

ICAP and SCEP

Update from the International Sustainability Standards Board

8 May 2023

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Overview

1. The IFRS Foundation

2. IFRS S1 and IFRS S2

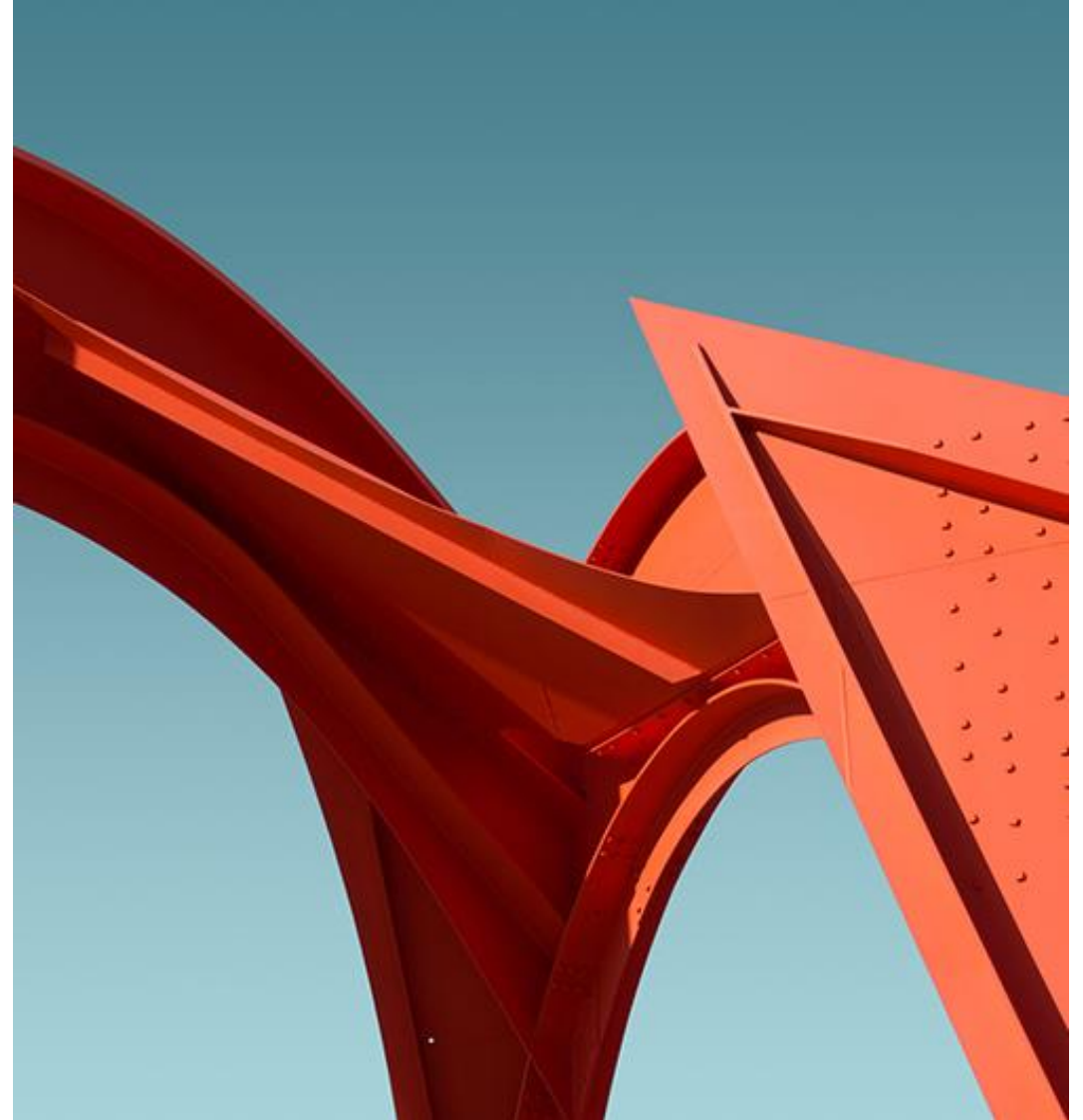
3. How does this align with Pakistan's priorities and direction of travel...?

