable energy generation can also be affected by structural changes in resource availability.
Transition	From a short period (1 to 3 years)	Policy and Regulation	CO_2 pricing and emissions policies, incentives for energy transition, greater margin for investment in renewables and resilience.	The effects of energy transition and resilience policies can influence the volume and return on investments.
Transition	From an averag3 period (2025 – 2029)	Market	Changes in the price of commodity, raw materials and energy, evolution of the energy package, changes in retail consumption, modification of the competitive structure.	Considering two alternative transition scenarios, the Company assesses the impacts of the different trends with the increase in the weight of renewable sources in the energy package and the electrification of final consumption.

Partially extracted from Enel Américas, Integrated Annual Report Enel Américas 2022, pp. 132–133

Reasons for disclosing information

- Compliance
- Differentiating vis-a-vis our peers
- Respond to societal expectations, demonstrate accountability and align with peer practice
- Explain contribution to sustainable outcomes
- Respond to urgent demand from investors

Investor demand for ESG information

Principles for
Responsible
Investment

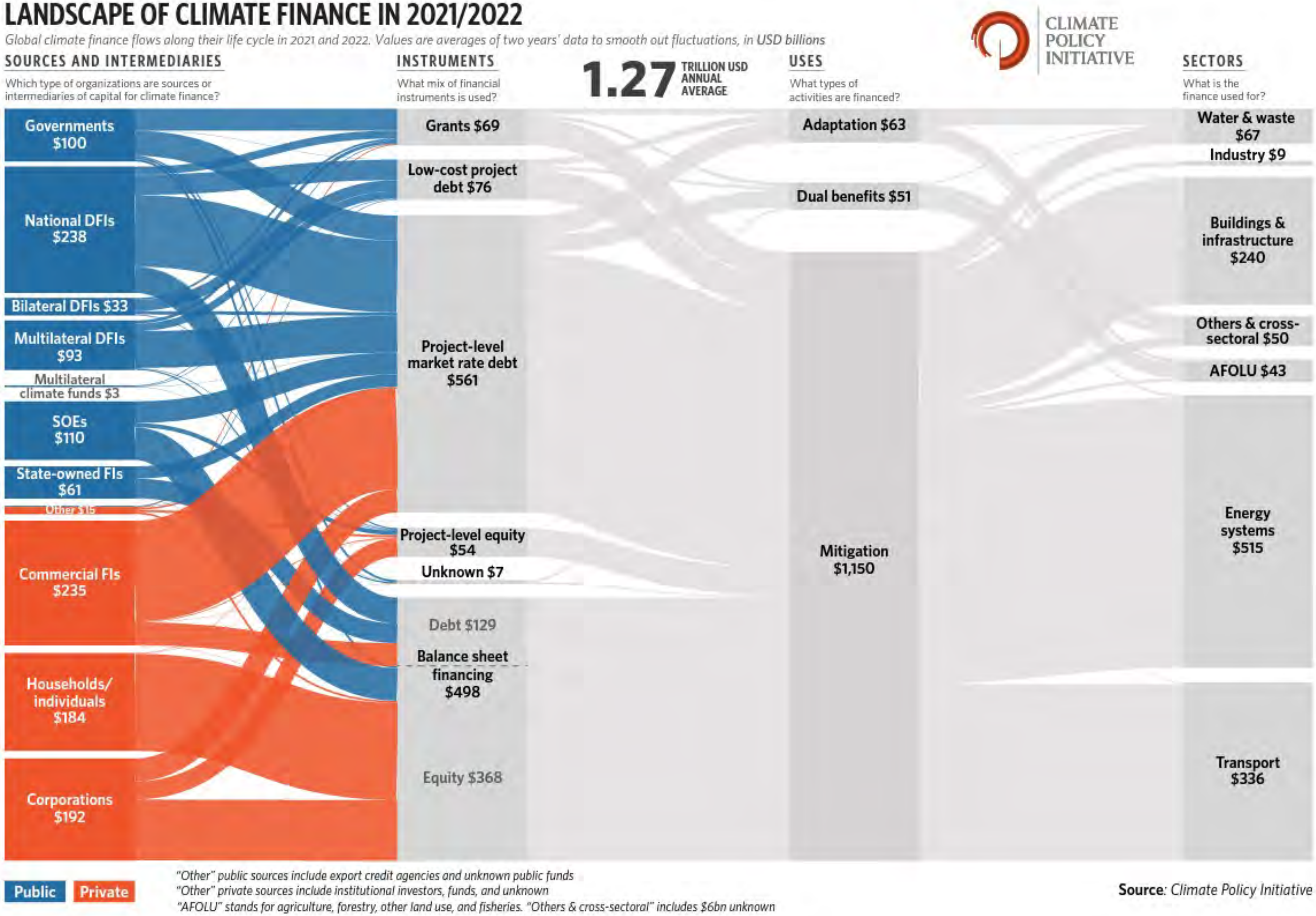
700+
investor signatories with
US$68trn AUM

166 focus companies

- **75%** have net zero commitments (50% in March 2021)
- **92%** have some level of board oversight (87% in March 2021)
- **91%** have aligned with TCFD recommendations (72% in March 2021)

LANDSCAPE OF CLIMATE FINANCE IN 2021/2022

Global climate finance flows along their life cycle in 2021 and 2022. Values are averages of two years' data to smooth out fluctuations, in USD billions



"Other" public sources include export credit agencies and unknown public funds
"Other" private sources include institutional investors, funds, and unknown
"AFOLU" stands for agriculture, forestry, other land use, and fisheries. "Others & cross-sectoral" includes $6bn unknown

Source: *Climate Policy Initiative*

https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/

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 is NOT a common reason for disclosing information?

1. Explaining contribution to sustainable outcomes.
2. Responding to demand from investors.
3. Keeping communication teams busy.
4. Complying with legal requirements or listing rules.

PREPARE

PURPOSE

The case for and market drivers of sustainability reporting

LANDSCAPE

The evolution of sustainability-related financial disclosures

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)

1. TCFD
2. CDSB
3. SASB
4. CDP
5. GRI
6. UNGC
7. Others (note in the chat which ones)

IN FOCUS

IFRS Foundation

Structure of the IFRS Foundation

Public accountability	IFRS Foundation Monitoring Board	
Governance, strategy, oversight	IFRS Foundation Trustees	
Independent standard-setting	International Accounting Standards Board (IASB)	International Sustainability Standards Board (ISSB)
	IFRS Interpretations Committee (IFRIC)	

ISSB objectives

- Develop standards for a global baseline of sustainability disclosures
- Meet the information needs of investors
- Develop a versatile set of disclosures to match local and multi-stakeholder information needs
- Enable companies to provide comprehensive sustainability information

Important Terms

- **Sustainability-Related Financial Information**—Sustainability-related financial information is 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, IFRS S2.1)
- **Sustainability-Related Risks & Opportunities**—Those risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term (IFRS S1.3). These arise out of the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain.
- **General Purpose Financial Reports**—may have different names in different jurisdictions including integrated report, strategic report, operating and financial review. Includes financial statements and sustainability-related financial disclosures.
- **Material Information**—Information is material if omitting, misstating or obscuring it could reasonably be expected to influence investor decisions (IFRS S1.18).

The evolution of guidance and standard

IFRS Sustainability

Adoption monitored by

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Consolidated into

CDSB Climate Disclosure Standards Board

INTEGRATED REPORTING <IR>

SASB

Aligning with

CDP

Holistic reporting package

INVESTOR FOCUSED		MULTI- STAKEHOLDER FOCUSED
Financial accounting	FASB FINANCIAL ACCOUNTING STANDARDS BOARD® / IFRS® Accounting	GRI STANDARDS
Sustainability-related financial reporting	IFRS® Sustainability	

Purpose and audience differentiation

FINANCIAL MATERIALITY VIEW

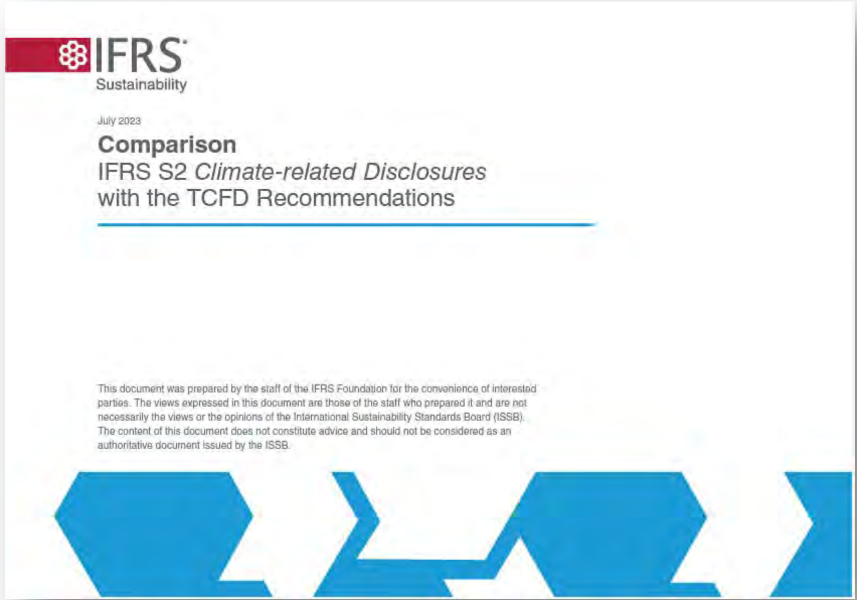
IMPACT MATERIALITY VIEW

DOUBLE MATERIALITY VIEW

From TCFD to IFRS S2

- **The culmination of the work** of the Task Force on Climate-related Financial Disclosures
- IFRS S1 and IFRS S2 **incorporate** the recommendations of the TCFD
- **A comparison of TCFD with IFRS S2 published** by ISSB
- **TCFD monitoring responsibilities** transferred to ISSB from 2024
- Consolidation **reduces the 'alphabet soup'** of ESG disclosure.
- Companies and jurisdictions **still able to use TCFD Recommendations**

TCFD-ISSB mapping


IFRS
Sustainability

July 2023

Comparison
IFRS S2 *Climate-related Disclosures*
with the TCFD Recommendations

This document was prepared by the staff of the IFRS Foundation for the convenience of interested parties. The views expressed in this document are those of the staff who prepared it and are not necessarily the views or the opinions of the International Sustainability Standards Board (ISSB). The content of this document does not constitute advice and should not be considered as an authoritative document issued by the ISSB.

