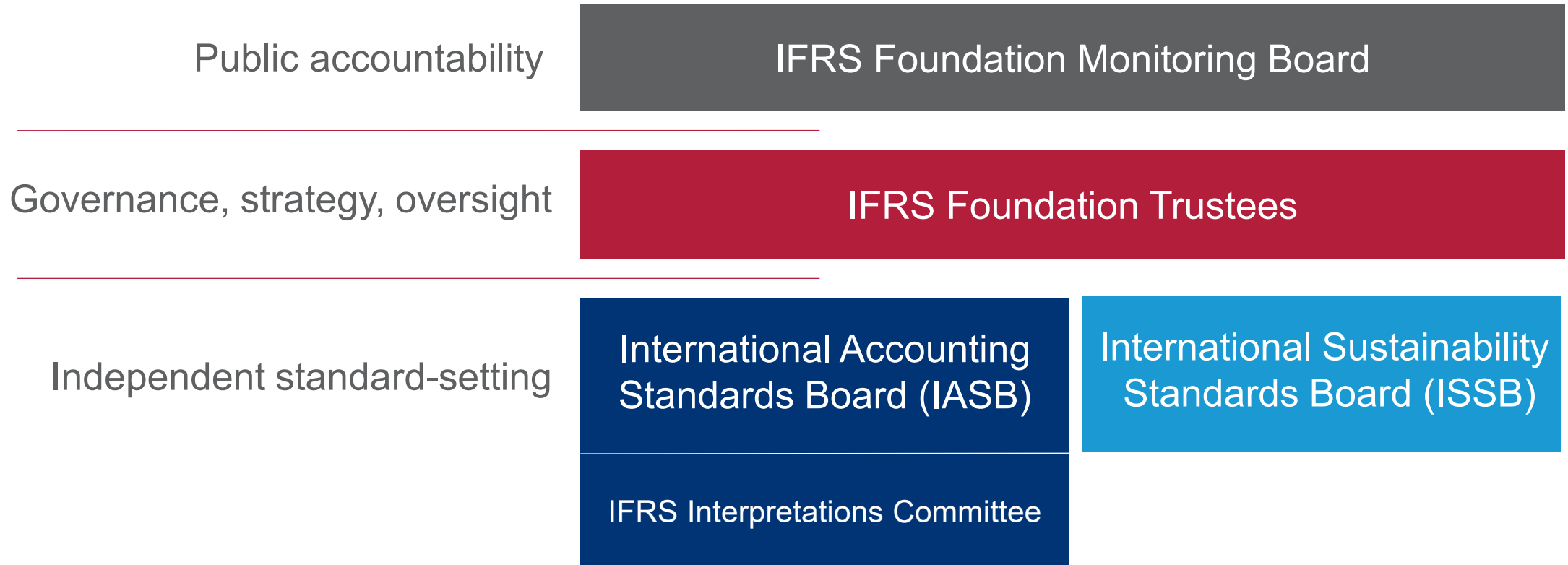

Decoding ESG Reporting for Investors: Introducing the ISSB Standards

Retail Sustainability Conference

Retail Council of Canada
October 3, 2023

ISSB Structure



ISSB Standards enhance investor-company dialogue



Decision-useful

Developing globally comparable sustainability-related disclosures - that are assurable - to meet the information needs of investors