4. Key priorities for the ISSB

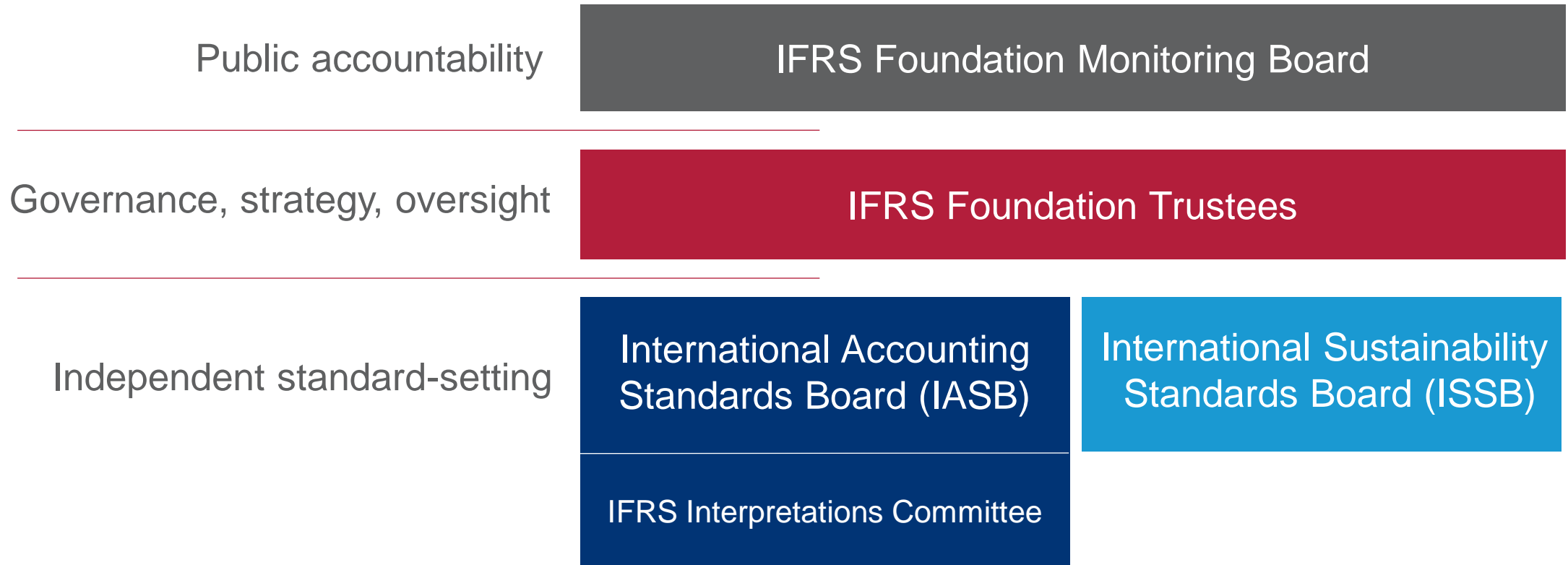
The IFRS Foundation develops and maintains Standards that are:

- High-quality
- Understandable
- Enforceable
- Globally acceptable

Our purpose is to empower people with the right information to support better economic and investment decision-making



Structure



ISSB objectives



Develop standards for a global baseline of sustainability disclosures to **meet information needs of investors** globally



Enable companies to provide comprehensive, decision-useful sustainability information to global capital markets



Deliver a **common language of sustainability-related disclosures**, with the flexibility for regional **'building blocks'** to be added by regulators when necessary to meet local and multi-stakeholder information needs