The requirements in IFRS S2 integrate, and are consistent with, the TCFD's four core recommendations and 11 recommended disclosures. Areas where IFRS S2 differs from the TCFD recommendations only reflect differences between IFRS S2 and the TCFD's guidance, not the TCFD's recommendations.

Differences, summarized in this document shown, take three forms:

- In some instances, IFFRS S2 uses different wording to capture the same information as the TCFD recommendations;
- IFRS S2 requires more detailed information that is in line with the TCFD recommendations; and
- IFRS S2 differs from the TCFD guidance—but not from the TCFD overall recommendations—mainly by providing some additional requirements and guidance.

https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfd-july2023.pdf

Securities regulators endorsement

Investors are demanding better information about sustainability risks and opportunities, and the G20, the G7, and the FSB rely on IOSCO to assess whether the ISSB Standards are fit for purpose for capital markets.

Our members, working together, have carefully analysed the ISSB's standards against IOSCO's endorsement criteria.

IOSCO has found that the ISSB conducted a robust process and have concluded that these Standards serve as an effective and proportionate global framework for investor-focused disclosures on sustainability- and climate-related risks and opportunities."

Jean-Paul Servais, Chair
International Organization of Securities Commission (IOSCO)

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.

1. True
2. False

PREPARE (Homework)

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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All answers through Mentimeter and through the polls are anonymous.

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

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

ALIGN

BASELINE

Applying the IFRS Sustainability Disclosure Standards as the global baseline

ADDITIONAL DISCLOSURES

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

ALIGN

BASELINE

Applying the IFRS Sustainability Disclosure Standards as the global baseline

ADDITIONAL DISCLOSURES

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

A truly global baseline of disclosures

Additional building block can be added to meet:

- jurisdiction-specific requirements
- broader multi-stakeholder needs

ISSB Standards

- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

Status of standards

IOSCO

endorses and recommends the adoption of ISSB Standards

Audit standard-setters

enhance and develop assurance standards

Jurisdictions

adopt the Standards as legislation

Market participants

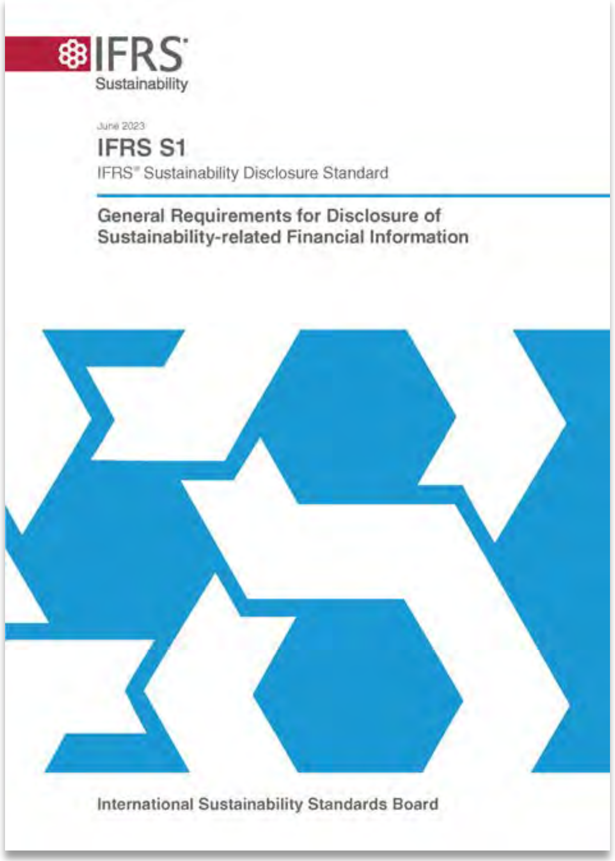
voluntarily opt to apply the Standards

IN

FOCUS

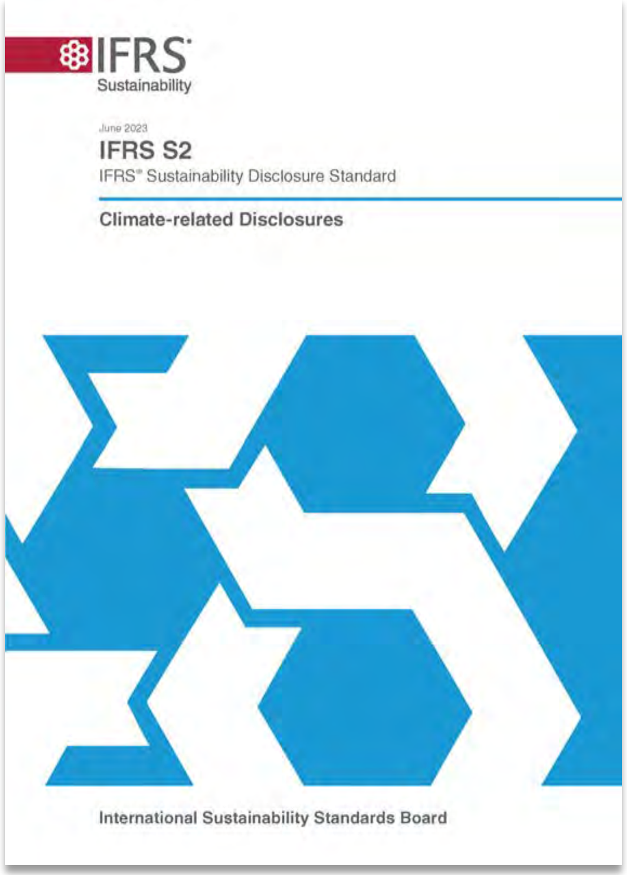
IFRS Sustainability Disclosure Standards

IFRS S1: General requirements



- Requires disclosure of **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** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (IFRS S2), refers to **sources to help companies** identify sustainability-related risks and opportunities and information
- Can be used in conjunction with **any accounting requirements (GAAP)**

IFRS S2: Climate-related disclosures


IFRS
Sustainability
June 2023
IFRS S2
IFRS® Sustainability Disclosure Standard
Climate-related Disclosures
International Sustainability Standards Board

- 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**, which are 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** such as **connected information**, **value chains** and which sustainability- and climate-related risks and opportunities to report on
- provides important guidance on the **assessment of materiality**
- sets out the **qualitative characteristics** of the information to be provided, for example, that it needs to be **relevant** and **represented faithfully**
- sets out requirements and concepts for reporting, such as:
    - the reporting entity
    - timing and location of reporting
    - connections and comparative information in reporting

Importance of using IFRS S1

Questions answered by IFRS S1

Who reports (a company's reporting entity)?	When disclosures must be reported?	What is a company's value chain?
What are sustainability-related risks and opportunities?	Where a company reports?	What material information is and how a company judges whether information is material?
How companies connect sustainability disclosures with financial statements?	Whether companies are permitted not to disclose commercially sensitive opportunities?	What quality of information companies are required to disclose?
How companies disclose information about changes in estimates and about errors?	In what circumstances companies disaggregate information?	What comparative information companies are required to provide?
How sustainability legislation affects companies?	Which judgements should be disclosed?	How and when to make a statement of compliance with ISSB Standards?

IFRS S1 requirements apply to any company applying IFRS Sustainability Disclosure Standards

Even companies that plan to apply only IFRS S2 *Climate-related Disclosures* are required to comply with IFRS S1.

Additional Guidance

Application Guidance

Sometimes presented as an appendix to a Standard, with the same authority as the main part of the Standard

Educational Material

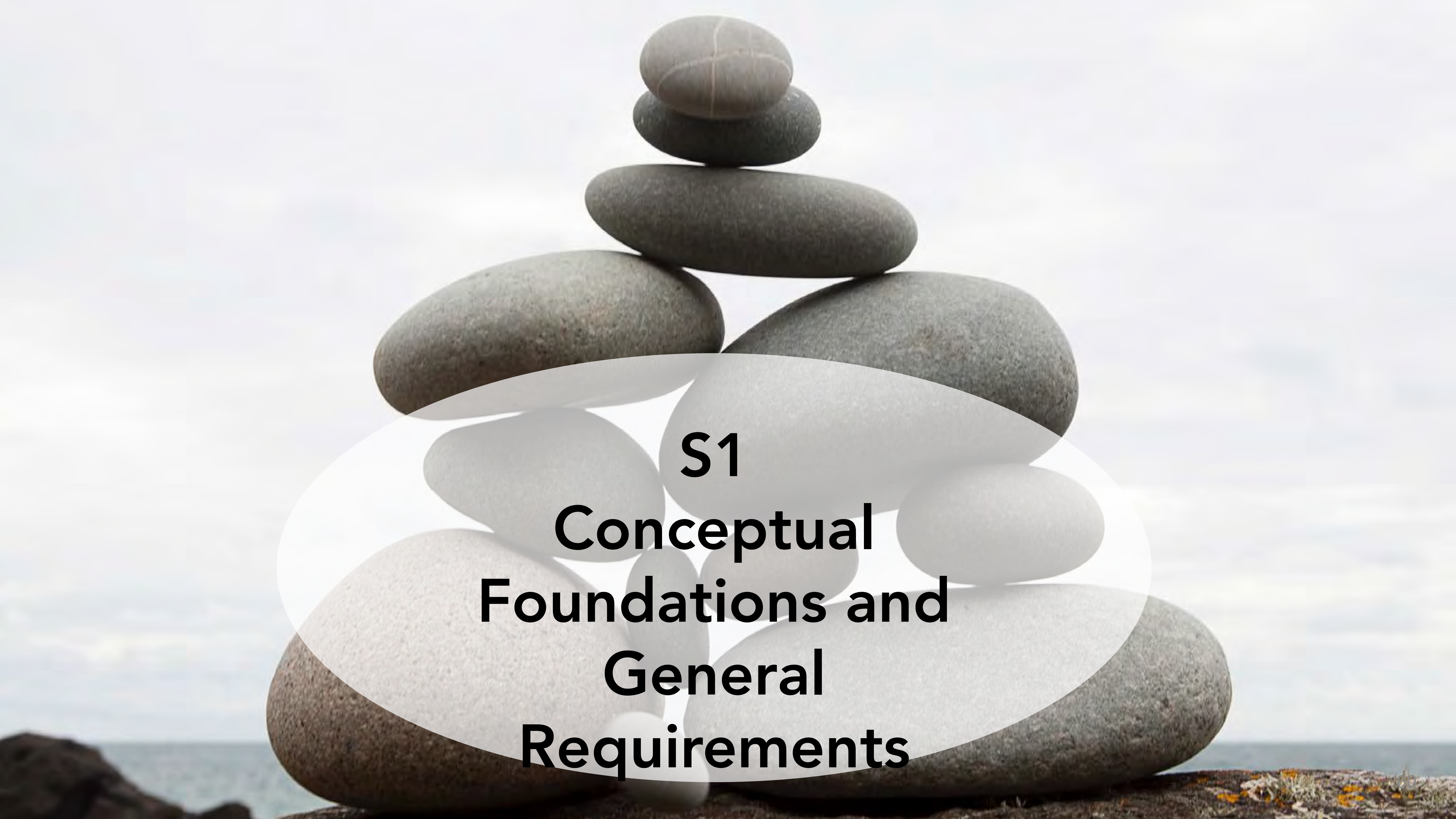
Separate materials developed to help companies apply the standards

