



THE ISSB STANDARDS: AN OVERVIEW OF WHAT IS CONSIDERED THE 'GLOBAL BASELINE'

August 2023 Update



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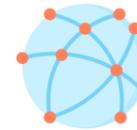
OVERVIEW

In June 2023, the International Sustainability Standards Board (ISSB) issued the final IFRS S1 and S2 standards

Overview of the ISSB

- The ISSB is overseen by the International Financial Reporting Standards (IFRS) Foundation, which also oversees the International Accounting Standards Board (IASB)
- **Two new sustainability and climate-related standards, IFRS S1 and S2 respectively,** consolidate ESG reporting to meet investor needs, effective Jan 1, 2024
- Sustainability disclosures are now more aligned with accounting standards and financial materiality to support investor decision-making and facilitate global comparability
- Although reporting is voluntary, **requirements differ across jurisdictions** - some have incorporated the ISSB standards into their regulatory frameworks

Four main objectives



Develop standards for global baseline of sustainability disclosures



Meet the information needs of investors



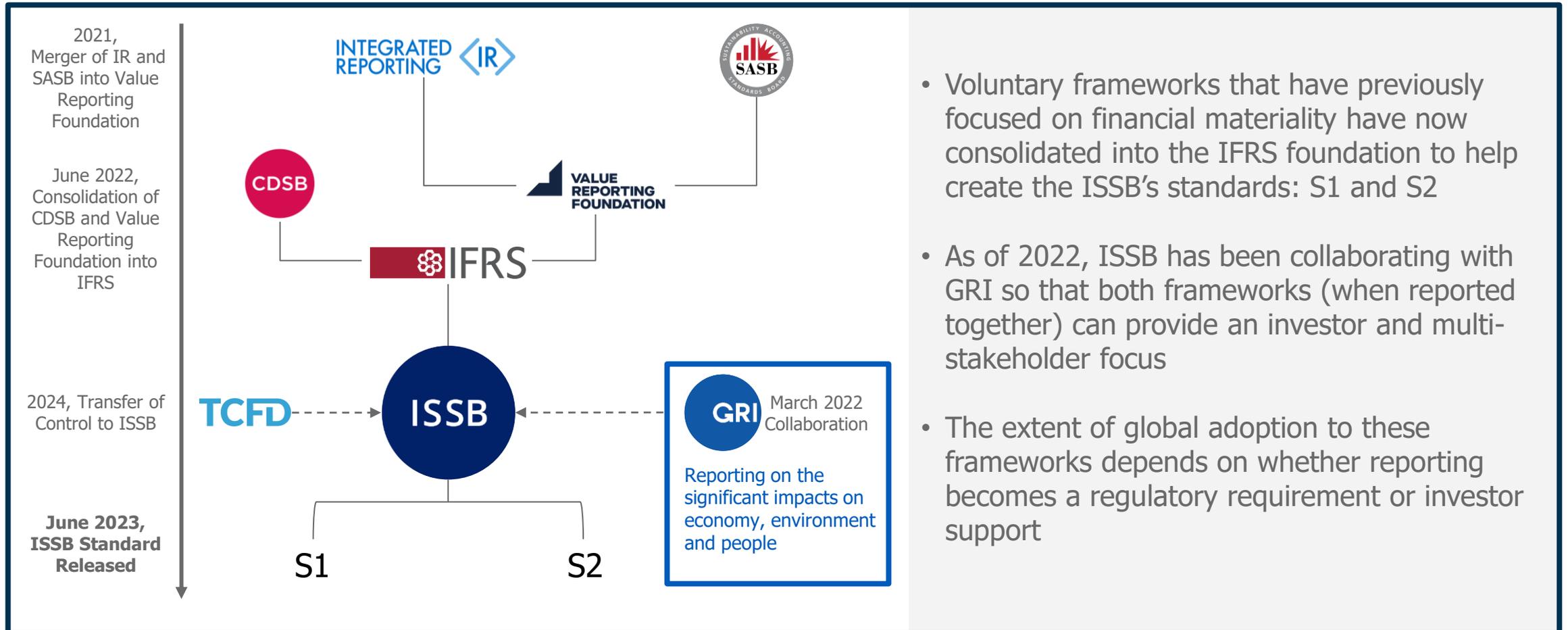
Enable companies to provide comprehensive sustainability information to global capital markets



