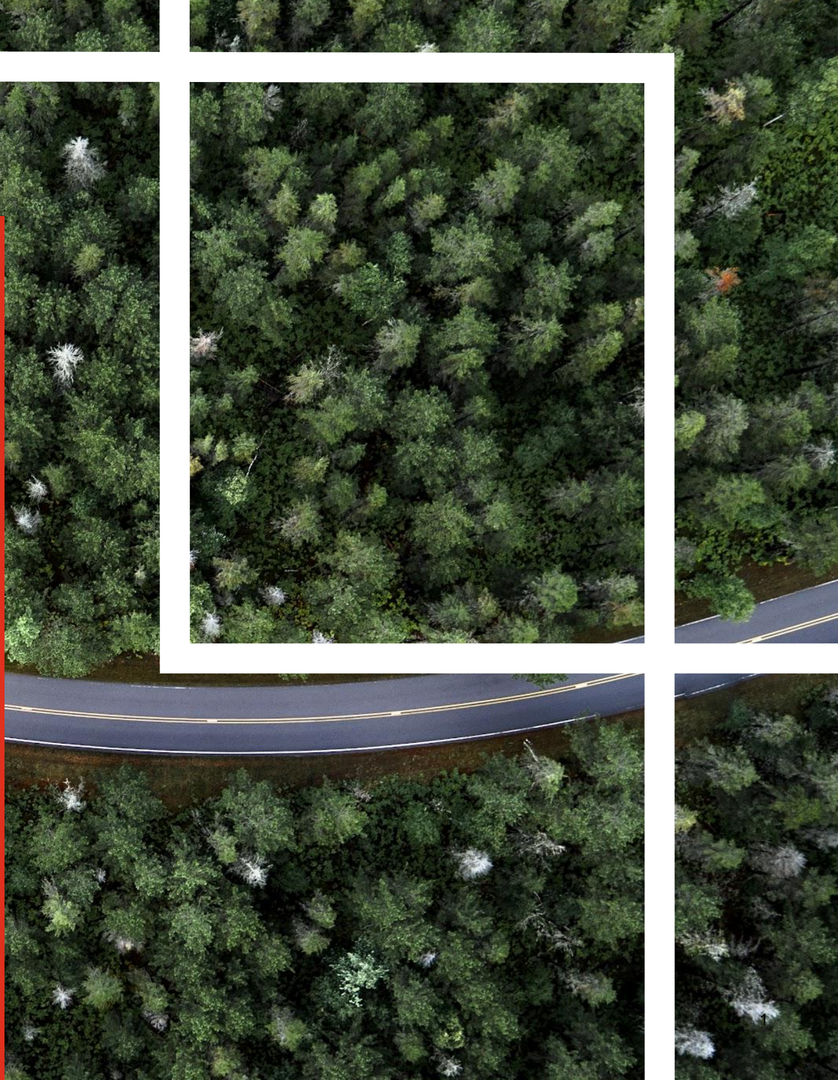
# ISSB Briefing Deck

November 2021



# ESG reporting - why now?

**Investors are increasingly calling for clarity about the ESG initiatives companies are undertaking and demanding more holistic, comparable and reliable decision-useful ESG reporting.**

## 89%

of investors say their firm has changed its voting and/or engagement policy to be more attentive to ESG risks Article

## 50%

of investors say lack of comparability of ESG data across companies is an inhibitor to ESG investing Article

## $1Trillion

expected sustainable bond sales globally in 2021 - Bloomberg

Article

## $2.2Trillion

of global sustainable funds under management as at Q2 2021 according to Morningstar Article

## Integration

in ESG is the most popular investment strategy according to the Global Sustainable Investment Review 2020 Article

## 40bp

Benefit in the average cost of capital between the highest and lowest ratings quartile in the MSCI World Index. Article

# ESG reporting - why it matters

## Build trust

Clear and meaningful reporting improves confidence in the information presented by an entity.
Being able to articulate the company's ESG strategy, direction of travel and how far along that journey the company is, enhances **corporate reputation** and reinforces its **licence to operate**.
The **higher the quality of data, processes and controls** that lead into reporting, the higher the confidence level.

## Better transparency

Stakeholders are demanding information that is meaningful to them. They are increasingly looking to understand ESG impacts on companies as well as the wider **impact on society companies are having**.

Aside from the company's determination of what is useful to report voluntarily, they will be responding to disclosure requirements that have, or will be, mandated through **current and future regulation**.

## On top of risks and opportunities

If done well, the way sustainability information is reported can be a competitive advantage to a company.
It should demonstrate that the Board is leading the ESG strategy and links this to how it is managing the ESG risks and opportunities and reporting on its targets.

## Increased value

Examples from the market show that providing transparent, relevant and reliable ESG information in external reporting improves trust with stakeholders, positively affects cost of capital, promotes more meaningful employee engagement and can provide wider access to capital markets or other third party lending.