Accompanying Guidance

Intended to provide illustrative guidance and examples.

Industry-based Guidance

A type of accompanying or illustrative guidance



S1
Conceptual Foundations and General Requirements

Meeting primary users' needs

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

When and where to report

Financial statements and sustainability disclosures are to be published **at the same time** and **for the same reporting entity**.

The Standards **do not specify a location** for disclosure within general purpose financial reports and **allow for additional information** to facilitate application in different jurisdictions

The Standards ask for **comparative information** from the preceding period for amounts disclosed. This might relate to metrics and targets or to current and anticipated financial effects. The Standards also ask for comparative narrative and descriptive information if useful to investors.

Connected information

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

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

Consistent information

The disclosures:

- are prepared **for the same reporting entity and reporting period** as the related financial statements
- are provided **at the same time** as the financial statements and as part of the general purpose financial reports
- include **data and assumptions that are consistent** with the corresponding data and assumptions in the related financial statements as much as possible, considering accounting requirements

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

Fair Presentation

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

To achieve fair presentation
Disclose relevant and material information
Faithfully represent information using principles of decision-usefulness
Disclose comparable, verifiable, timely and understandable information
Disclose additional information if needed
To achieve faithful representation
Complete, neutral and accurate depiction of sustainability-related risks and opportunities

ZOOM POLL

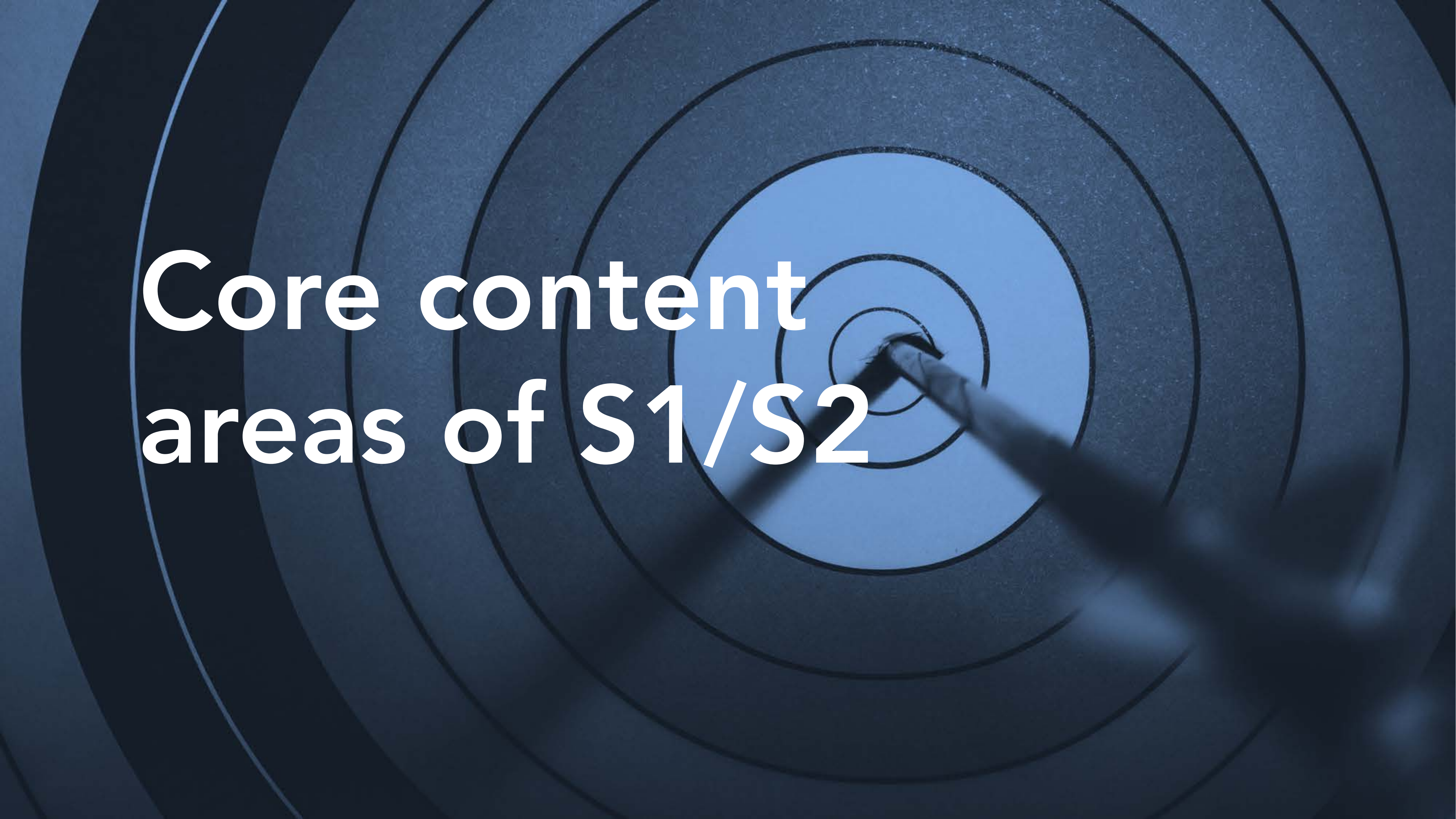
Select the appropriate answer

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

4. In terms of connectivity, which of the following information should be considered?
(Select all that apply)

Connections between:

1. Governance, strategy, risk management and metrics and targets.
2. Sustainability-related financial disclosures and financial statements.
3. Sustainability-related risks and opportunities.



Core content areas of S1/S2

Four core content areas: building on the TCFD structure

Governance

Processes, controls and procedures a company uses to monitor, manage and oversee sustainability-related risks and opportunities

Strategy

A company’s strategy for managing sustaina bility-related risks and opportunities

Risk management

The process a company uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities

Metrics and targets

A company's performance in relation to sustainability-related risks and opportunities

Core Content

GOVERNANCE
- Governing Body
- Management

STRATEGY

EFFECTS ON
- Risks & Opportunities
- Business model / supply chain
- Strategy
- Financials / cash flow
- Resilience

RISK MANAGEMENT
- Risks
- Opportunities
- Integration

METRICS & TARGETS
- Metrics
- Targets

Core Content - Governance

GOVERNANCE
- Governing Body
- Management

STRATEGY

EFFECTS ON
- Risks & Opportunities
- Business model / supply chain
- Strategy
- Financials / cash flow
- Resilience

RISK MANAGEMENT
- Risks
- Opportunities
- Integration

METRICS & TARGETS
- Metrics
- Targets

Governance

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

Core Content - Strategy

GOVERNANCE

- Governing Body
- Management

STRATEGY

EFFECTS ON

- Risks & Opportunities
- Business model / supply chain
- Strategy
- Financials / cash flow
- Resilience

RISK MANAGEMENT

- Risks
- Opportunities
- Integration

METRICS & TARGETS

- Metrics
- Targets

Strategy overview

The disclosure requirements about strategy relate to:

- the **sustainability and climate-related risks and opportunities** that have been identified and the **time horizons** over which they are expected to occur
- the **effects of those risks and opportunities** on the company's:
  - value chain
  - business model and strategy
  - financial position, performance and cash flows

Strategy – risks and opportunities

Consider:

- What sustainability-related risks and opportunities affect the entity’s prospects and over what time horizon?
- How are the time horizons defined?
- What are the effects (current and anticipated) of the sustainability-related risks and opportunities on the business model, strategy, value chain and financial results?

Strategy - time horizons

Cash flow, investment and business cycles

Planning horizons for strategic decision-making and capital allocation

Assessment periods used by investors

Life of assets

Time horizons are entity specific and may include industry specific characteristics

Strategy - addressing financial effects

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

- A company is required to disclose both quantitative information (a single amount or a range) and qualitative information
- A company can provide qualitative rather than quantitative information when:
  - The risks and their effects are not separately identifiable
  - there is a high level of measurement uncertainty
  - for anticipated effects, quantitative information would not be commensurate with the company's skills, expertise and resources

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. When a company is unsure about the financial impact of risk(s), they could:
(Select all that apply)

1. Omit any disclosures.
2. Make a reasonable estimate.
3. Explain the financial risk in qualitative terms
4. Identify what type of financial impact they expect (e.g.: on revenue, value of assets etc.).
5. Explain why the company is so unsure.

