

Briefing on ISSB & Regulatory Developments:

We must act now to create a comprehensive global baseline

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June 29, 2022



**INTEGRATED
THINKING
PRINCIPLES**



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**



ISSB: formed in response to demand from investors and businesses to simplify the global sustainability disclosure landscape



Develop standards for global baseline of sustainability 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



Simplifying the disclosure landscape: the future of VRF resources



Market demand: Global investors have coalesced around a cross-industry (TCFD) and industry-based (SASB) approach

A small sample of statements of support include:

BlackRock

"While the world moves towards a single standard, BlackRock continues to endorse TCFD- and SASB-aligned reporting."

2021 Letter to CEOs

ICI INVESTMENT
COMPANY
INSTITUTE

"...ICI's board is urging companies to provide disclosure consistent with the TCFD recommendations and SASB Standards..."

December 2020 press release

CPP Investments

"When issuers seek input, the organization now indicates its preference for companies to align their reporting with the SASB and TCFD standards."

July 2020 updated Sustainable Investment Policy

THE
INVESTMENT
ASSOCIATION

"We strongly encourage the SSB to focus on creating a coherent and unified set of standards that draw heavily on the work of SASB and TCFD."

IFRS Foundation consultation on sustainability reporting



HM Treasury

Asset Management Task Force on Stewardship

"SASB and TCFD already have a significant amount of traction with global investors and companies and are the basis on which many investors are developing their ESG integration processes."

November 2020 report

NORGES BANK
INVESTMENT MANAGEMENT

"We recommend that companies report financially material sustainability information following the logic of the TCFD and using the SASB industry-specific standards."

IFRS Foundation consultation on sustainability reporting

Global businesses have also embraced TCFD, SASB Standards and the <IR> Framework



2,600 organizations

*have expressed their support for the **TCFD** recommendations*



1,983 businesses

*Disclose using **SASB Standards***



2,500 businesses

*Use the **<IR> Framework** to drive integrated reporting*

**Of the sample of companies reviewed for the TCFD 2021 [Status Report](#)*



ISSB building on SASB Standards



Emmanuel Faber
Chair

“We are convinced that the industry-based approach used to develop the SASB Standards is a market-validated model for the development of decision-useful and cost-effective sustainability disclosure standards. Therefore, I strongly encourage continued use of the SASB Standards and recognize their near-term priority role for preparers in the application of the proposed General Requirements Standard. Further enhancing and evolving the SASB Standards will be a priority for the ISSB, as embedding the industry-based approach in the work of the ISSB is essential to delivering Standards that support investors’ assessments of enterprise value across a broad range of sustainability issues.”



ISSB exposure drafts respond directly to market demand

We must act now to cement TCFD, SASB and <IR> into the global baseline

The initial ISSB exposure drafts are out, and we believe they address market needs. **However, the ISSB will need market feedback to...**



Secure the final positioning of VRF resources, including SASB Standards & the <IR> framework



Set the course for future ISSB Standards development and priorities



Demonstrate market support for a global baseline approach (e.g. building blocks)



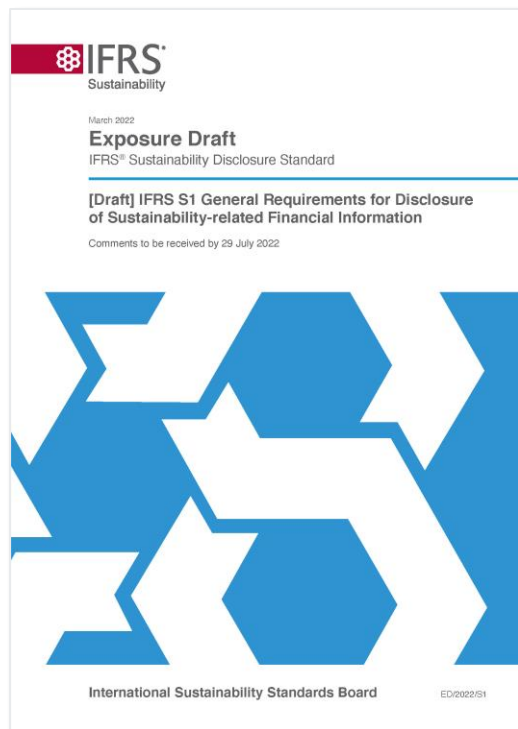


Responding to market demand

A closer look at the ISSB Exposure Drafts

Two proposed IFRS Sustainability Disclosure Standards

1



General Requirements Exposure Draft

[Link](#)

