

ISSB Exposure Drafts

Talking points for episode 129

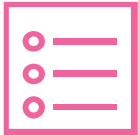


These talking points summarise the Exposure Drafts ('ED') published by the International Sustainability Standards Board (ISSB) on:

- [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#); and
- [IFRS S2 Climate-related Disclosures](#).

The exposure drafts also incorporate the 77 existing SASB standards. The ISSB have also produced a [comparison of the EDs with the prototypes](#) previously published in November 2021.

The General Requirements ED sets out a hierarchy to follow should there not be a thematic standard available, to help identify the sustainability-related risks and opportunities and the disclosures that should be provided in relation to them.



The General Requirements ED refers to materiality which considers the **information necessary for users** of general purpose financial reporting to **assess enterprise value**. Although this is broadly aligned with the definition in the IFRS Conceptual Framework and IAS 1, the ISSB notes **judgements on materiality** will vary because the **nature of sustainability related financial information** is different to information included in financial statements.

The General Requirements ED requires more disclosure on how the company develops and manages risk along with further disclosures on a) governance, b) strategy, c) risk management; and d) metrics and targets, following the Task Force on Climate-Related Financial (TCFD) framework



The General Requirements ED requires entities to provide information that enables users of general purpose financial reporting to **assess the connections** between various sustainability-related risks and opportunities, and to **assess how information about these risks and opportunities is linked** to information in the general purpose **financial statements**.

The climate-related ED is a thematic ED in which the objective is for entities to disclose information about its exposure to significant climate-related risks and opportunities. The risks are categorised into physical risks and transitional risks. Examples of disclosures include:

- Disclosing the **time horizon** over which each risk could reasonably be expected to affect its **business model, strategy and cash flows**, its **access to finance** and its **cost of capital**, over the **short, medium or long term**.
- How the entity is **responding to the risks**, and what **transition plans** it has in place; and
- The **resilience** of the business to the risks and opportunities faced, supported by **scenario analysis**.



The EDs are built off of the TCFD framework. In the context of the climate-related ED, additional disclosures include:

- The use of carbon offsets,
- Industry-based metrics, and
- How targets and scenarios compare with the latest international agreements on climate change.

Refer to the [Snapshot of the EDs](#) which includes an overview of where the ED aligns with the TCFD framework.

Both EDs are now open for comment with a deadline of 29 July 2022. The Board intends to issue new standards by the end of the year. Comments can be raised through an online survey available on the [IFRS website](#) or in writing.