CLIMATE-SPECIFIC (Strategy)

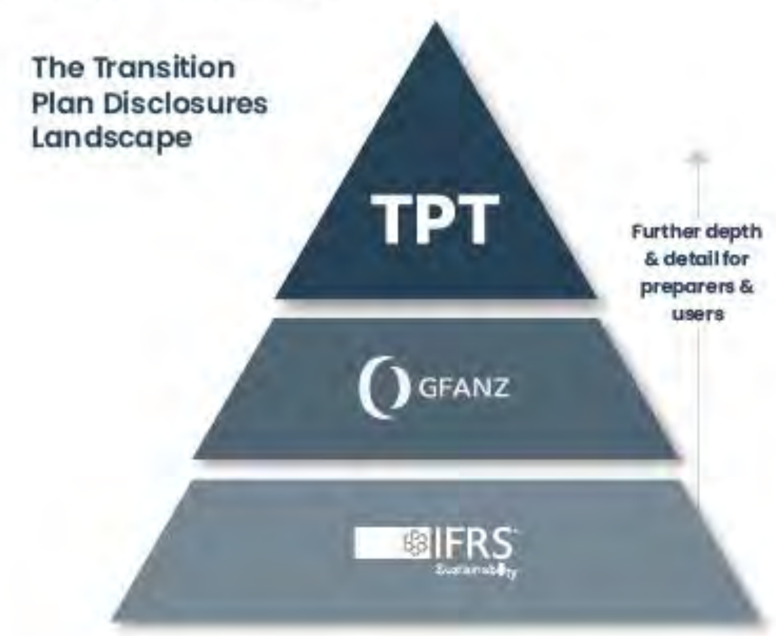
Addressing climate risks and opportunities

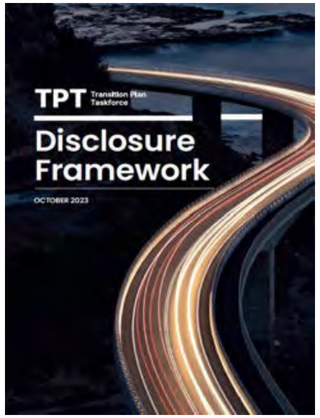
Information about the response and planned response should include, but is not limited to:

- **details about how the entity plans to achieve any climate-related targets** including GHG emissions targets and any targets required by law or regulation
- **current and anticipated changes to the business model** due to climate-related risks and opportunities e.g.: changes in resource allocation, plans to manage or decommission carbon, energy or water-intensive operations
- **current and anticipated direct mitigation and adaptation efforts** e.g.: changes in production processes or equipment, relocation of facilities, workforce adjustments and changes in product specifications
- **current and anticipated indirect mitigation and adaptation efforts** e.g.: through working with customers and supply chains
- **progress against any plans previously disclosed**, including qualitative and quantitative information
- **trade-offs** between sustainability-related risks and opportunities

Transition plans

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





Real economy

Financial institutions

Sectoral pathways

Pathway expectations

Transition pathway disclosure framework

Strategy - climate resilience

Climate Resilience Assessment

IFRS S2 requires a company to assess its climate resilience and to disclose information about:

- the implications of climate change for its strategy and business model; and
- its financial and operational capacity to adjust or adapt over the short, medium and long term.

Inputs and Key Assumptions

IFRS S2 does not specify which scenarios a company should use in its analysis but requires the company:

- to use relevant scenarios, and provide information about scenarios selected; and
- to provide information on assumptions used.

Strategy - scenario analysis

IFRS S2 includes application guidance on how to apply scenario analysis building on TCFD materials

The guidance requires:

- a method of climate-related scenario analysis **commensurate with a company's circumstances**
- the use of **all reasonable and supportable information** that is available to a company at the reporting date **without undue cost or effort**

Core Content – Risk Management

GOVERNANCE
- Governing Body
- Management

STRATEGY

EFFECTS ON
- Risks & Opportunities
- Business model / supply chain
- Strategy
- Financials / cash flow
- Resilience

RISK MANAGEMENT
- Risks
- Opportunities
- Integration

METRICS & TARGETS
- Metrics
- Targets

Risk Management

An entity must disclose information about:

- **Processes and policies** used to identify, assess, prioritise and monitor sustainability-related risks including:
  - inputs and parameters used
  - whether and how sustainability-related risks are prioritised relative to other types of risk
  - how the nature, likelihood and magnitude of risks are assessed
  - whether and how scenario analysis is used to inform the identification of sustainability-related risks
  - how sustainability-related risks are monitored
  - whether and how sustainability-related risk management processes inform overall processes and whether they have been changed since the last reporting period
- The process used for **identifying, assessing, prioritising and monitoring** sustainability-related opportunities
- The extent to which **identification, assessment, prioritisation and monitoring processes** of sustainability-related risks and opportunities have been integrated into the entity's **overall risk management process**

CLIMATE-SPECIFIC (Risks)

Example: Climate-related risks

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 impacts

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

Example: Climate-related opportunities

Example opportunities

- 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 Impacts

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

Core Content – Metrics and Targets

GOVERNANCE
- Governing Body
- Management

STRATEGY

EFFECTS ON
- Risks & Opportunities
- Business model / supply chain
- Strategy
- Financials / cash flow
- Resilience

RISK MANAGEMENT
- Risks
- Opportunities
- Integration

METRICS & TARGETS
- Metrics
- Targets

Metrics

Metrics must:

- Enable primary users to understand the entity's performance in relation to sustainability-related risks and opportunities, including progress towards and legal and company specified targets.
- Be reported as required by an applicable IFRS Sustainability Disclosure Standard – e.g. IFRS S2 for climate-related disclosures
- Include metrics the entity uses to measure and monitor sustainability-related risks and opportunities and associated performance in relation to targets
- Be associated with specific business models, activities and common features that characterise participation in an industry
- Be consistent over time
- Be labelled using meaningful, clear and precise names and descriptions.

Metrics shall refer to and consider:

- Those associated with the disclosure topics included in the SASB Standards

Metrics can:

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

Metrics

Metrics must:

- Enable primary users to understand the entity's **performance** in relation to sustainability-related risks and opportunities, including progress towards and legal and company specified targets.
- Be reported as required by an applicable IFRS Sustainability Disclosure Standard – e.g. IFRS S2 for climate-related disclosures
- Include metrics the entity uses to **measure and monitor** sustainability-related risks and opportunities and associated performance in relation to targets
- Be associated with specific business models, activities and common features that characterise participation in an industry
- Be **consistent** over time
- Be labelled using meaningful, clear and precise names and descriptions.

Metrics

Metrics shall refer to and consider:

- Those associated with the disclosure topics included in the SASB Standards

Metrics can:

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

Targets

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

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

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

(Select all that apply)

1. CEO tenure
2. Financially material risks
3. Financially material opportunities
4. Targets
5. Your strategy

ALIGN

BASELINE

Applying the IFRS Sustainability Disclosure Standards as the global baseline

ADDITIONAL DISCLOSURES

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

Building on the baseline

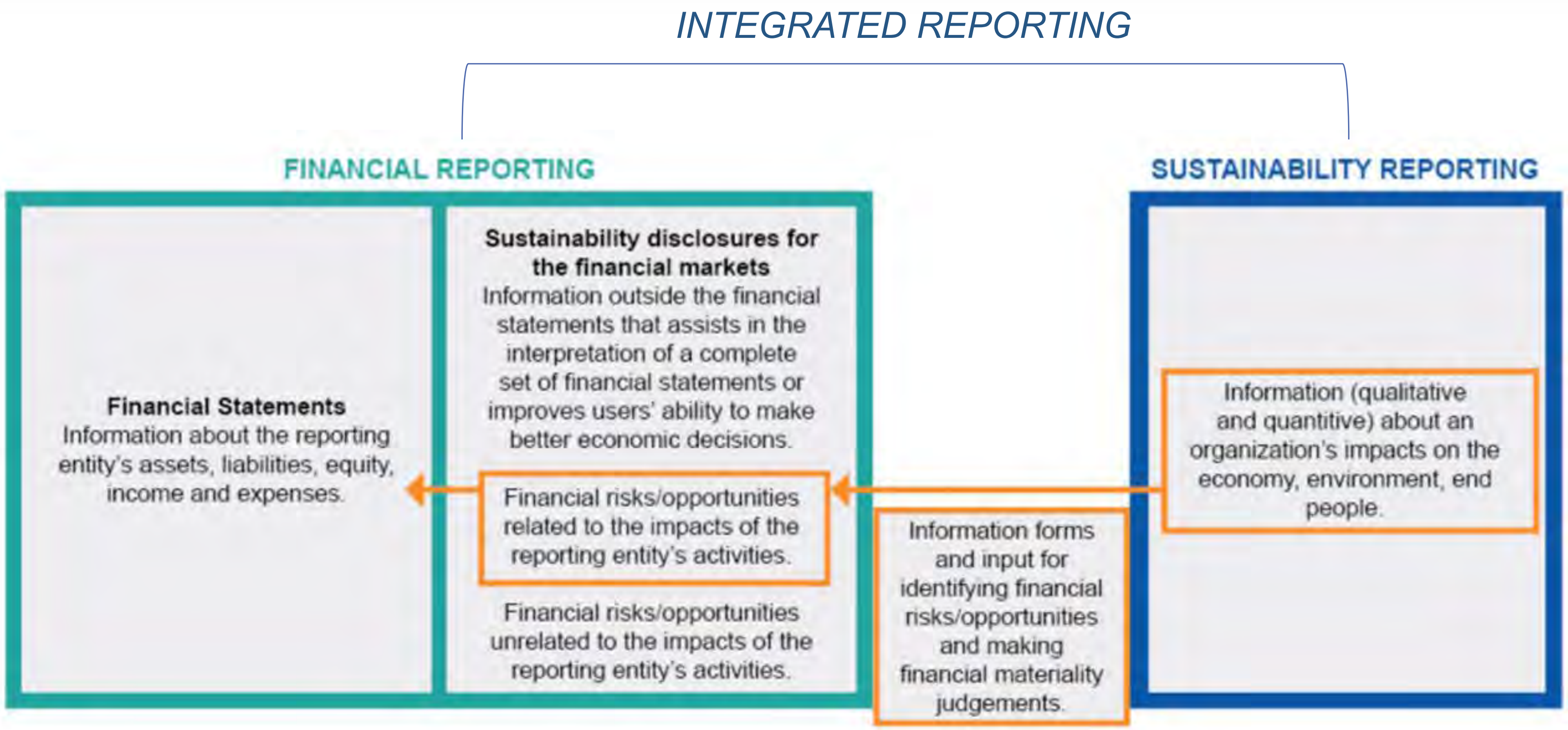
Listing requirements

Policy objectives

Industry standards

Other stakeholders

Building on the baseline: adding impact



IFRS Foundation

IFRS Accounting Standards

IFRS Sustainability Disclosure Standards

Global Reporting Initiative (GRI)

GRI Sustainability Reporting Standards

Source: SSE GRI training

Baked-in alignment

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

* The ISSB, the European Commission, and the European Financial Reporting Advisory Group (EFRAG) are discussing how to explain the alignment and interoperability between the respective standards, including the choices a company needs to make to enhance alignment and where the standards have specific requirements.