Facilitate interoperability with disclosures that are jurisdiction specific or aimed at broader stakeholder groups

The ISSB was formed under the IFRS to develop consolidated standards, built upon past reporting initiatives

Evolution of ESG Reporting Standards



- Voluntary frameworks that have previously focused on financial materiality have now consolidated into the IFRS foundation to help create the ISSB's standards: S1 and S2
- As of 2022, ISSB has been collaborating with GRI so that both frameworks (when reported together) can provide an investor and multi-stakeholder focus
- The extent of global adoption to these frameworks depends on whether reporting becomes a regulatory requirement or investor support

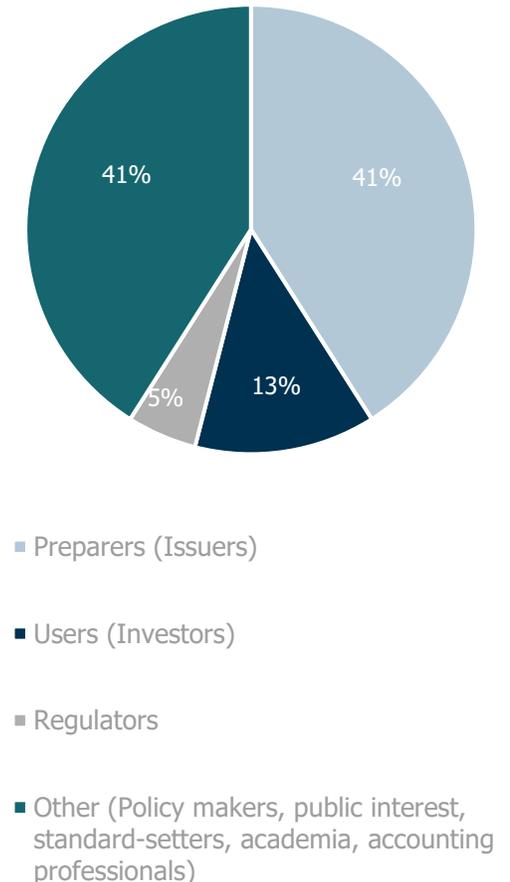
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INVESTOR PERSPECTIVES AND USEFULNESS

ISSB has received over 1,400 comment letters representing a variety of stakeholders including issuers and regulators

Investor	Quote from Comment Letter
BlackRock	"We see the standard setting work of the ISSB as an important contribution to a multi-year, multi-jurisdictional effort towards improving the availability, quality, comparability, timeliness, and interoperability of sustainability-related disclosures."
Vanguard	" Clear, comparable disclosures inform the investment decisions of portfolio managers for our actively managed funds and inform the engagement efforts and proxy voting decisions of our investment stewardship team on behalf of our clients... We view climate and sustainability-related risks through the lens of financial materiality and expect companies to disclose them as relevant to their industries."
 STATE STREET	"Establishing a global baseline of sustainability-related disclosures is increasingly important. For the investors we serve, the measurement and mitigation of sustainability-related financial risks, especially those stemming from climate change, can be key elements in seeking long-term value. As a result, we have long supported voluntary disclosure standards that aim to increase investor-useful information. "
Amundi ASSET MANAGEMENT	"As a leader in responsible investment, Amundi welcomes and overall supports the ISSB's initiative to develop international standards for entities to disclose sustainability-related information... As an asset manager, we need information from the investees that are sufficiently standardised to be relevant, comparable, verifiable, and useful to enable informed investment decisions."