Building on investor-focused standards and frameworks

Consolidated into the IFRS Foundation



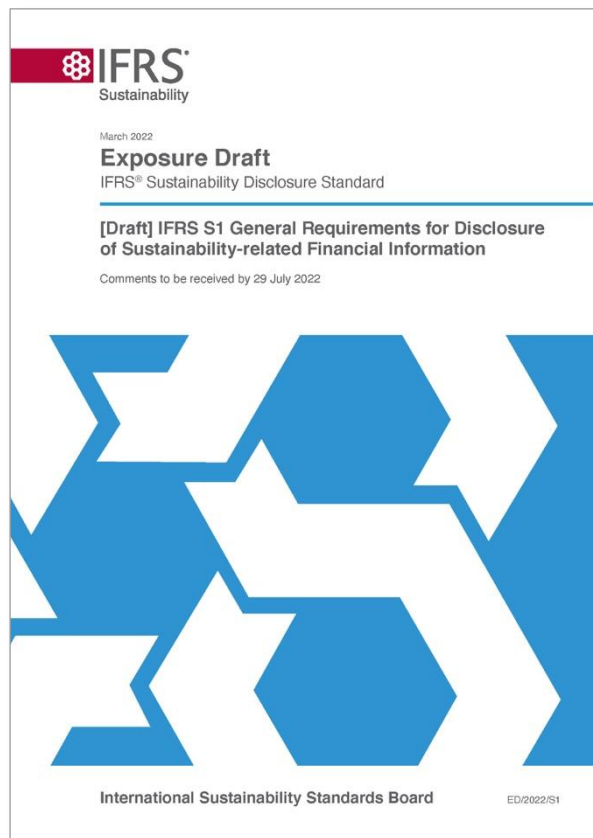
CDSB
Framework



IFRS S1 and IFRS S2



IFRS S1: General Requirements for Sustainability-related Disclosure



- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** to meet investor information needs
- Applies **TCFD structure** (four pillars) 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 disclosures
- Can be used by companies that report to **any GAAP**

IFRS S1: Key concepts



Emphasises need for **consistency and connections** between financial statements and sustainability disclosures

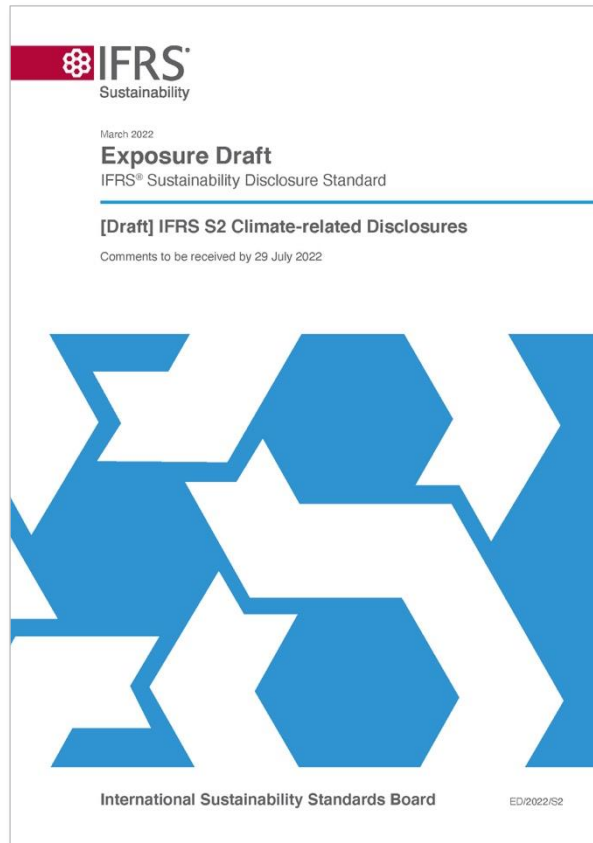


Financial statements and sustainability disclosures published **at the same time**, but with transitional relief