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. My reporting strategy should consider…

1. The ISSB global baseline only.
2. The ISSB global baseline and regulatory requirements.
3. Just regulatory requirements.
4. The ISSB global baseline, regulatory requirements and other frameworks or standards that help with management's communication objectives.

ALIGN (Homework)

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 additional reporting requirements your organization wants to consider when setting a goal for sustainability-related disclosure practices.

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voting code: 4937 6748

Visit **www.menti.com** and typing the code to the left, or using your phone to follow the QR code to the left

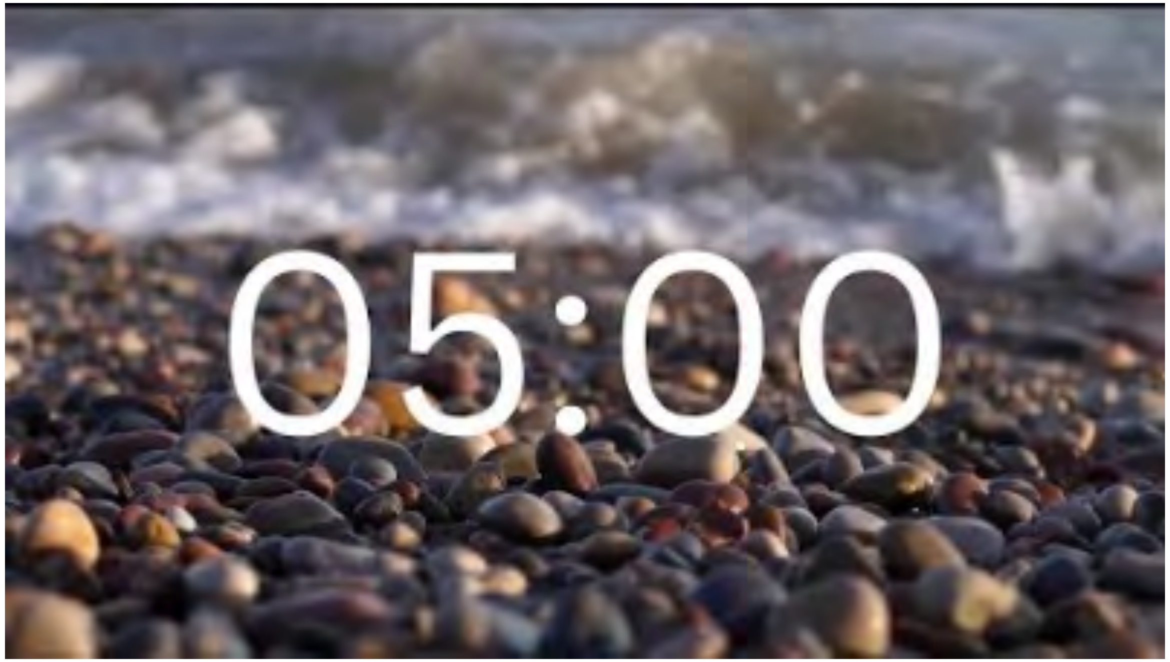
All answers through Mentimeter and through the polls are anonymous.

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

QUICK BREAK

Join at **menti.com** use code **4937 6748**

Over the break, feel free to ask any questions you have in the Q&A through Menti or Zoom. We will address some of these questions when we come back from the break.



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The backbone of effective disclosure – processes and practices

IMPLEMENT

IDENTIFY	Identifying sustainability-related risks and opportunities
EVALUATE	Evaluating the materiality of information and using scenarios to test resilience
INTEGRATE	Development of new processes and integration of new considerations

IMPLEMENT

IDENTIFY	Identifying sustainability-related risks and opportunities
EVALUATE	Evaluating the materiality of information and using scenarios to test resilience
INTEGRATE	Development of new processes and integration of new considerations

Identifying sustainability-related risks and opportunities

Many factors can give rise to sustainability-related (including climate-related) risks and opportunities, but generally, risks and opportunities come from interactions between the company and its:

Stakeholders
with whom it works and serves

Society
in which it operates

Natural
resources upon which it draws

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

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.

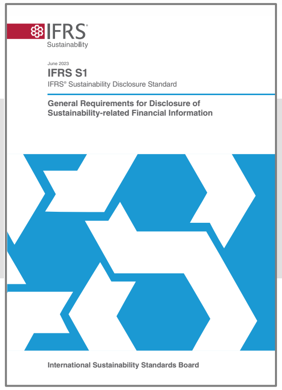
These can be:

- **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**.

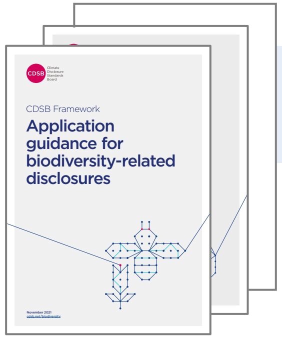
Using sources of guidance

Apply IFRS S1 sources of guidance disclosure requirements



Required to consider SASB disclosure Topics

May consider other investor focused sources of guidance



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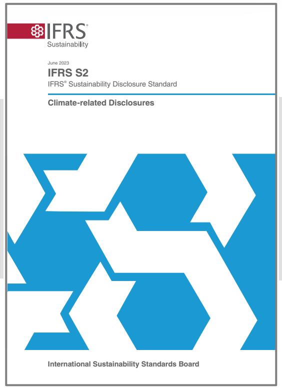
Apply other applicable IFRS Sustainability Disclosure Standards



Required to consider Industry-based guidance on Implementing IFRS S2 Climate-related Disclosures

Using sources of guidance

What are SASB Disclosure topics?

- Designed to serve as a starting point for companies to identify the sustainability-related risks and opportunities; and
- Disclosure topics and metrics are organised by industry, enabling a company to identify sustainability-related risks and opportunities that are applicable to its business model and associated activities.

How to use them?

A company shall refer to and consider the applicability of the disclosure topics in the SASB Standards. A company might conclude that the disclosure topics are not applicable.

What are other investor focused source of guidance?

a) CDSB Framework Application Guidance for Water-related Disclosures and the CDSB Framework Application Guidance for Biodiversity-related Disclosures;

b) Most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general purpose financial reports; and

c) Sustainability-related risks and opportunities identified by companies that operate in the same industry(s) or geographical region(s).

How to use them?

A company may – to the extent that these sources do not conflict with IFRS Sustainability Disclosure Standards – refer to and consider the applicability of these other source of guidance to identify sustainability-related risks and opportunities.

Assessing reasonable and supportable

A company is required to use **all reasonable and supportable** information that is available at the reporting date **without undue cost or effort** to disclose sustainability-related financial information.

Reasonable and supportable information is information that:

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

Various sources can be used, both internal and external, based on an assessment of the company's situation, including:

- risk management processes
- industry and peer group experience
- external ratings
- reports and statistics

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. 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:

1. Do not disclose anything about water.
2. Consult the sources of guidance listed by ISSB.
3. Engage a consultancy to help.
4. Copy your competitors' reporting.

IMPLEMENT

IDENTIFY
Identifying sustainability-related risks and opportunities

EVALUATE
Evaluating the materiality of information and using scenarios to test resilience

INTEGRATE
Development of new processes and integration of new considerations

What is material information?

Information is material if omitting, misstating or obscuring it could reasonably be expected to ***influence investor decisions****.*

This is based on the IFRS Accounting Standards definition of ‘material’

Materiality in IFRS Sustainability Disclosure Standards

- Information is material when it **influences decisions of primary users of general purpose financial reports** and informs their decisions about:
  - providing resources to the company
  - buying, selling or holding equity and debt instruments
  - providing or settling loans and other forms of credit
  - exercising rights to vote on, or otherwise influence, the company's management's actions that affect the use of the company's economic resources
- Preparers are required to consider the **characteristics of the investors** and the company's own circumstances.
- Preparers can assume that the investors have **reasonable knowledge** of business and economic activities and that they review and analyse information diligently.
- Different investors can have **different and sometimes conflicting information needs.** However, sustainability-related financial disclosures are intended to meet the common information needs of investors.

Potential areas of focus for primary use

Generally, investors may want to understand:

- whether, how and to what extent environmental degradation and social challenges **affect inputs** (of resources) to the business, key relationships, and risks and opportunities—and, therefore, business performance.
- whether and how the company **is managing sustainability-related risks and opportunities**, for example, whether management has a plan or strategy for changing the business model in anticipation of regulation, a lower-carbon economy or mandated due diligence procedures.
- what **types of assets** the company holds and whether they are at risk of becoming stranded (for example, a coal-fired power plant in a jurisdiction where the government has made commitments to phase out coal).
- how the company's **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.

Test of materiality

Making materiality judgements

- ❑ Is the information identified either individually or in combination with other 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 amount, timing and uncertainty of the company's future cash flows over the short, medium and long term?
- ❑ Have you considered the range of possible outcomes and the likelihood of the possible outcomes within that range?

Adapted from IFRS Sustainability Disclosure Standards.

Future events and 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.
- the potential effects of the events 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** as well as possible future events judged to be more likely to occur and with significant potential effects.
- the effect of potential risks **individually and in aggregate**.
- materiality judgements, which it is required to **reassess at each reporting date** to account for changes in the company's individual circumstances or in the external environment.

ZOOM POLL

Select the appropriate answer

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

9. Information should be disclosed when applying ISSB Standards if...

1. Omitting it would alter an investor's decision.
2. It affects the company's ability to secure resources.
3. It has been determined to have no financial impact on the organization.
4. Assumptions used to assess materiality have changed.