IFRS S1 Respondents



The ISSB Standards focus on making disclosure effective and useful for investors through four main ways

Comparable

- ISSB is globally consistent and applicable to all jurisdictions, leading to international recognition
- Consolidating relevant frameworks, that investors have supported in the past, reduces double reporting and allows interoperability with broader sustainability disclosure

Timely

- Reporting timelines are aligned with financial statements
- ISSB provides a one-year relief period on S1 reporting to ease transition but maintain timeliness
- Companies are reporting on short, medium, and long-term risks and opportunities

Decision-useful

- The transparent nature of the framework builds trust with investors and regulators as they can better assess risk management and planning strategies of companies
- Required disclosures of information that could be reasonably expected to affect cash flows, access to finance, or cost of capital

Market-informed

- Focuses exclusively on capital markets by requiring information that is material, proportionate, and useful to investor decision making
- Improved disclosure will contribute to long-term financial and market stability
- International comparability attracts more capital

Note: Entities can only make an explicit and unreserved statement of compliance if its disclosures comply with **all requirements** of IFRS Sustainability Disclosure Standards

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SPECIFICS OF THE STANDARDS

IFRS S1 and S2 standards are made to regulate both sustainability and climate-related risks and opportunities

S1 IFRS S1:				
General Requirements for Disclosure of Sustainability-related Financial Information				
Overarching standard that engages all sustainability topics				
Governance	Strategy	Risk Management	Metrics & Targets	
Comprised of conceptual foundations, core content, general requirements, and judgements, uncertainties, and errors to guide accurate disclosure				
Information about the sustainability-related risks and opportunities throughout the value chain that can be reasonably expected to affect an entity's prospects				
Requires companies to consider SASB Standards to identify sustainability-related risks and opportunities and disclose related industry information				

S2 IFRS S2:				
Climate-Related Disclosures				
1st of many sustainability standards that are topic specific				
Governance	Strategy	Risk Management	Metrics & Targets	
Scope 1, 2, and 3 greenhouse gas emissions disclosure in accordance with the GHG protocol				
Disclose climate-related physical and transition risks and opportunities				
Provides accompanying guidance derived from the climate-related topics and metrics in SASB Standards				

The S1 standard has four key aspects which ensure decision-useful, comparable, and high-quality disclosures

Conceptual Foundations

- Fair presentation
- Materiality
- Reporting entity
- Connected information

Core Content

- Governance
- Strategy
- Risk management
- Metrics and targets

General Requirements

- Sources of guidance
- Location of disclosures
- Timing of reporting
- Comparative information
- Statement of compliance