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**PwC's point of view on sustainability reporting to share with clients:**

- Uptake of mandatory regulation across the world is a positive move toward globally aligned sustainability standards to drive consistency and comparability
  See the articles What is the big news at COP26 for ESG reporting? and Sustainability reporting for the future by Henry Daubeney, Global Head of IFRS & ESG Reporting
- COP26 had a big ISSB announcement. See the In Brief: Establishment of the International Sustainability Standards Board Announced
- Trends toward the mandating of ESG reporting supports our belief that the standard and expectations for sustainability reporting should be as high as for financial reporting.
  See the interview: Reporting beyond the financials: Sustainability on the book by Nadja Picard, Global Reporting Leader

# The reporting landscape is evolving fast - there are significant moves towards a common set of standards

**Umbrella reporting standards/frameworks**
*Covering breadth of ESG topics*

IFRS®
International Sustainability Standards Board

GRI

The Value Reporting Foundation
INTEGRATED REPORTING <IR>
SASB

**Single issue standards/ frameworks/ measurement protocols**

TCFD

CDP
DISCLOSURE INSIGHT ACTION

CDSB Climate Disclosure Standards Board

SCIENCE BASED TARGETS

GREENHOUSE GAS PROTOCOL

**Other enabling initiatives**

WORLD ECONOMIC FORUM

IBC INTERNATIONAL BUSINESS COUNCIL

European Commission

EU CSRD

IMPACT MANAGEMENT PROJECT

# The Creation of ISSB

**Q4 2020**

Consultation Paper on Sustainability Reporting

**Q1 2021**

Feedback analysis and decisions:

- urgent demand
- support for Foundation
- strategic direction
- working groups

**Apr 2021**

Feedback statement on Consultation Paper

Proposed amendments to Constitution

**May-Jul 2021**

Outreach on proposals closed 29 July 2021

**Aug-Oct 2021**

Feedback analysis and discussions

**Nov 2021**

ISSB announcement- consolidation
- location of Board
- prototype standards released

Final determination COP26

# International Sustainability Standard Board

On Wednesday 3 November the IFRS Foundation announced:

- establishment of the International Sustainability Standards Board (ISSB);
- Climate Disclosure Standards Board (CDSB) and Value Reporting Foundation (VRF) will be consolidated into the ISSB; and
- publication of two prototype standards: one on climate-related disclosures and the other on general sustainability disclosure requirements. Found here
- ISSB will be based in:
  - Frankfurt - seat of Board and office of Chair, and;
  - Montreal - responsible for key functions supporting the new Board and deeper cooperation with regional stakeholders.
  - Offices also expected in San Francisco, (following the consolidation with the VRF). London will provide technical support and platforms for market engagement and deeper cooperation with regional stakeholders.

An important step towards having globally consistent and trusted standards for corporate reporting on environmental, social and governance (ESG) issues.

# ISSB objectives

**The formation of the new ISSB is to develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.**

# What do the prototypes contain?

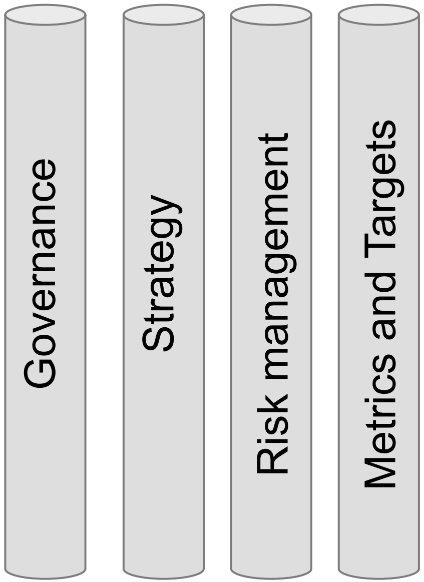
## Presentation Standard (general requirements)

- Sets out hierarchy if no specific guidance within an ISSB standard
- Covers application of materiality
- Clarification that reporting entity's boundary for its general purpose financial reporting shall be the same for its:
  - (a) financial statements; and
  - (b) sustainability-related financial disclosures.

## Climate-related Disclosures prototype

- First thematic standard
- Includes narrative and cross industry metric disclosure requirements
- Technical protocols supplement includes industry specific disclosures - largely based on existing SASB industry standards
- Like TCFD, this Standard applies to:
  - (a) climate-related risks that the entity is exposed to, including but not restricted to:
    - (i) physical risks from climate change (physical risks); and
    - (ii) risks associated with the transition to a lower-carbon economy (transition risks); and
  - (b) climate-related opportunities available to and considered by the entity.

Standards are based on TCFD 4 pillar structure:



# Next steps for ISSB

**Q4 2020**
Consultation Paper on Sustainability Reporting

**Q1 2021**
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**Dec 2021**
Chair, Vice Chair and Board to be announced*

**June 2022**
Consolidation of the CDSB and VFR into the ISSB

**Late 2022**
Exposure drafts released & Agenda consultation*

*these events are estimated based on our current understanding.

# Thank you