IMPLEMENT

IDENTIFY	Identifying sustainability-related risks and opportunities
EVALUATE	Evaluating the materiality of information and using scenarios to test resilience
INTEGRATE	Development of new processes and integration of new considerations

Developing new processes and adapting existing processes

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

- **gap analysis**—carry out an analysis to check for gaps in existing systems and processes
- **suitability**—evaluate existing processes for identifying sustainability-related risks and opportunities
- **prioritisation criteria**—evaluate criteria for prioritising sustainability-related risks and opportunities such as likelihood, impact, vulnerability, speed of onset and others
- **controls**—evaluate existing internal risk controls for the mitigation and management of sustainability-related risks
- **contributors**—identify departments with relevant processes and expertise to contribute
- **interconnections**—consider whether existing processes take account of sustainability-related risks and opportunities that might arise from interconnections between different internal and external factors
- **uncertainty**—integrate sustainability-related risks into existing risk management, governance or finance processes by adjusting those processes to take account of those uncertainties and the unique characteristics of sustainability-related risks and opportunities

Using a reporting strategy

A company can manage its internal processes and systems in various ways. However, one possibility is to develop a sustainability-related financial disclosure strategy as a stand-alone strategy or as part of a wider reporting strategy. The benefits of a reporting strategy include:

- helping the company **take control of its narrative** within general purpose financial reports and to limit or balance opinions and conclusions reached by investors.
- **supporting internal collaboration**, knowledge sharing and cross-functional interdisciplinary team discussions with staff from departments including finance, risk management, controls and planning, internal audit, investor relations, legal, sustainability and communications
- acting as a **reference point and audit trail** for documenting, explaining and managing the process of preparing disclosures, including where and how judgements have been made

ZOOM POLL

Select the appropriate answer

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

10. A reporting strategy is required by the IFRS Sustainability Disclosure Standards.

1. Yes
2. No

ZOOM POLL

Select the appropriate answer

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

11. A reporting strategy can help a company to:

(Select all that apply)

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

IMPLEMENT (Homework)

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 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

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Visit **www.menti.com** and typing the code to the left, or using your phone to follow the QR code to the left

All answers through Mentimeter and through the polls are anonymous.

What existing systems and processes for data collection can be adapted to collect data on sustainability-related metrics?

Communicating with investors – what, where and how

COMMUNICATION

LOCATION / TIMING	Where disclosure should appear and frequency of reporting
EFFICIENCY	How to communicate efficiently and effectively
CONFIDENCE	Maximizing confidence in disclosed information

COMMUNICATION

LOCATION / TIMING	Where disclosure should appear and frequency of reporting
EFFICIENCY	How to communicate efficiently and effectively
CONFIDENCE	Maximizing confidence in disclosed information

Disclosing material information

How to disclose material sustainability-related financial information

- Make material sustainability-related financial information clearly identifiable [and do not obscure it]
- Use clear language
- Avoid scattering material information about a particular sustainability-related risk or opportunity across disclosures
- Provide additional (non-material) information IF necessary to enable readers to understand the effects of sustainability-related risks and opportunities on the company’s cash flows, access to finance and cost of capital over time—but distinguish additional information from material information

Note—Companies need not disclose information otherwise required by an IFRS Sustainability Disclosure Standard if the information is not material (IFRS S1.B25)

Where to report sustainability-related financial information

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

Different requirements may apply in different jurisdictions.

Different names are used for general purpose reports or parts of reports, including 'integrated report', 'strategic report', 'annual report', 'operating and financial review' etc.

No requirements on exact placement of information.

Examples of corporate approaches in practice:

- Integrate
- Separate
- Navigate

EXAMPLE

Annual Report 2022

PDF 17.71 MB • Stora Enso's Annual Report 2022

GRI content index 2022

PDF 177.11 KB • GRI content index 2022

SASB Index 2022

PDF 81.38 KB • SASB index 2022

TCFD Index 2022

PDF 51.81 KB • TCDF index table 2022

Data boundaries by sustainability topic

PDF 58.14 KB • Data boundaries by sustainability topic 2022

Integrated into Annual Report

Annual Report 2022

Reporting

Navigation panel

Separate Indices

The Group's sustainability reporting consists of the following content:

- CEO message
- Our strategy – material sustainability topics are described in the context of business strategy
- Sustainability reporting – reporting on sustainability impacts
- GRI Content Index
- SASB Content Index

Source: Stora Enso, 2022 Annual Report, pg. 54
https://www.storaenso.com/en/sustainability/sustainability-reporting

When to report and for what period

Companies are required to publish financial statements and sustainability disclosures **at the same time** (with transitional relief in the first year of reporting) and **for the same reporting period** as the related financial statements.

Normally the reporting period is 12 months (or 52 weeks).

Special rules apply if company's reporting period changes.

Special rules apply on discovery of new information for reporting period, but before report is published.

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. What should be the same (as far as possible) for BOTH financial and sustainability disclosure?
(Select all that apply)

1. Assumptions
2. Report (i.e. general purpose financial report)
3. Timing of disclosures
4. Reporting period
5. Time horizons
6. Risk management process

COMMUNICATION

LOCATION / TIMING	Where disclosure should appear and frequency of reporting
EFFICIENCY	How to communicate efficiently and effectively
CONFIDENCE	Maximizing confidence in disclosed information

Quality of information disclosed

It is required that information disclosed be:

- Material
- Connected
- Aggregated or disaggregated, as appropriate

And it is required that:

- Comparative information be provided
- Errors from previous years be corrected
- Duplication be minimised
- Cross referencing to other reports meets conditions

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

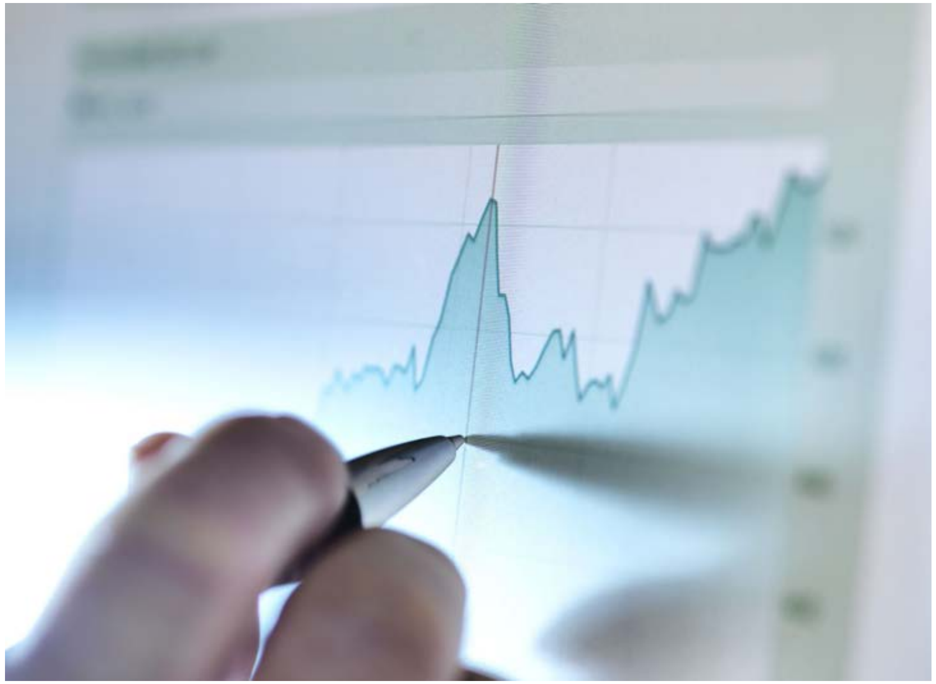
Reminder – why we report

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

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

Reports can:

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



EXAMPLE

Connectivity with TCFD disclosures

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

Note explains considerations and assessment for decarbonization strategy

Note states climate change and policy risk considerations

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

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.

Source: CRH plc, 2022 Annual Report, pg. 181- https://www.crh.com/investors/annual-reports

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

The disclosures are:

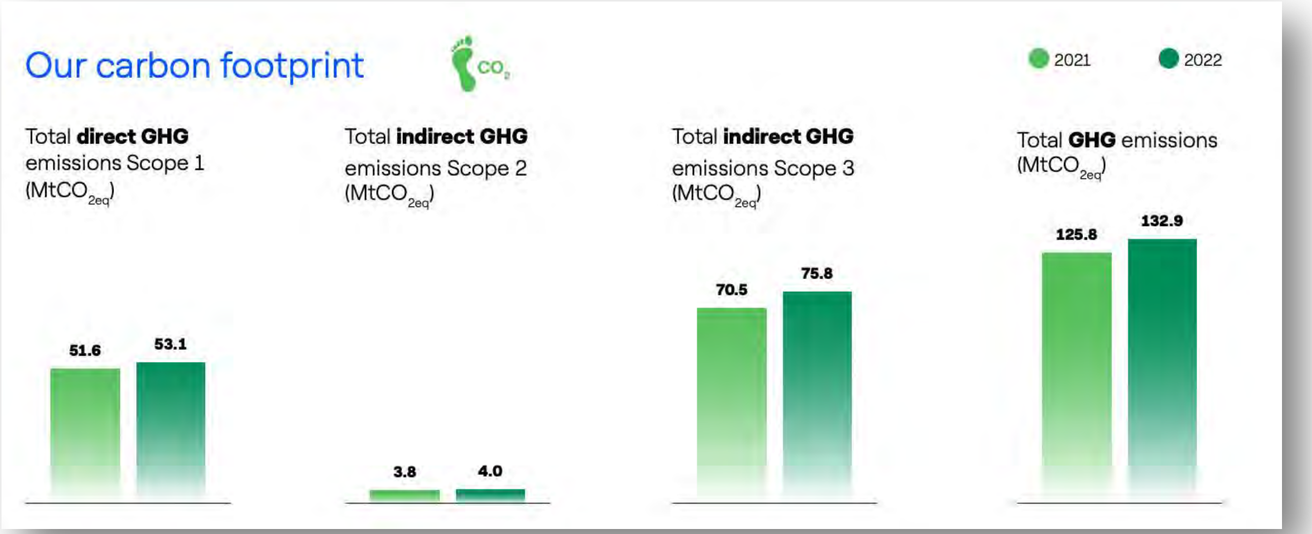
- prepared for the **same** reporting **company** and reporting **period** as the related financial statements
- provided at the **same time** as the financial statements and as part of the general purpose financial reports
- include **data** and **assumptions** that **are consistent** with the corresponding data and assumptions in the related financial statements, to the extent possible, considering accounting requirements.