Judgements, Uncertainties, Errors

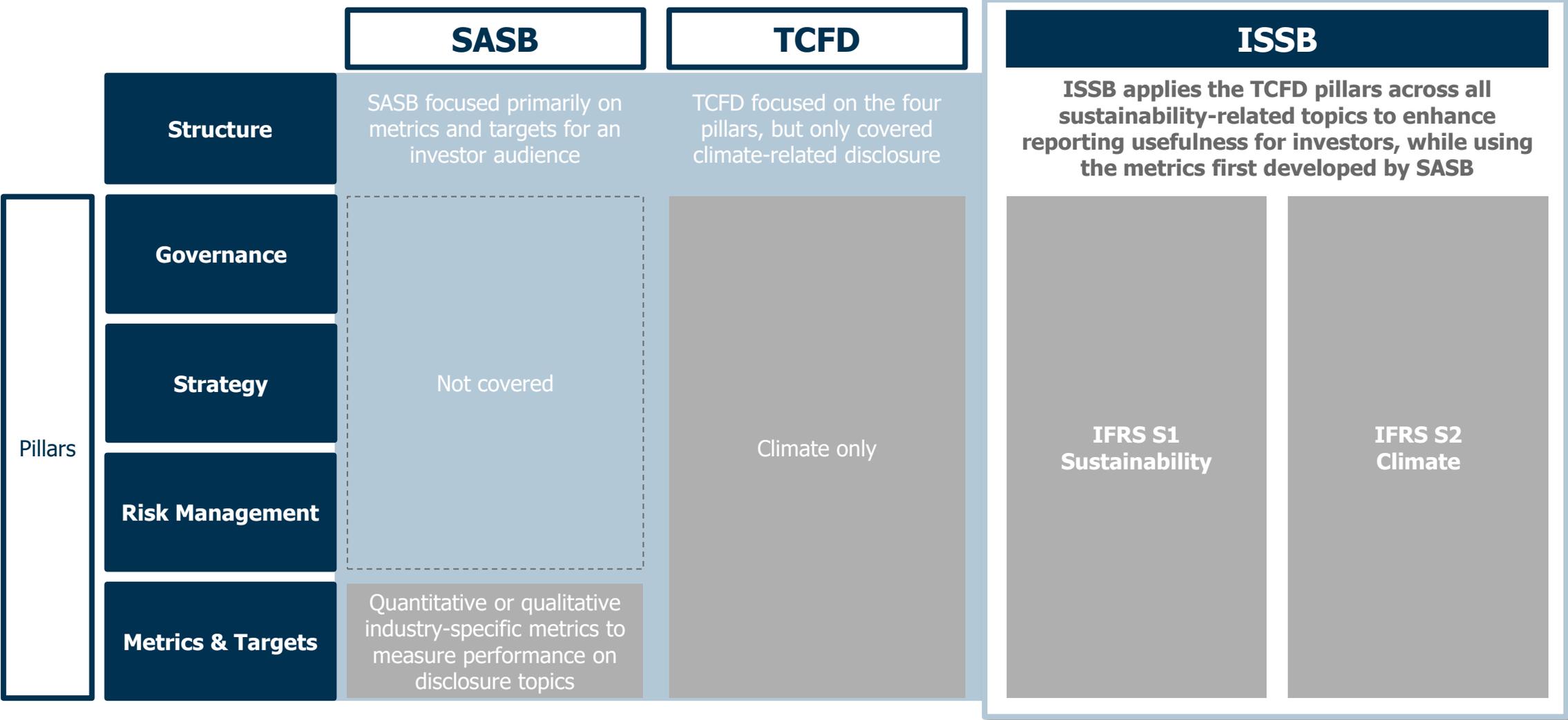
- Judgements
- Measurement uncertainty
- Errors

Further detail on each of these bullets can be found in the Appendix

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HOW THE ISSB COMPARES TO DIFFERENT REPORTING STANDARDS

ISSB builds on the structure of TCFD and the industry metrics of SASB to create an integrated standard



How does ISSB compare to other regulation like CSRD?

Theme	ISSB	CSRD
Financial Materiality	Yes	No
Investor focus	Yes	Partial
Mandatory reporting	Varies by jurisdiction	Yes, for companies in the EU
Double Materiality	No	Yes
Broader stakeholder focus	No	Yes
Topics which have specific standards	S2: Climate	E1: Climate Change E2: Pollution E3: Water and marine resources E4: Biodiversity and ecosystems E5: Resource use and circular economy S1: Own workforce S2: Workers in the value chain S3: Affected communities S4: Consumers and end users G1: Business conduct Additional industry-based and SME standards in progress

Key points of difference

Materiality & Stakeholder Perspective

- **ISSB** standards focus on financial materiality for investors, while CSRD focuses on double materiality for all stakeholders

Topic-specific standards

- **ISSB** currently only has one topic-specific standard for climate, although standards for other topics are under development
- **CSRD** follows the first set of European Sustainability Reporting Standards (ESRS) covering 10 topics so far

Implementation

- **ISSB** is incorporated into regulations in some jurisdictions, but is mandatory in others
- **CSRD** is mandatory for issuers meeting a set list of requirements for companies operating in the EU