2



Climate Exposure Draft

[Link](#)



Reporting on significant risks & opportunities

General Requirements [Standard]

A company would be required to disclose material information about all significant sustainability-related risks / opportunities



Climate [Standard]

A company would apply the relevant IFRS Sustainability Disclosure Standards to identify risks / opportunities and disclosures



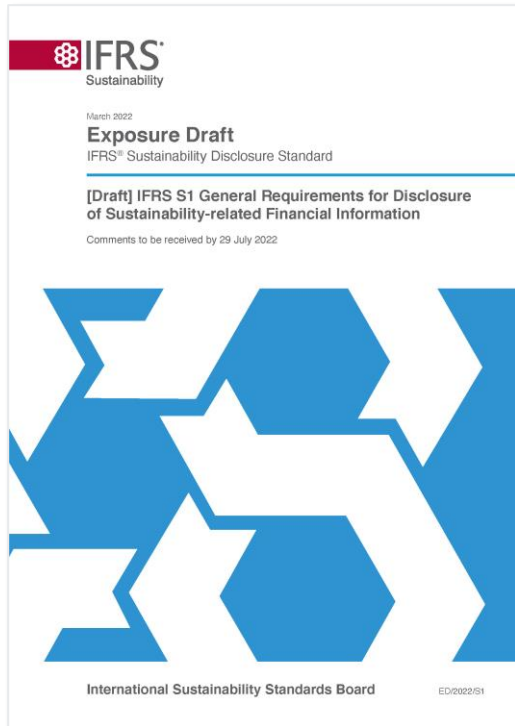
If no specific IFRS Sustainability Disclosure requirements, a company must consider:

SASB Standards	CDSB Framework and application guidance	Other standards	Other resources
Industry-based disclosure topics	ISSB's non-mandatory guidance – eg social, water and biodiversity	Those that meet investors' information needs	Peer company practices (similar industry / geography)

Illustrative Guidance: how to use **SASB Standards** and **CDSB Framework application guidance** to do this

1

General Requirements Exposure Draft requires disclosure of significant sustainability risks and opportunities



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:

- **SASB Standards** are priority materials for identifying sustainability-related risks and opportunities and to develop appropriate disclosures

Equivalent to IFRS Accounting Standards IAS 1 and IAS 8



Key features of General Requirements Exposure Draft



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



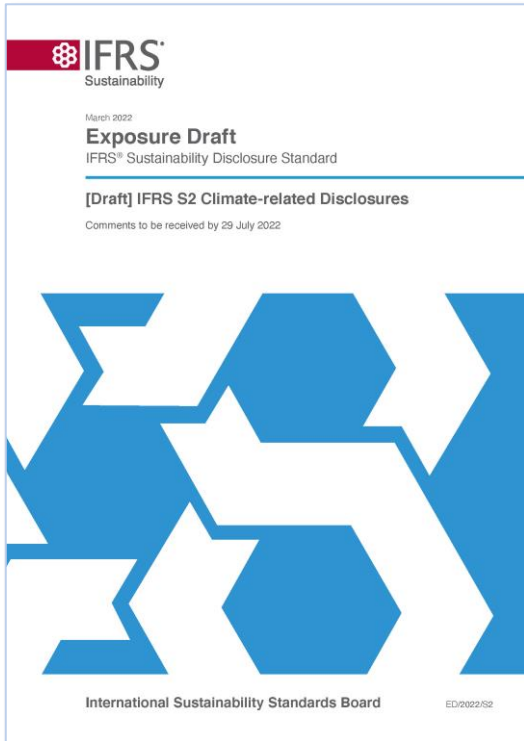
Facilitates application in different jurisdictions by