Aggregate or disaggregate information as appropriate

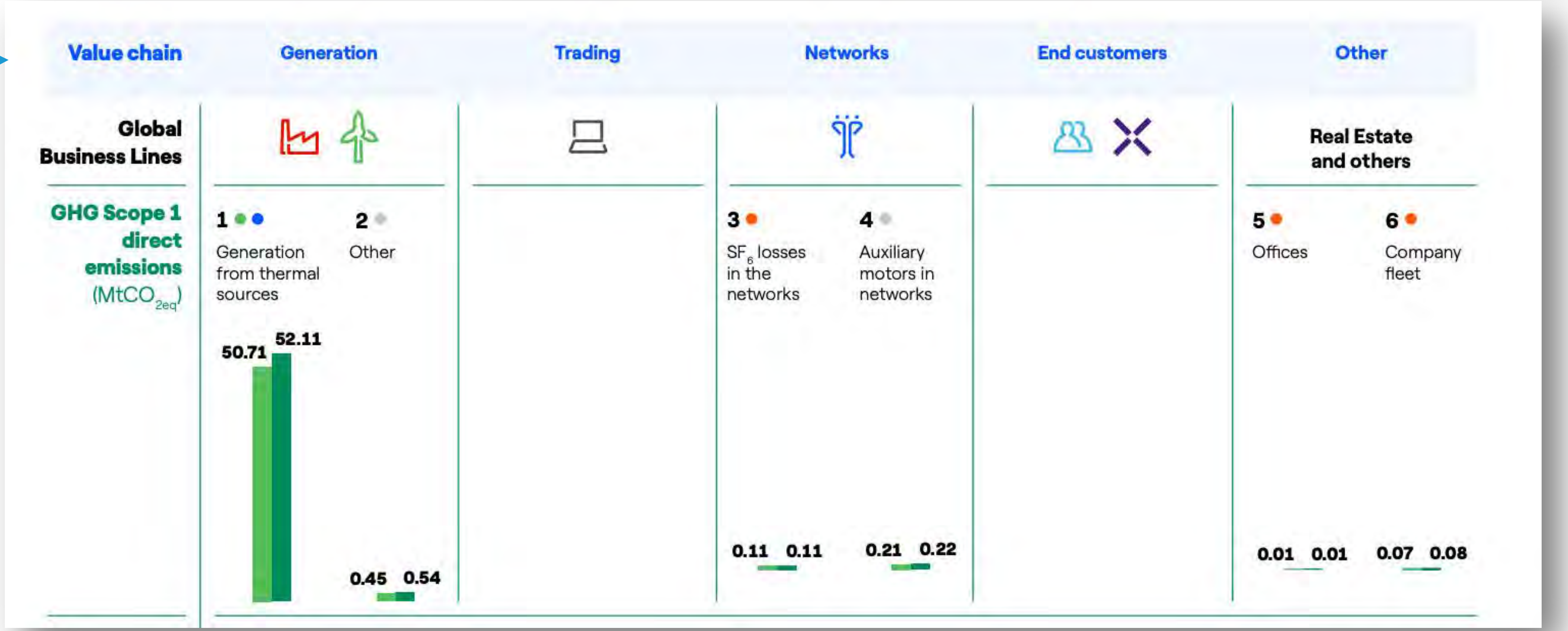
- Aggregate information to minimise scattering and increase understandability
- Aggregate information with similar or shared characteristics
- Decide whether, how and to what extent to aggregate information based on all the facts and circumstances
- Do not let aggregation reduce understandability or obscure material information
- Disaggregate information to show (for example) the breakdown of sustainability-related risks by location or to distinguish resources drawn from environmentally stressed vs abundant areas

EXAMPLE

GHG emissions breakdown by type



GHG emissions breakdown by source



Source: Enel, 2022 Sustainability Report, pg. 148- https://www.enel.com/investors/sustainability

Cross-referencing and minimising duplication

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 as sustainability-related financial disclosures;
- The complete set of sustainability-related financial disclosures is not made less understandable by cross referencing;
- 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.

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 disclosed in accordance with the ISSB Standards should be:
(Select all that apply)

1. Decision-useful
2. Material
3. Misleading
4. 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.

14. Information is decision useful if it:

(Select all that apply)

1. Is relevant and faithfully represented
2. Is comparable
3. Is verifiable
4. Is timely
5. Is understandable

COMMUNICATION

LOCATION / TIMING	Where disclosure should appear and frequency of reporting
EFFICIENCY	How to communicate efficiently and effectively
CONFIDENCE	Maximizing confidence in disclosed information

Comparative information

- Unless otherwise required or permitted, companies are required to disclose comparative information in respect of the preceding reporting period *for all amounts* disclosed in the current reporting year.
- Providing comparative information for estimates—revise comparatives according to new information and explain differences.
- Specific requirements apply to redefined, replacement and new metrics.
- If it enhances understanding, it is required that narrative information for the preceding reporting year also be provided

- **Preceding reporting year**
  - Estimated or actual metric (the 'comparative amount', i.e. the amount with which the current reporting year metric is compared)
- **Current reporting year**
  - Estimated or actual metric

Commercially sensitive information

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

- the information is **not already** publicly available;
- disclosure of the information could reasonably be **expected seriously to prejudice** the economic benefits that a company would otherwise be able to realise in pursuing an opportunity to which the information relates;
- there is no other way of disclosing the information **to limit or remove that risk**;
- the company **discloses the fact** that it has used the exemption for commercially sensitive information; and
- the company **reassesses** at each reporting date whether the information still qualifies for exemption.

Using reasonable estimates

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

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

Statement of compliance

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

Things to remember

- Ensure **information** is:
  - relevant
  - material
  - represented faithfully
  - comparable
  - verifiable
  - timely
  - understandable

- Ensure that investors are able to understand **connections** between:
  - Sustainability-related risks and opportunities
  - Disclosures on core content
  - Sustainability-related financial disclosures and financial statements

- Are the sustainability-related financial disclosures **for the same period and same reporting company** as the related financial statements?

- Do the disclosures cover **all material information** that investors need, including on core content?

- Have **comparatives** been provided?

- Is there a **statement of compliance**?

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.

15. What type of information qualifies as commercially sensitive?
(Select all that apply)

1. Information that is not already publicly available.
2. Information that could, if disclosed, reasonably be expected to prejudice seriously the company's economic benefits.
3. Marketing information.

COMMUNICATE (Homework)

Companies use various methods to include sustainability-related financial information in their general purpose reporting. These methods may include integrating sustainability-related information throughout the report or separating it out into a separate chapter. In both instances, it's important to ensure that report users can navigate the information and find connected information.

- **Presentation approach –** identify whether your company should present information in an integrated format (in one report), an autonomous format (a sustainability section in the 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:
    - o Navigation techniques, icons, indexes? Get creative!
    - o Highlight connections between information
    - o Put similar pieces of information together

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

IN FOCUS

CLIMATE METRICS

Greenhouse gas (GHG) emissions

Disclose a company’s absolute gross Scope1, Scope 2 and Scope 3 GHG emissions:

- **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

Measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)

GHG emissions measurement

Activity × emission factor × GWP = CO_2e

Activity is a measure of a level of activity that results in GHG emissions (e.g., quarterly litres of fuel or kWh of electricity consumed)

Emission factor is to reflect the average GHG intensity per unit of activity data for a given source. Emissions are determined based on the emissions factor hierarchy, which ranges from the preferred site-specific measured activity data to default factors from regulatory or industry association publications and/or engineered estimates.

Global warming potentials (GWP) produce the carbon dioxide equivalent, CO_2e for any gas. It is the mass of CO_2 that would warm the earth as much as the mass of that gas.

Scope 3 GHG emissions

Disclose Scope 3 GHG emissions across 15 categories*, when the information is material

1. Purchased goods and services
2. Capital goods
3. Fuel and energy related activities
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets
9. Downstream transportation and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments

**Categories identified in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard 2011 Edition*

Scope 3 measurement framework

The ISSB developed a Scope 3 measurement framework to provide additional guidance about the relevant information to use in measuring Scope 3 GHG emissions, which will often include the use of estimation.

	A company is required to prioritise the use of:	If prioritised information is unavailable, consider:
Measurement	**direct measurement.***	**estimation** activity data and emission factors
Data	**primary data** eg company-specific metric tons of waste generated	**secondary data** eg estimated metric tons of waste generated based on industry-average data
Scope	**more granular data** cradle-to-gate GHG emissions for the product of interest	**less granular data** GHG emissions and/or activity data for the entire corporation
Verification	**verified**	**not verified**

*It should be noted that Scope 3 emissions will rarely be directly measured. In accordance with IFRS S2, it is expected that Scope 3 will include estimates because of the challenges associated with direct measurement.

Scope 3 GHG emissions reliefs and support

Relief:
Exemption from this disclosure in first year applying S2

Relief:
Permission to include information obtained from companies in the value chain with a different reporting cycle

Support:
Use of reasonable and supportable information available without undue cost or effort

Guidance:
Framework for Scope 3 measurement that incorporates use of estimation

> *"We recognise that companies need help, as best practice develops, in measuring Scope 3 GHG emissions. These reliefs and guidance provide companies with time to get their processes in place, and the guidance to support this disclosure."*
>
> **Sue Lloyd**
> Vice-Chair, ISSB

GHG emissions—Disclosure requirements

- Whether the company has used the **equity share or control approach**
- The **measurement method** the company has used (eg direct, estimation)
- The **inputs, assumptions and emissions factors** the company has used
- Reasons for the company's approach and how that approach relates to an **understanding of the company's performance** in relation to its climate-related risks and opportunities
- If a company does not measure its GHG emissions in accordance with the GHG Protocol, it is required to disclose the applicable method used, the reasons the company chose that method and how it relates to an understanding of the company's performance in relation to its climate-related risks and opportunities.