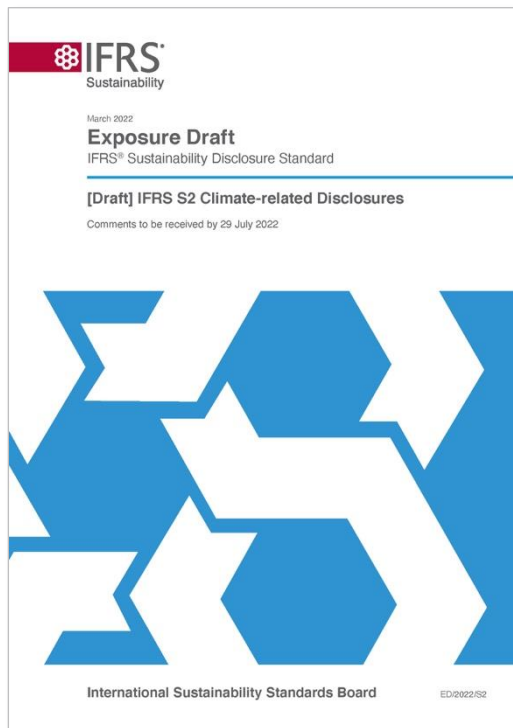
Does **not specify a location** for disclosure within general purpose financial reporting and **allows for additional information**, to facilitate application in different jurisdictions

IFRS S2: Climate-related Disclosures



- Used in accordance with IFRS S1, IFRS S2 requires disclosure of **material information** about **climate-related risks and opportunities** to meet investor information needs
- Incorporates **TCFD Recommendations** fully and adds specificity
- Requires disclosure of material information about **physical risks, transition risks, and climate-related opportunities**
- Requires **industry-specific disclosures**
- Provides illustrative guidance for **industry-specific metrics** built on SASB Standards to help companies identify sustainability-related risks and opportunities and disclosures

IFRS S2: Climate-related Disclosures



Transition planning

Emissions targets and use of carbon offsets



Climate resilience

Resilience of business strategy in multiple scenarios



Scope 1-3 emissions

Requirement to disclose GHG emissions in accordance with the GHG Protocol

IFRS S2 requires these disclosures if the reporting company determines they are material information.

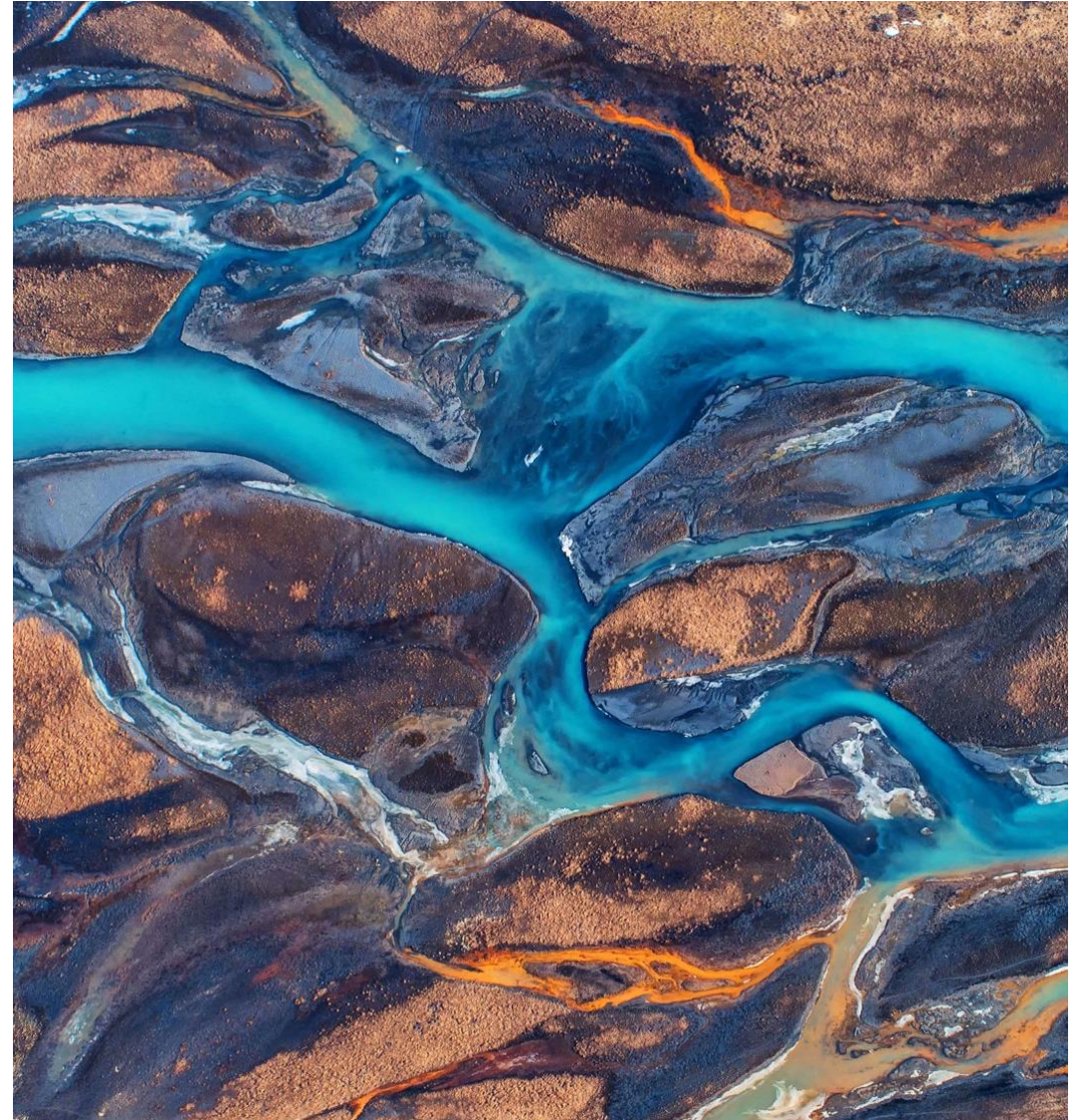
How does this align with
Pakistan's priorities and
Direction of Travel...?