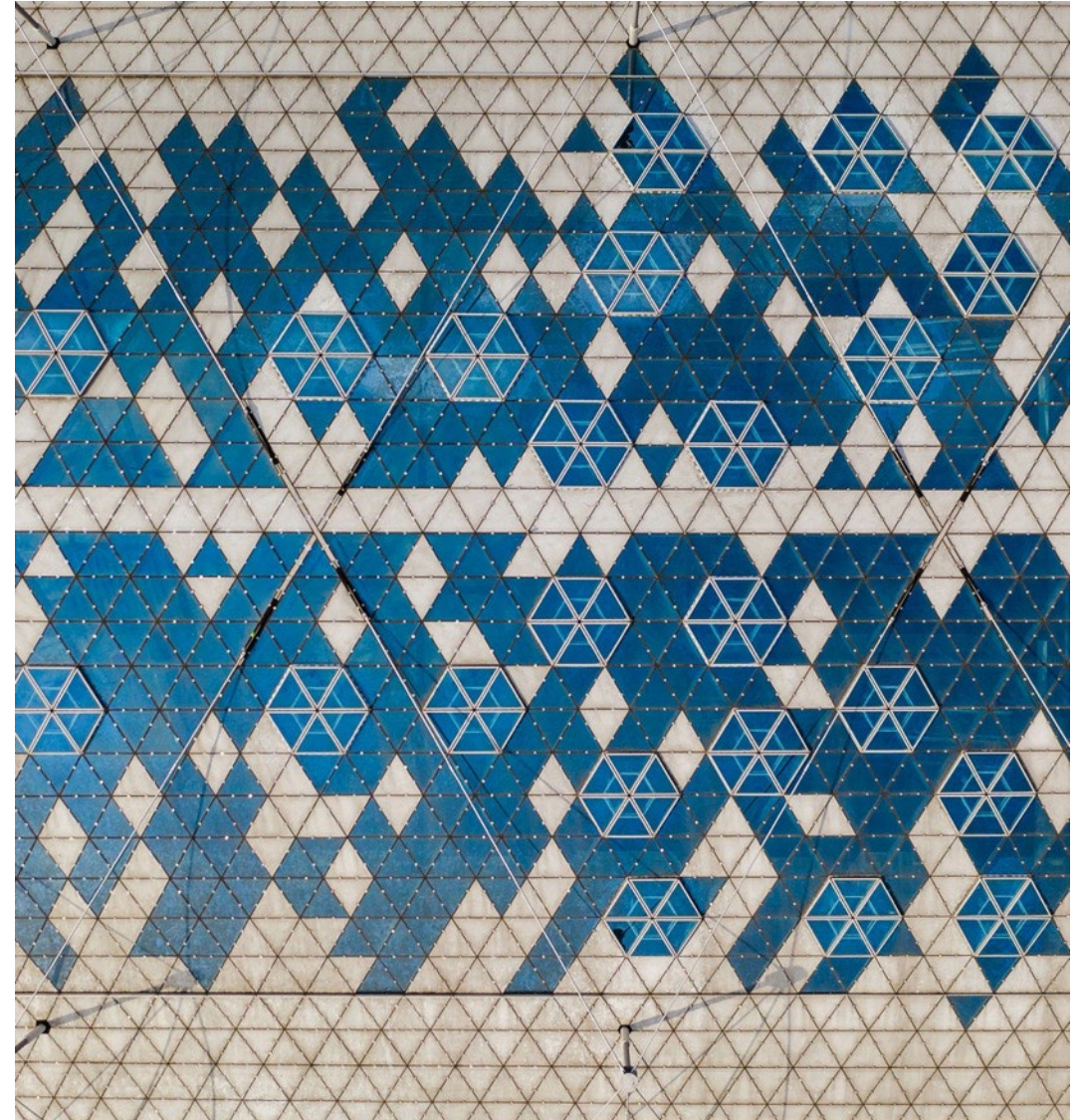
Cost-effective

Enabling companies to communicate to investors globally comparable, comprehensive information about sustainability-related risks and opportunities

How companies identify material sustainability 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'



