ISSB Briefing Workshop and Q&As for Emerging Markets

We will begin shortly. Please feel free to insert any questions you have in the Q&A box.
ISSB Briefing Workshop and Q&As for Emerging Markets

Opening Remarks

Martine Valcin, Global Manager, Corporate Governance, IFC
<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>7:30 - 7:40 (EST)</td>
<td>Opening remarks and session overview</td>
</tr>
<tr>
<td>12:30 - 12:40 (BST)</td>
<td>Martine Valcin (IFC) and Anthony Miller (UN SSE)</td>
</tr>
<tr>
<td>7:40 - 7:55 (EST)</td>
<td>Overview of IFRS Exposure Draft for General Sustainability-related Disclosures</td>
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<tr>
<td>12:40 - 12:55 (BST)</td>
<td>Sundip Jadeja (IFRS Foundation)</td>
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<tr>
<td>7:55 - 8:10 (EST)</td>
<td>Q&amp;A and participant feedback</td>
</tr>
<tr>
<td>12:55 - 13:10 (BST)</td>
<td>Ralitza Germanova (IFC)</td>
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<tr>
<td>8:10 - 8:25 (EST)</td>
<td>Overview of IFRS Exposure Draft for Climate-related Disclosures</td>
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<tr>
<td>13:10 - 13:25 (BST)</td>
<td>Caroline Clark-Maxwell (IFRS Foundation)</td>
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<tr>
<td>8:25 - 8:35 (EST)</td>
<td>Q&amp;A and participant feedback</td>
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<tr>
<td>13:25 - 13:35 (BST)</td>
<td>Tiffany Grabski (UN SSE)</td>
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<tr>
<td>8:35 - 8:45 (EST)</td>
<td>Closing remarks and next steps</td>
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<tr>
<td>13:35 - 13:45 (BST)</td>
<td>Charles Canfield (IFC)</td>
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</tbody>
</table>
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Housekeeping:

- Please feel free to introduce yourself in the chat box.
- We will be monitoring the Q&A box throughout so please share your questions at any time.
- This session is being recorded and will be shared after
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Opening Remarks

Anthony Miller, Coordinator, UN SSE Initiative
ISSB Briefing Workshop and Q&As for Emerging Markets

Overview of IFRS Exposure Draft for General Sustainability-related Disclosures

Sundip Jadeja, ISSB Technical Staff
IFRS Foundation
About the IFRS Foundation

Our organisation

- Not-for-profit, public interest organisation
- Three-tier governance model
  1. Monitoring Board (oversight)
  2. Trustees (governance & strategy)
  3. IASB + ISSB (standards)
- Extensive, inclusive due process

Our mission

Develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world

IFRS Accounting Standards

Required for use by more than 140 jurisdictions around the world
ISSB focus

- Develop standards for global baseline of sustainability disclosures and a digital taxonomy to enable electronic tagging of disclosures

- Focus on meeting the information needs of investors

- Will enable companies to provide comprehensive sustainability information for the global capital markets

- Building blocks approach: facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders
Building blocks approach

**Sustainability reporting (broader multi-stakeholder focus)**
Reporting on all sustainability matters that reflect significant positive or negative impacts on people, the environment and the economy

**Sustainability-related financial disclosures (investor focus)**
Reporting on those sustainability-related matters that may reasonably create or erode enterprise value over the short, medium and long term

**Financial reporting (investor focus)**
Reflected in monetary amounts in the financial statements

- IASB (140+ countries)
- Other GAAP (eg FASB)

Jurisdictional initiatives and/or GRI

ISSB

Integrated Reporting
Two proposed IFRS Sustainability Disclosure Standards

1. General Requirements Exposure Draft
2. Climate Exposure Draft
General Requirements Exposure Draft
1 General Requirements Exposure Draft

Requires companies to provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value

- Other IFRS Sustainability Disclosure Standards (e.g., Climate Standard) set out specific disclosures
- Points to other standards and frameworks in absence of a specific IFRS Sustainability Disclosure Standard
- Equivalent to IFRS Accounting Standards IAS 1 and IAS 8
Standards architecture

Focus on investor audience and enterprise value

- Governance
- Strategy
- Risk Management
- Metrics and targets

Common thread – core content
Taken from TCFD structure

- General Requirements Standard
- Thematic / cross-industry requirements
- Industry-based requirements

Core content used across IFRS Sustainability Disclosure Standards
Information for the capital markets

- Information provided must 'enable an assessment of the effects of sustainability-related risks and opportunities on a company's enterprise value' (the market value of its equity and net debt)

- Focus is on **significant** sustainability-related risks and opportunities

- Information required includes the impacts of a company on people, the environment and the planet if they affect assessments of enterprise value

- Requires information that is **material** for a company, ie that could reasonably be expected to influence decisions that investors would make (in this case, when assessing enterprise value)
Key features

- Emphasises need for consistency and connections between financial statements and sustainability reporting by requiring companies to
  - explain linkages in information
  - use consistent assumptions when relevant

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

- Facilitates application in different jurisdictions by
  - not specifying a particular location for sustainability information
  - allowing additional information to be provided
Identifying sustainability-related risks and opportunities and disclosures

**General Requirements [Standard]**
A company would be required to disclose material information about all significant sustainability-related risks and opportunities.