IFRS S1 application support

To support those using its standards, the ISSB will provide further guidance on how to:

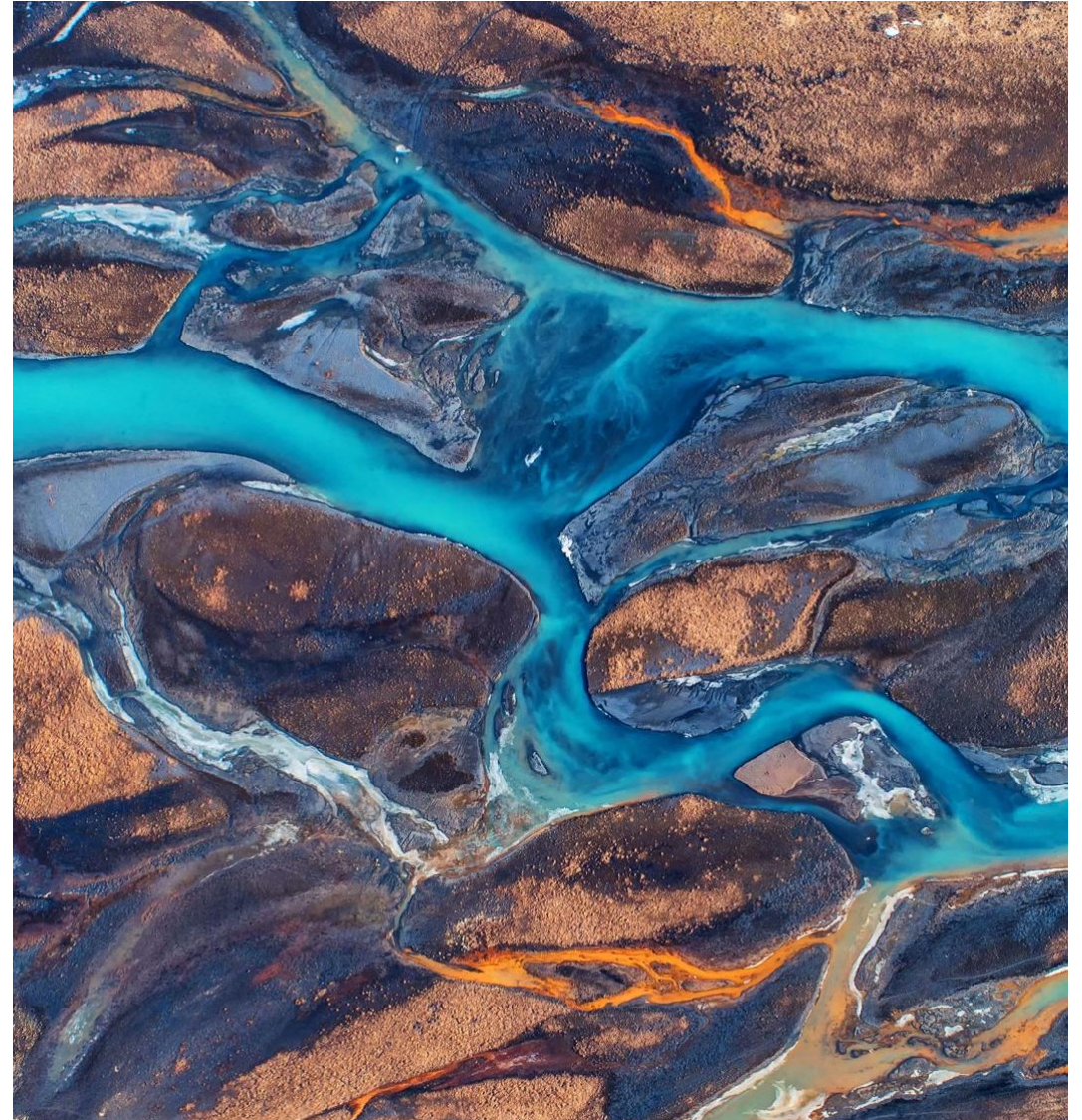
- Implement materiality judgements and identify sustainability-related risks and opportunities
- Disclose industry-specific metrics if a company spans multiple industries
- Disclose current and anticipated financial effects
- Revise comparative information to reflect updated estimates
- Disclose judgements, assumptions and estimates