Comprehensive

- **CSRD** has created more topic-specific standards than the ISSB

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**REGULATORY FOCUS ACROSS THE GLOBE
AND MORE SPECIFICALLY IN THE UK**

Combining past framework adoption with the network of the IFRS has provided a foundation for broad regulatory support

Past framework adoption

TCFD adoption:

- TCFD utilized by 3,900+ organizations covering 26 trillion in market capitalization
- 92% of the largest public companies either support or report in line with TCFD

SASB adoption:

- SASB industry-based standards adopted by 2,800+ companies across 70 jurisdictions
- 72% of S&P Global 1200 Index uses SASB

Future ISSB support



International Organization of Securities Commissions (IOSCO) endorses ISSB standards and covers 140 jurisdictions



U.S. SEC is a member of ISSB's working groups

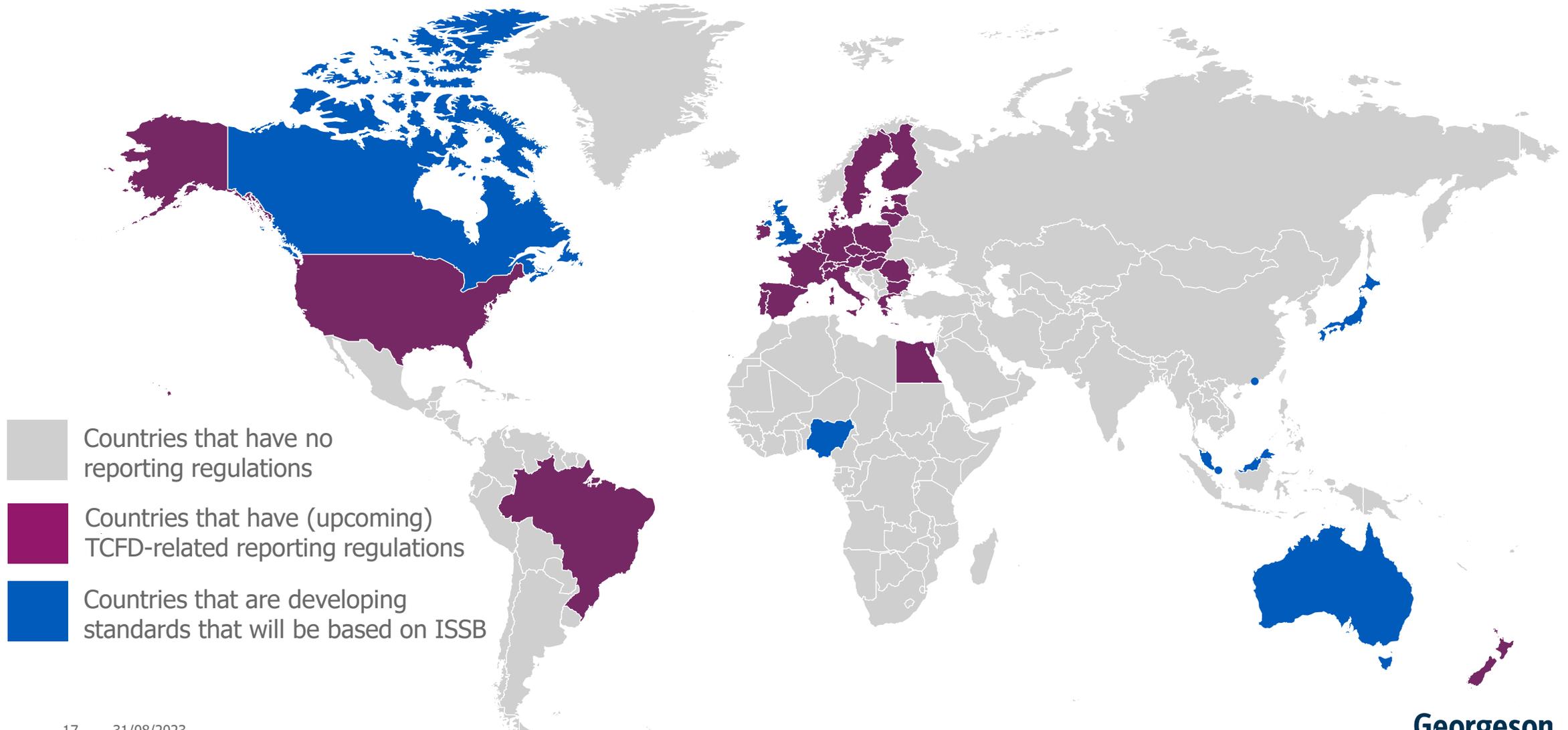


ISSB launched at COP26 with support from over 45 jurisdictions



Major jurisdictions are developing mechanisms to use ISSB (see next slide)

Some jurisdictions are already in the process of implementing ISSB-related reporting standards



How will the ISSB affect UK Companies?

Plans for the UK's Sustainability Disclosure Standards (SDS)

Who?