- not specifying a particular location for sustainability information
- allowing additional information to be provided



2

Climate Exposure Draft incorporates TCFD recommendations and industry-based requirements from SASB Standards



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

Fully incorporates **TCFD recommendations**

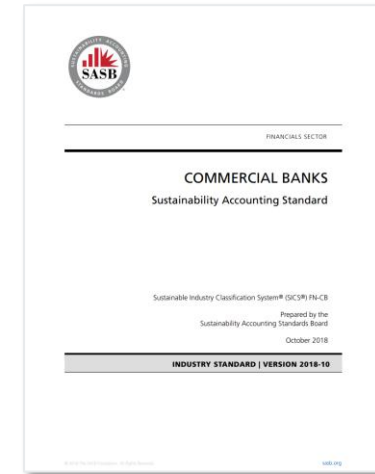
Includes climate-related industry-based requirements from **SASB Standards**

Requires disclosure of information about;

- physical risks (e.g. flood risk)
- transition risks (e.g. regulatory change)
- climate-related opportunities (e.g. new technology)



Exposure Draft Climate Standard = TCFD + SASB



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:**
 - Internationalize metrics
 - Add financed emissions disclosures



Helpful materials published by IFRS Foundation

In addition to the 2 Exposure Drafts and corresponding Basis for Conclusions, the ISSB published helpful materials for you and your colleagues to evaluate the Exposure Drafts



Snapshot – A short overview



Comparison between Climate Exposure Draft and TCFD Recommendations



Comparison between both Exposure Drafts and TRWG Prototypes published in November 2021



Illustrative Guidance for General Requirements and Climate – including illustrative metrics





Recent developments & next steps

Action items for market participants



Recent news & updates

- G7 Finance Ministers and Central Bank Governors [Communiqué](#)
- SASB Standards Investor Advisory Group [letter on the ISSB's exposure drafts](#)
- IASB and ISSB articulate a [future path for integrated reporting](#)
- [ISSB communicates plans](#) to build on SASB's industry-based Standards and leverage SASB's industry-based approach to standards development
- ISSB [webinars on exposure drafts](#) – April 28



The future is now

There will be three concurrent public consultations and **market feedback will shape the future** – not only of the exposure drafts and other proposals, but also of future standard setting and interoperability.

DEADLINES



International Sustainability Standards Board (ISSB) Exposure Drafts



US SEC proposal to enhance and standardize climate-related disclosures for investors

CLOSED



EFRAG exposure drafts of European Sustainability Reporting Standards

- Even if you are entirely satisfied with the direction of travel, **the ISSB needs to see support for its chosen approach in comment letters** in order to continue down this path.
- Similarly, **jurisdictional efforts will be shaped by feedback** – including on how they are or could be compatible with international work (ie ISSB).

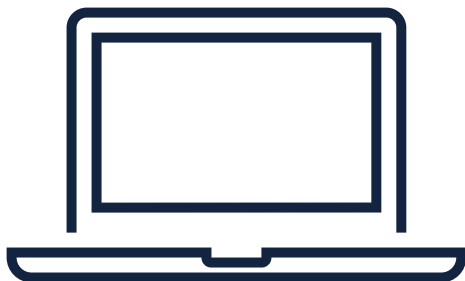


In Summary: ISSB Exposure Drafts

- Call to action:** Please encourage your networks to provide feedback on both the General Requirements and Climate Exposure Drafts by 29 July 2022.
- Comprehensive global baseline:** Once finalized, these standards will enable preparers to provide a comprehensive global baseline of sustainability disclosures to financial markets.
Please respond to jurisdictional consultations in support of the ISSB as a global baseline
- Collaboration:** The proposed standards build upon the TCFD Recommendations and incorporate industry-based disclosure requirements based on the SASB Standards
- Simplification:** This work simplifies the disclosure landscape by consolidating content from five frameworks and standards into a cohesive whole
- Established approach:** The ISSB is following an inclusive and transparent due process
- Future work:** Later this year, the ISSB will undertake a further public consultation on its future standard-setting priorities.