IFRS S2 application support

To support those using its standards, the ISSB will provide guidance, education materials or illustrative examples on:

- Scenario analysis, using TCFD Guidance
- Industry-based climate disclosure, drawing on SASB Standards
- How to identify relevant sustainability-related risks and opportunities in the value chain, using Scope 3 GHG emissions as an example.
- Scope 3 GHG emission measurement
- Disaggregation of Scope 1-2 GHG emissions by consolidated accounting group and unconsolidated investees
- Potential disaggregation of GHG emissions by greenhouse gas (eg methane)



When to start to provide the disclosures in IFRS S1 and IFRS S2?

- **Effective** for annual reporting periods beginning on or after **1 January 2024**
- **Available for use before** that date to the extent a company applies both Standards at the same time
- If a company applies before 2024 it will **disclose that fact**
- **No** requirements to provide:
 - **interim** sustainability-related financial reporting
 - **comparative** information in the **first annual reporting period**
- One year **relief** to focus initial efforts on disclosure of climate-related risks and opportunities

Considerations in setting 2024 effective date



- Responding to investor demand
- Built on well-established standards and frameworks
- Transition reliefs
- Use of information that is reasonable and supportable and is available without undue cost or effort
- Committed to capacity building and providing guidance
- 18,000+ companies will collect data as required by IFRS S2 to disclose on the CDP platform for the 2024 financial year

Key priorities for the ISSB



Future work

Priorities

Steps to deliver, strengthen and enhance adoption and application of S1 and S2:

- capacity building
- regulatory adoption, working with IOSCO and jurisdictions
- voluntary application, working with companies and investors

Work to:

- enhance international applicability of SASB Standards
- connect climate and nature by researching incremental enhancements to disclosures required by S2

Focus on:

- connectivity with financial statements
- interoperability with GRI Standards



Q2 Agenda consultation

Public consultation on four projects to further understand standard-setting priorities:

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- integration in reporting

Deadline: 1st September 2023

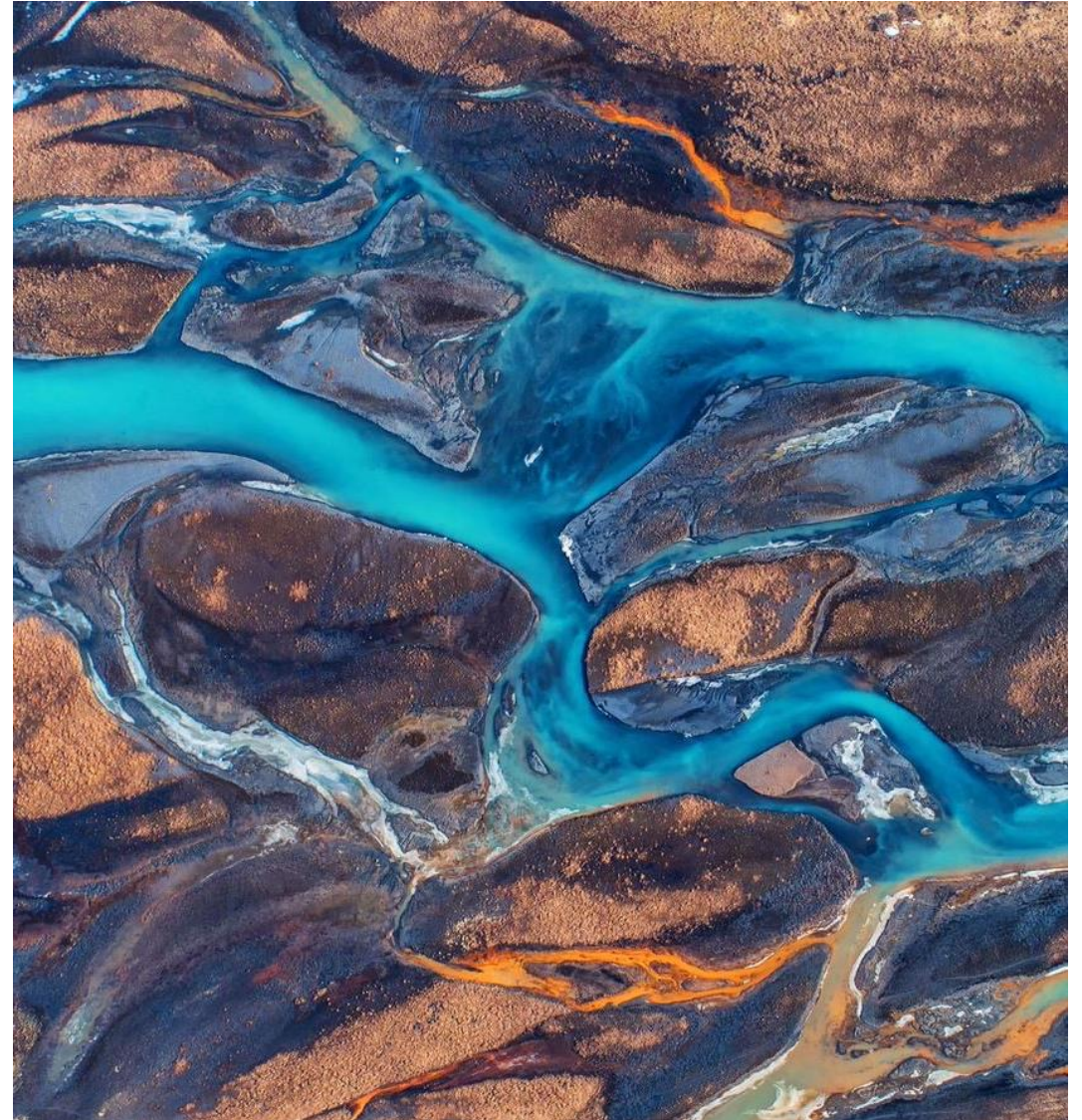
[IFRS - ISSB Consultation on Agenda Priorities](#)



Capacity building programme

Capacity building with and through partners

- ~30 partners - global and local - committed to ensuring readiness through our Partnership Framework
- Together, considering specific circumstances of emerging and developing economies and smaller companies
- Focused on enabling consistent and comparable high-quality disclosures to bring benefits of sustainability-related disclosures to all



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