- > The **UK Government** is creating a framework called the **UK Sustainability Disclosure Standards (UK SDS)** which will be **heavily based on the ISSB's standards**.
- > The **FRC** is issuing a **call for evidence on the standards until the 11 October 2023**.

What?



- > The **FCA** have separately confirmed that it **intends to update** its existing rules on **climate-related reporting for listed companies – which are based on** recommendations made by the Task Force on Climate-Related Financial Disclosures (**TCFD**) – **to “refer to the UK-endorsed ISSB standards”**.

Why?



- > The UK's regulatory bodies have **been at the forefront of the push for the ISSB** standards having given it their support at its launch at COP 26 in November 2021.
- > They have collaborated with IOSCO and the IFRS **in order to meet the market demand** for complete, consistent, comparable and reliable corporate sustainability disclosures.

When?



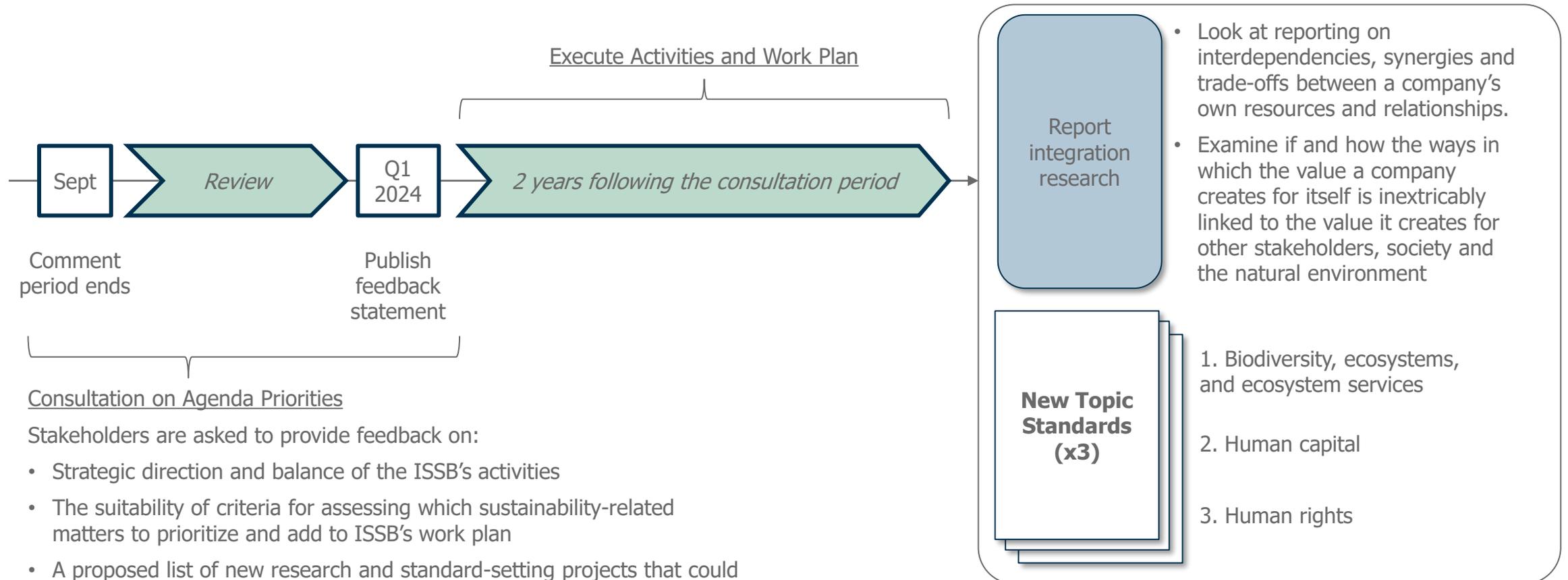
- > The Secretary of State for Business and Trade will consider the endorsement of the IFRS Sustainability Disclosure Standards, to **create UK SDS by July 2024**.
- > The **FCA** will look to implement disclosure rules referencing the UK-endorsed standards for UK-listed companies in the **first half of 2024**.