Rationalising investor-focused standards and frameworks



A truly global baseline of disclosures



additional
building blocks

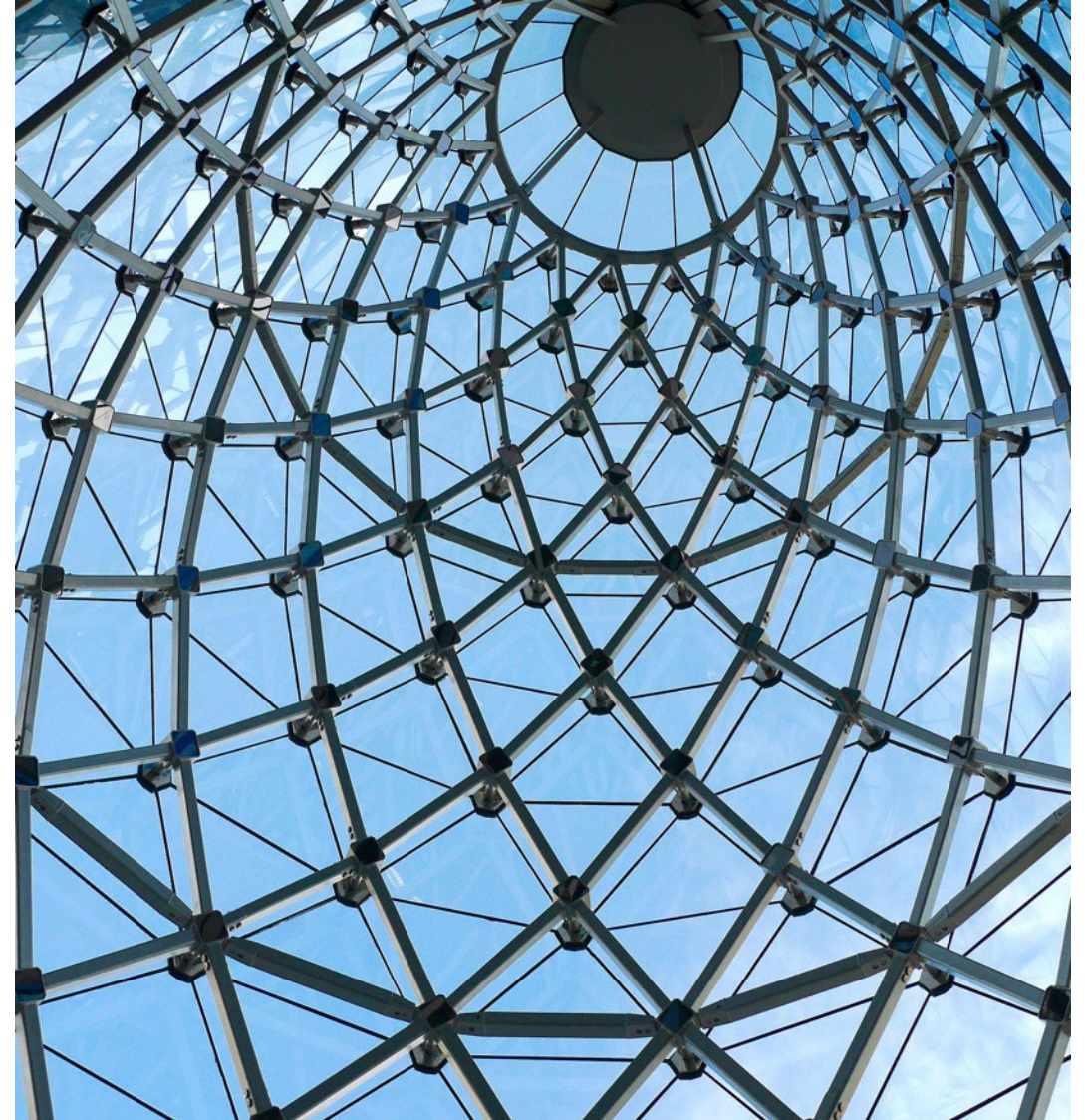
- can be added to meet jurisdiction-specific requirements
- can be added to meet broader multi-stakeholder needs

ISSB Standards

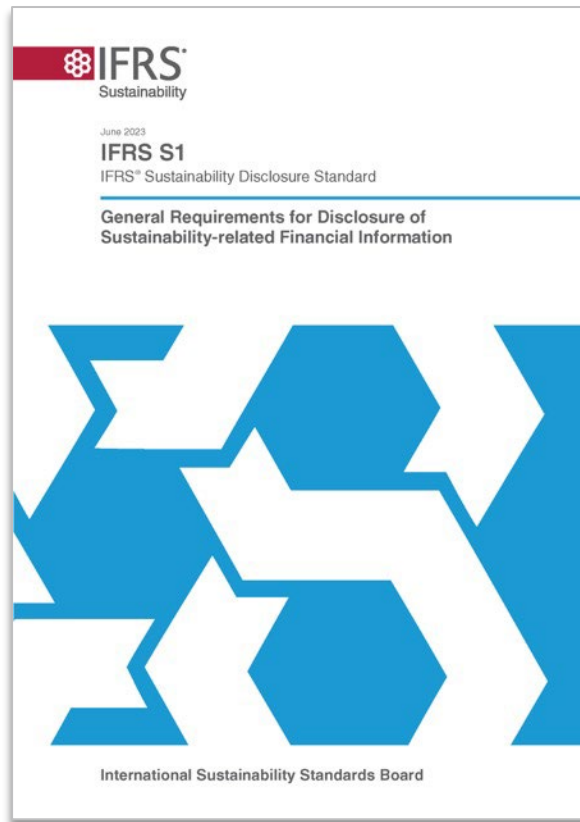
- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

Key milestones in delivering truly global baseline

- ISSB issues IFRS S1 and IFRS S2, *26 June*
- Financial Stability Board announce work of the TCFD now completed due to ISSB Standards and transfers responsibilities for monitoring progress on climate-related disclosures, *6 July*
- IOSCO endorse ISSB Standards following a comprehensive review, *25 July*
- European Commission, EFRAG and ISSB confirm 'high degree of alignment' in climate-related disclosure requirements, *31 July*