**Climate [Standard]**
A company would apply the relevant IFRS Sustainability Disclosure Standards to identify climate-related risks and opportunities and disclosures.

In lieu of a specific IFRS Sustainability Disclosure Standards, when identifying sustainability-related risks and opportunities and disclosures consider:

<table>
<thead>
<tr>
<th>SASB Standards</th>
<th>CDSB Framework, CDSB Framework application guidance</th>
<th>Other standards</th>
<th>Other sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry-based disclosure topics identified in SASB Standards</td>
<td>ISSB’s non-mandatory guidance, e.g., CDSB Framework and CDSB Framework application guidance for social, water- and biodiversity-related disclosures</td>
<td>Other standards, provided that they are designed to meet the information needs of investors</td>
<td>Practices of peer companies in the same industries or geographies</td>
</tr>
</tbody>
</table>

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

Moderator: Ralitza Germanova, IFC
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Overview of IFRS Exposure Draft for Climate-related Disclosures

Caroline Clark-Maxwell, ISSB Technical Staff
IFRS Foundation
Climate Exposure Draft
Latest climate science (IPCC)

Projected global GHG emissions from NDCs announced prior to COP26 would make it likely that warming will exceed 1.5°C and also make it harder after 2030 to limit warming to below 2°C.
2 Climate Exposure Draft

Requirements for disclosure of material information about significant climate-related risks and opportunities

- Requires disclosure of information about;
  - physical risks (e.g. flood risk)
  - transition risks (e.g. regulatory change)
  - climate-related opportunities (e.g. new technology)
Building on existing standards

Consistent with TCFD
- Governance
- Strategy
- Risk management
- Cross-industry metrics and targets
- Illustrative guidance

Builds on SASB Standards
- Industry-based disclosures in Appendix B derived from SASB Standards
- Proposed changes to:
  - Internationalise metrics
  - Add financed emissions disclosures
Strategy

“The objective of climate-related financial disclosures on strategy is to enable users of general purpose financial reporting to understand an entity’s strategy for addressing significant climate-related risks and opportunities.”

- Identification of climate-related risks and opportunities
- Business model and value chain
- Strategy and decision-making (e.g., carbon offsets)
- Financial position, financial performance and cash flows
- Climate resilience
Metrics and targets

“The objective of climate-related financial disclosures on metrics and targets is to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant climate-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.”

Cross-industry metric categories
- Greenhouse gas emissions
- Transition risks
- Physical risks
- Climate-related opportunities
- Capital deployment
- Internal carbon prices
- Remuneration

Industry-based requirements
In preparing these disclosures, an entity shall consider whether industry-based metrics associated with disclosure topics could be used in whole or part to meet the requirements.
Call to action and next steps
## Consultation package & communication materials

<table>
<thead>
<tr>
<th>General Requirements Exposure Draft</th>
<th>Climate Exposure Draft</th>
<th>Other materials</th>
</tr>
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<tbody>
<tr>
<td>• Draft Standard</td>
<td>• Draft Standard</td>
<td>• Press release</td>
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<tr>
<td></td>
<td>- including Appendix B industry-based disclosure requirements</td>
<td></td>
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<tr>
<td>• Basis for Conclusions</td>
<td>• Basis for Conclusions</td>
<td>• Snapshot (high-level summary)</td>
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<tr>
<td>• Illustrative Guidance</td>
<td>• Illustrative Guidance</td>
<td>• Video</td>
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<td>• Comparison of Climate ED &amp; TCFD</td>
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<td>• Comparison of TRWG prototypes and Exposure Drafts</td>
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How to comment on the proposals?

Survey

or

Comment letter

Visit:
ifrs.org/projects/open-for-comment/

Comments are published on ifrs.org
Next steps for the Exposure Drafts

- **31 Mar**: Proposals published
- **Apr-Jul**: Consultation and outreach
- **29 Jul**: Consultation closes
- **Aug-Dec**: Consultation feedback analysis
  - ISSB deliberations
  - Refine and finalise Standards
- **End 2022**: Issue Standards *

* Dependent on feedback from the consultation
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Q&As and Participant Feedback

Moderator: Tiffany Grabski, UN SSE
ISSB Briefing Workshop and Q&As for Emerging Markets

Closing Remarks and Next Steps

Charles Canfield, Principal Corporate Governance Officer, IFC
Thank you for your participation

Please don’t forget to share your comments on the ISSB exposure drafts before 29 July

https://www.ifrs.org/groups/international-sustainability-standards-board/

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