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NEXT STEPS FOR ISSB AND YOUR COMPANY

ISSB plans to further develop sustainability disclosures to encompass a larger range of ESG topics

The ISSB plans to conclude their public consultation period and deliberate on the feedback on upcoming strategy and prioritization for the ISSB by the end of Q1 2024



Consultation on Agenda Priorities

Stakeholders are asked to provide feedback on:

- Strategic direction and balance of the ISSB’s activities
- The suitability of criteria for assessing which sustainability-related matters to prioritize and add to ISSB’s work plan
- A proposed list of new research and standard-setting projects that could be added to ISSB’s work plan

Georgeson recommends four steps to prepare for the ISSB

1

Understand:

- If ISSB reporting is mandatory in your jurisdiction
- Your company's current ESG strategies and reporting initiatives
- The evolution of ISSB from previous common reporting frameworks
- What your investors value and how your company can align its ESG disclosure

2

Assess:

- How and when ISSB will be implemented across jurisdictions relevant to your company
- Control environment, data quality, and availability of sufficient data
- How compliance can add value for your firm
- How material risks and opportunities impact firm procedures and performance

3

Identify:

- Sustainability goals tailored to your firm's present and future risks and opportunities
- Who needs to participate in ISSB implementation
- Future strategy and risk management initiatives that align with ISSB
- Gaps in capability and opportunities for consultation

4

Implement:

- A stakeholder engagement and disclosure strategy in alignment with your jurisdiction
- Targets to meet sustainability and climate-related goals
- Data collection and reporting procedures
- An ESG plan that is investor-useful, industry specific, and comparable across markets and jurisdictions

Early adoption of ISSB can improve reporting and ensure alignment with potential regulatory requirements

Georgeson can help facilitate your firm's transition to ISSB aligned disclosure:

Education and Training

- Ensuring your board is engaged and informed about ISSB and its implications for ESG reporting
- Georgeson can help uncover material risks and opportunities within your business and break down the ESG landscape to better understand investor preferences and individualized improvement paths

Strategy and Implementation

- Developing systems to collect data, manage risk, and track performance allows investors to better understand and assess the risks and opportunities impacting your firm
- Georgeson can help you focus on applicable ESG topics, set measurable, investor-focused goals, and implement systems to track improvement

Reporting and Disclosure

- Companies must increasingly adapt ESG reporting to align with evolving frameworks and standards to meet investors' expectations
- Georgeson can help you establish or improve a plan for tailored ESG reporting based on your company's business objectives while accounting for investor expectations

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FREQUENTLY ASKED QUESTIONS

Frequently Asked Questions

What do ISSB and IFRS stand for?