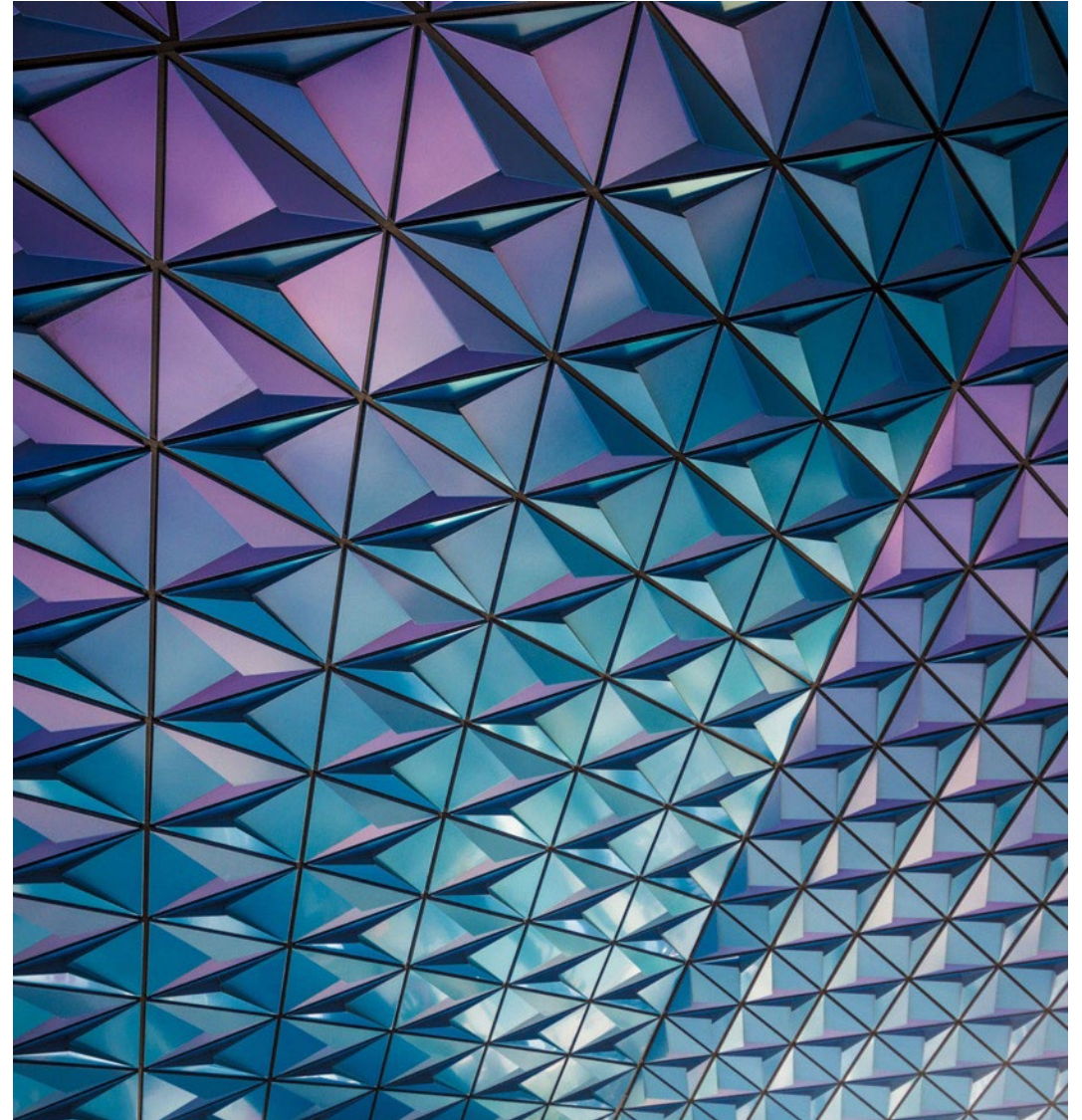
IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information