How to comment on the ISSB proposals?



Survey

or



Comment letter

Visit:

[ifrs.org/projects/
open-for-comment/](https://ifrs.org/projects/open-for-comment/)

Comments are published on ifrs.org





Alignment with SEC climate disclosure proposal

Key areas of alignment between US SEC and ISSB

- **Both have an investor focus**
- **Based on TCFD framework**
 - SEC and ISSB both include specific governance, strategy and risk management reporting requirements
 - Similar TCFD principles used to define climate-related physical risks and transition risks
- **Similar GHG emissions disclosures**
 - SEC: Scope 1, 2 GHG disclosure required, Scope 3 if material; ISSB: Scope 1, 2, 3 required if material
 - Both approaches are consistent with GHG Protocol
 - ISSB requires this methodology; SEC positively refers to but not required at this time
 - SEC Proposal mandates assurance (*jurisdictional requirement*)
- **Materiality**
 - Information is material if it “could reasonably be expected to influence” investors (ISSB) or there is a substantial likelihood a reasonable investor would consider it important (SEC)
 - Over short, medium and long term
 - Under SEC, certain disclosures are required regardless of materiality:
 - Scope 1 and 2 GHG emissions
 - Risk Management & Governance disclosures
 - Under ISSB, all disclosure requirements are subject to issuer determination of materiality



Key areas of alignment between US SEC and ISSB

- **Location of disclosure**
 - ISSB proposes that information be disclosed as part of the general purpose financial reporting package
 - To prevent conflicts with jurisdictional regulatory requirements, ISSB does not specify a particular location within general purpose financial reporting
 - SEC mandates disclosure in 10-K (or 20-F for non-US filers)
 - Climate-related financial impacts required in footnote in financial statements (Regulation S-X)
 - Other disclosures in S-K portion of annual report
- **Transition plans / Scenario analysis / Targets and goals**
 - Similar reporting requirements based on TCFD framework
 - ISSB proposes specific strategy reporting requirements related to transition plans, scenario analysis and plans to achieve targets
 - SEC requires disclosure of transition plans, scenario analysis and targets, if used
 - Safe Harbor protection over climate-related forward-looking statements (*jurisdictional regulation*)
 - SEC/ISSB: Both require transparency around the role of offsets, if used
- **Financial performance disclosures**
 - SEC/ISSB both require disclosure of the effects of climate-related risks on financial performance in the current period, as well as anticipated effects over the short, medium and long term
 - SEC: requires disclosure of financial impact of severe weather and transition activities with more than 1% financial impact on a financial statement line item
 - ISSB requires disclosure of climate impacts on financial performance for the reporting period but does not stipulate a quantitative threshold
- **Reporting date**
 - SEC/ISSB: Both require climate disclosures at the same time as financial reporting



VRF views on the US SEC consultation

- There is **substantial alignment** between SEC Proposed Climate Disclosure Rule (SEC Proposal) and [draft] IFRS S2 Climate-Related Disclosure Standard (ISSB Exposure Draft)
 - This represents a concrete step toward a global baseline of investor-focused climate disclosure
 - This alignment can reduce burden on issuers
- The **industry-based requirements of the ISSB are significantly additive** (and complementary) to SEC proposal
 - The SEC could encourage use of the proposed ISSB Climate standard for supplemental industry-based disclosures
 - Longer-term, the SEC could consider use of the ISSB General Requirements standard for material sustainability disclosures on topics other than climate
- **We encourage the SEC to allow Foreign Private Issuers** (20-F filers) to use ISSB Standard disclosure to meet SEC climate reporting obligation
 - This is an opportunity to further increase alignment between SEC and ISSB and is consistent with SEC allowance for use of IFRS Accounting Standards



Thank you



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