The International Sustainability Standards Board is an independent private-sector entity that develops sustainability disclosure standards. The International Financial Reporting Standards govern financial reporting.

What entities can use the standards?

The standards use terms for profit-oriented entities. Not-for-profit organizations in the private sector may need to amend descriptions for certain items when applying IFRS.

Are the ISSB Standards mandatory?

Jurisdictional authorities decide whether to mandate the use of IFRS S1 and S2. Australia, Brazil, Canada, Japan, South Korea, and UK are establishing sustainability standards boards in line with ISSB.

More questions on the implementation of ISSB?

The Transition Implementation Group on IFRS S1 and S2 (TIG) will periodically meet to discuss questions, inform audiences, and provide a public forum for stakeholders. Submit questions [here](#).

Do TCFD and SASB frameworks still exist?

IFRS S1 and S2 fully integrate both frameworks, phasing out TCFD and SASB as stand-alone standards over the next few years. Companies may continue to use TCFD and SASB, but a transition to ISSB is recommended to keep up with investor expectations.

Where do companies disclose sustainability and climate-related information?

The standards do not specify a location. S1 and S2 disclosure may cross-reference financial statements if they are released at the same time. An entity must identify the financial statements to which the sustainability-related disclosures relate.

What is materiality?

Information is material if omitting, obscuring, or misstating it could be reasonably expected to influence investor decisions. Materiality is entity-specific and helps investors understand the effects of sustainability risks and opportunities on a firm.

How are greenhouse gas emissions disclosed?

In accordance with the Greenhouse Gas Protocol, scope 1, 2, and 3 emissions are disclosed within IFRS S2. Entities outline how and why they have specific inputs, assumptions, and techniques.

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APPENDIX

Conceptual foundations of ISSB outline qualitative characteristics of useful sustainability-related financial information

Fair Presentation

Disclosure of complete, neutral, and accurate information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects and their fair representation

Materiality

Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that primary users of financial reports make on the basis of those reports

Reporting Entity

An entity's sustainability-related financial disclosures shall be for the same reporting entity as the financial statements

Connected Information

An entity shall identify the financial statements to which the sustainability-related financial disclosures relate, and data should be as consistent as possible to IFRS accounting standards or GAAP

The core content of the standards builds on the TCFD pillars, now applied to all sustainability-related risks and opportunities

Governance	Processes, controls and procedures the entity uses to monitor and manage sustainability-related risks and opportunities
Strategy	Approach the entity uses to manage sustainability-related risks and opportunities
Risk Management	Processes the entity uses to identify, assess, prioritize and monitor sustainability-related risks and opportunities
Metrics and Targets	The entity's performance in relation to sustainability related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation

General Requirements of disclosure maintain accuracy and clarity within sustainability reporting

Sources of Guidance

An entity may refer to and consider the applicability of other previous frameworks to identify and disclosure sustainability-related risks and opportunities in alignment with ISSB

Location of Disclosures

An entity is required to provide disclosures required by IFRS Sustainability Disclosure Standards as part of its general-purpose financial reports

Timing of Reporting

An entity shall report its sustainability-related financial disclosures at the same time and cover the same reporting period as the related financial statements

Comparative Information

An entity shall disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period

Statement of Compliance

An entity's sustainability-related financial disclosures that comply with all requirements of IFRS shall make an explicit and unreserved statement of compliance

Disclosing judgements and uncertainties establishes transparency and enables users to accurately interpret data

Judgements

Disclose information for users of general-purpose financial reports to understand the judgements the entity has made in preparing sustainability-related financial disclosures

Measurement Uncertainty

An entity shall identify amounts that are subject to high level of measurement uncertainty and information about measurement sources and assumptions made

Errors

An entity shall correct material prior period errors by restating the comparative amounts for the prior periods disclosed unless it is impracticable to do so



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