Cross-industry metrics requirements

In addition to GHG emissions, companies must use all reasonable and supportable information available at the reporting date without undue cost and effort to disclose information about cross-industry metrics.

Metric	Description
Climate-related transition risks	The amount and percentage of assets or business activities vulnerable to climate-related transition risks
Climate-related physical risks	The amount and percentage of assets or business activities vulnerable to climate-related physical risks
Climate-related opportunities	The amount and percentage of assets or business activities aligned with climate-related opportunities

Cross-industry metrics requirements

In addition to GHG emissions, companies must use all reasonable and supportable information available at the reporting date without undue cost and effort to disclose information about cross-industry metrics.

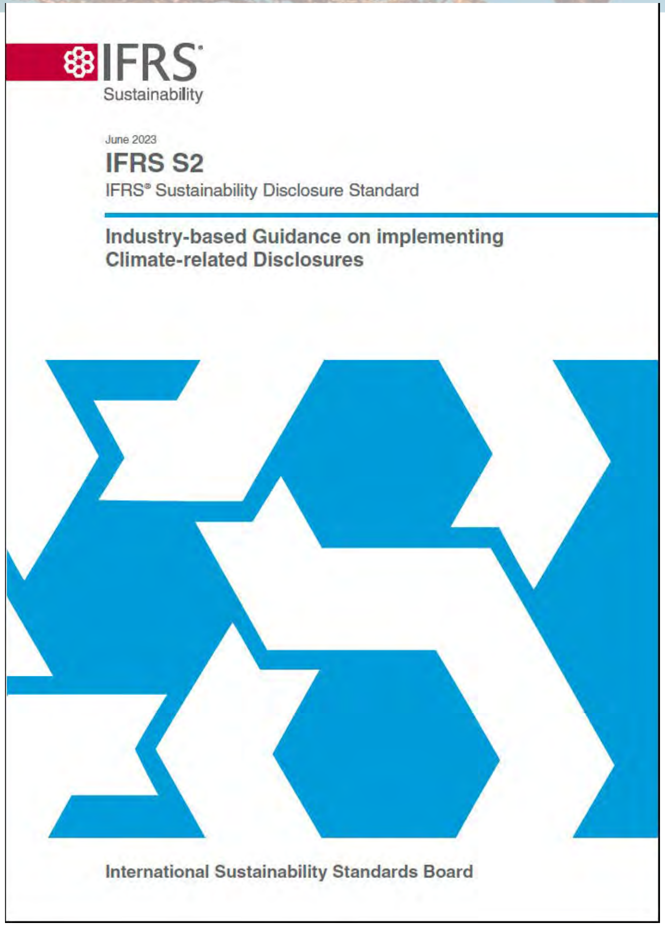
Metric	Description
Capital deployment	The amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities
Internal carbon prices	Explain whether and how the company applies a carbon price in decision-making (eg investment decisions, transfer pricing and scenario analysis); and the price (per metric tonne) used to assess the cost of its GHG emissions
Remuneration	Describe whether, how and to what extent (by % of remuneration in the current period) climate-related considerations are factored into executive remuneration (noting that the information might have been provided in response to governance requirements)

Cross-industry metrics requirements

In addition to GHG emissions, companies must use all reasonable and supportable information available at the reporting date without undue cost and effort to disclose information about cross-industry metrics.

Factors a company is required to consider in all cases
• The time horizons over which climate-related risks and opportunities could reasonably be expected to occur • Where in the business model or value chain climate-related risks and opportunities are concentrated • The effects of climate-related risks and opportunities on the company's financial position, financial performance and cash flows for the reporting period • Whether industry-based metrics could be used (in whole or in part) to satisfy the cross-industry metrics requirements • Connections between cross-industry metrics and information disclosed in relation to the related financial statements

Industry-based metrics



In all cases, a company is required to disclose industry-based metrics.

To do this, companies shall refer to and consider the applicability of the industry-based metrics associated with the disclosure topics in *Industry-based Guidance on Implementing IFRS S2*.

Guidance suggests possible ways particular industries may apply requirements in IFRS Sustainability Disclosure Standards, but does not create additional requirements

Metrics are derived from SASB Standards

Examples include the amount of palm oil sourced by companies in the household and personal products industry and air pollutants emitted by companies in the construction materials industry

HITTING THE TARGET

Climate-related targets

Climate-related targets

For each target, disclose	Details
The metric used to set the target	Including whether it is: • quantitative or qualitative, • set by the company or by law or regulation • (if quantitative) an absolute (a total amount of a measure of change in measure) or intensity metric (a ratio of a measure) informed by cross-industry or industry-based metrics • informed by the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement
The objective of the target	For example, mitigation, adaptation or conformance with science-based initiatives
The part of the company to which the target applies	For example, whether it applies to the whole company or a part of it such as a specific business unit or geographical region
The period over which the target applies	

Climate-related targets

For each target, disclose	Details
The base period from which progress is measured	The base year is a specific year that a company chooses as a reference point to measure changes in emissions and other targets. The base year is set based on factors like data availability, significance and convenience. However, sometimes the base year might need to be recalculated if the company goes through big changes like an acquisition, divestment or change in methodology.
Any milestones and interim targets	
The approach to setting and reviewing the target and how progress is monitored	Include information about: • whether the target and methodology for setting it have been validated by a third party • the process for reviewing the target • the metrics used to monitor progress towards reaching the target • any revisions to the target and associated explanations
Performance against each target and an analysis of trends or changes in the company's performance	

Disclosure requirements for GHG emissions targets

These requirements apply to GHG emissions targets in addition to those listed in previous slide. A company is required to disclose:

- which GHGs are covered by the target
- whether Scope 1, Scope 2 or Scope 3 GHG emissions are covered by the target
- whether the target is gross or net. If net, the associated gross target must also be disclosed
- whether the target was derived using a sectoral decarbonisation approach

Explainer—Gross and net GHG emissions targets

- *Gross targets reflect the total planned changes in GHG emissions*
- *Net targets are targeted gross GHG emissions targets minus any planned offsetting efforts, such as planned use of carbon credits*

Disclosure requirements for GHG emissions targets

A company is required to disclose:

- whether the company plans to use carbon credits (that is transferable or tradeable instruments) to achieve all or part of the target. If so, information must be provided about:
  - the extent to which and how achieving any net GHG emissions target relies on the use of carbon credits
  - which third-party scheme(s) will verify or certify the carbon credits
  - the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals and whether the underlying offset is achieved through carbon reduction or removal
  - any other factors that help to explain the credibility and integrity of the carbon credits the company plans to use, eg assumptions about the permanence of the carbon offset

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.

16. Which of the following disclosure requirements apply to GHG Targets?
(Select all that apply)

1. Whether the target is gross or net.
2. Which GHGs are covered.
3. Whether the target was derived using a sectoral decarbonisation approach.
4. Whether Scope 1, 2 and 3 GHG emissions are covered by the target.

Applying the IFRS Sustainability Disclosure Standards

Homework assignment

ASSIGNMENT

Develop a draft reporting strategy for your company, using what you've learned in this training program

Your Assignment

- This document provides you with a set of steps that can help you to start to develop your organization’s sustainability-related reporting strategy that we will jointly discuss in the training program. Upon completion of the training program you will have the tools to start to develop your own strategy.
- You are encouraged to take a minimum of 1.5 hours to pull together the activities we have worked together on, to put on paper an initial draft for your disclosure strategy. This strategy can be used to initiate a conversation with your board or team and be used as a starting point to develop a more comprehensive strategy to enhance your company’s disclosure.
- Indicate in the feedback form if you have completed this task.

A reporting strategy can:

Help the company to **balance opinions** and conclusions based on a **variety of information** sources.

Support **collaboration, knowledge sharing** and **cross-functional, interdisciplinary team** discussions and/or regular meetings with professionals from finance, risk management, controls and planning, investor relations, legal, sustainability and communications departments.

Act as a **reference point** for documenting, explaining and managing the process of preparing disclosures, including where and how judgements have been made.

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Did we achieve our learning objectives?

CONTINUE YOUR LEARNING

The Knowledge Hub will be a free online resource for preparers designed to support them in understanding and getting ready for IFRS S1 and S2. It will incorporate an easy to navigate and searchable repository of resources, e.g. case studies, good practice guidance, webinars, research publications, learning pages on the standards and their implementation.

Filters and tags will be included to help users to search and identify resources. Some filters will allow preparers to search for specific roles, regions or sectors. The homepage search bar will take users directly to the database results.

IFRS - Find out about the ISSB Knowledge Hub

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

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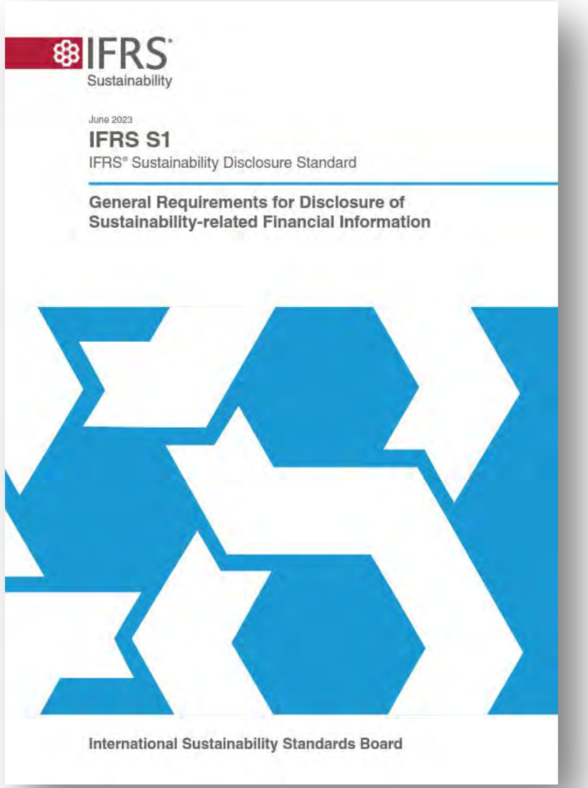

Download your copy:

https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/

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IFRS Sustainability CAPACITY BUILDING

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