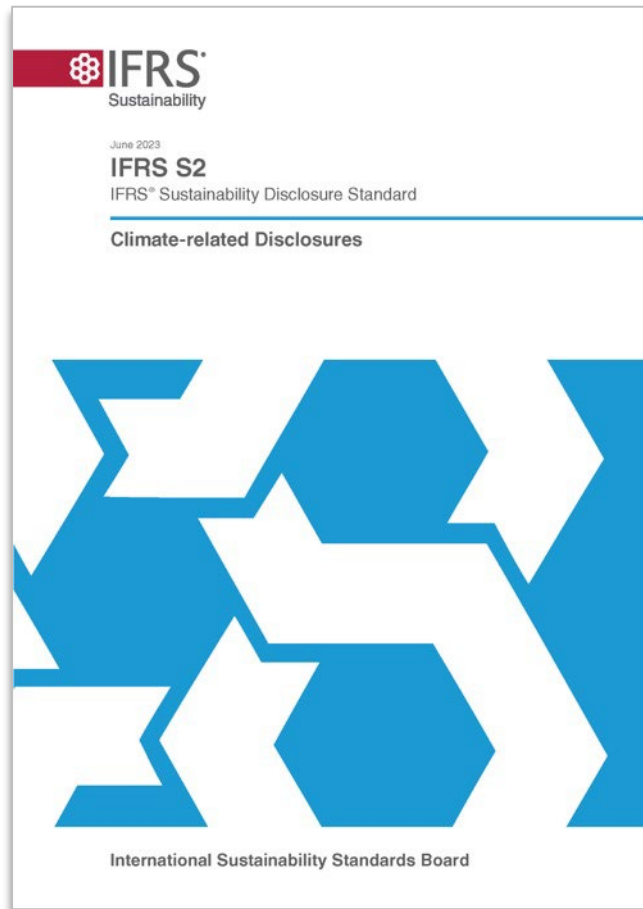
- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** with the financial statements, to meet investor information needs
- Applies **TCFD architecture** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- 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)**

Conceptual foundations

- Reporting entity
 - prepared for the **same reporting entity** 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.
- Connected information
 - The **effects** of sustainability-related risks and opportunities **on a company's current and anticipated financial performance, financial position and cash flows**
 - “An entity shall disclose information that enables users of general purpose financial reports to understand the current and anticipated effects of sustainability-related risks and opportunities on the **entity's business model and value chain.**” (IFRS S1, Para 32)
- Assurability



IFRS S2: Climate-related Disclosures



- Incorporates the **TCFD recommendations**
- To meet investor information needs, IFRS S2:
 - is used in accordance with **IFRS S1**
 - requires disclosure of **material information about climate-related risks and opportunities**, including physical and transition risks
 - requires **industry-specific disclosures**, which are supported by accompanying guidance built on SASB Standards

Material climate-related information enables investors to:

- Determine the effects of climate-related risks and opportunities on the company's performance and prospects
- Understand the company's response to, and strategy for, managing its climate-related risks and opportunities, including its climate-related transition planning
- Evaluate the ability of the company to adapt its planning, business model and operations to climate-related risks and opportunities
- Understand climate-related risks and opportunities in a company's value chain



Key disclosures



Strategy

1. Strategy and decision-making
2. Current and anticipated financial effects
3. Climate resilience



Metrics and targets

4. Scope 1-3 GHG emissions
5. Industry-based disclosures
6. Climate-related targets

Climate resilience: scenario analysis

Companies need to use climate-related scenario analysis when reporting on climate resilience



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**

GHG emissions



Disclose a company's absolute gross Scope 1, 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 GHG
Protocol Corporate Standard**

Disclosure of how and why a company has used specific inputs, assumptions and estimation techniques to measure its GHG emissions, including any changes to these

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

Looking ahead

Commitment to:

- connections with financial statements
- interoperability with jurisdictional and voluntary initiatives

Supporting implementation of IFRS S1 and IFRS S2

- **digital taxonomy**
- awareness raising and **capacity building**
- **regulatory adoption** and **voluntary application**

Work to:

- enhance and maintain the SASB Standards
- develop educational materials for nature and social aspects of climate-related risks and opportunities

Future priorities:

- Analysing feedback to ISSB **agenda consultation**



When to start to apply 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**

Considerations

- Securities legislation in Canada requires disclosure of certain climate change-related information in an issuer's regulatory filings (and Proposed National Instrument 51-107)
- Office of the Superintendent of Financial Institutions (OSFI) released B-15 in March 2023
 - the Guideline establishes OSFI's expectations related to the FRFI's management of climate-related risks
 - OSFI expects to align B-15 with IFRS S2
- Other jurisdictions
 - European standards (ESRS)
 - U.S. Securities and Exchange Commission's *Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors* (March 2022)

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