

A detailed background illustration in a light purple line-art style. It features a large hand at the bottom holding a globe. Above the globe, there is a wind turbine, a recycling symbol, a water tap with a drop, a heart, a house, a butterfly, a lightbulb, a car, and various plants and flowers. Text elements like 'H2O', 'eco', and 'BIO' are also scattered throughout the design.

EARLY IMPRESSIONS

International Sustainability Standards Board
issues standards on sustainability and climate
related disclosures

Foreword

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The standards issued by the International Sustainability Standards Board (ISSB) bring in much needed global base lining in sustainability reporting. The latest announcement by the Financial Stability Board asking the IFRS Foundation to take over the monitoring of the progress on companies' climate-related disclosures from the Task Force on Climate-related Financial Disclosures (TCFD) is a step in the direction of aligning framework and disclosure requirements. This will enable global benchmarking, capacity building and monitoring progress of disclosures and adoption by companies. The standard setting program of the ISSB is set to gather momentum with the exposure draft for narrow scope revisions contemplated to the SASB standards already open for comments.

Countries around the world that follow IFRS standards for financial reporting should look to adopt the ISSB standards to bring alignment between financial and non-financial reporting frameworks. Companies should holistically evaluate the disclosures in these new standards and commence preparation for adopting these standards including training their teams and embedding technology. In our experience, stakeholder communication and managing expectations is critical and involvement of all stakeholders early in the process will be key to successful adoption.

This document reflects on International Sustainability Standards Board issues standards on sustainability and climate related disclosures, we aim to convey the valuable takeaways to you, with the hope that they prove useful and informative. We look forward to continuing to engage with you.

Thank you.

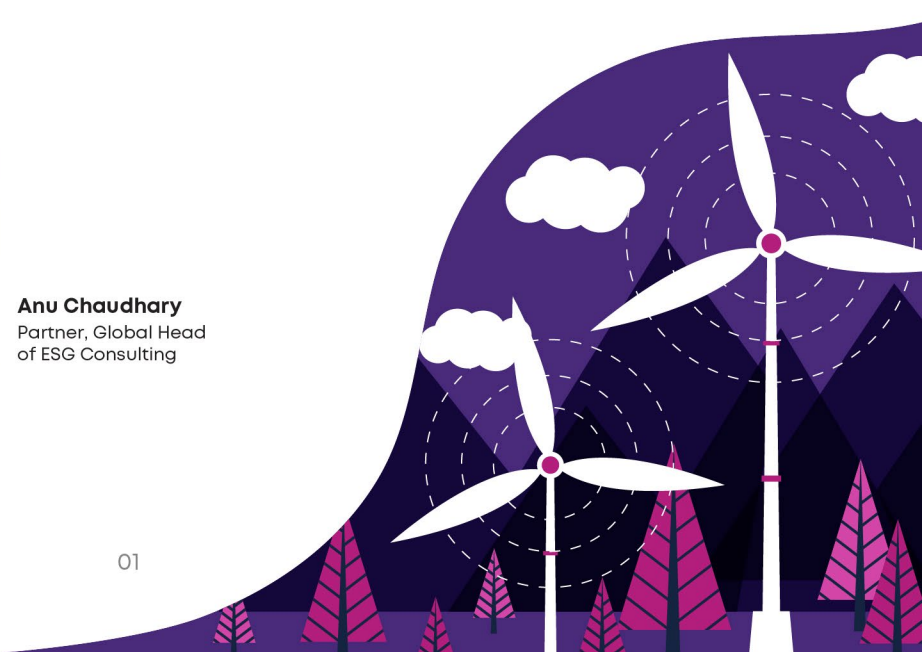
Your's faithfully

For Uniquis Consultech Inc.

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Anu Chaudhary
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Introduction

The International Sustainability Standards Board (ISSB), on 26 June 2023 issued two IFRS Sustainability Disclosure Standards – IFRS S1 on disclosures of Sustainability-related financial information and IFRS S2 on Climate-related disclosures.

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The purpose of ISSB is to provide:



Single, global baseline of disclosures



Investor relevant material disclosures that enables decision making



Interoperability with other frameworks such as GRI

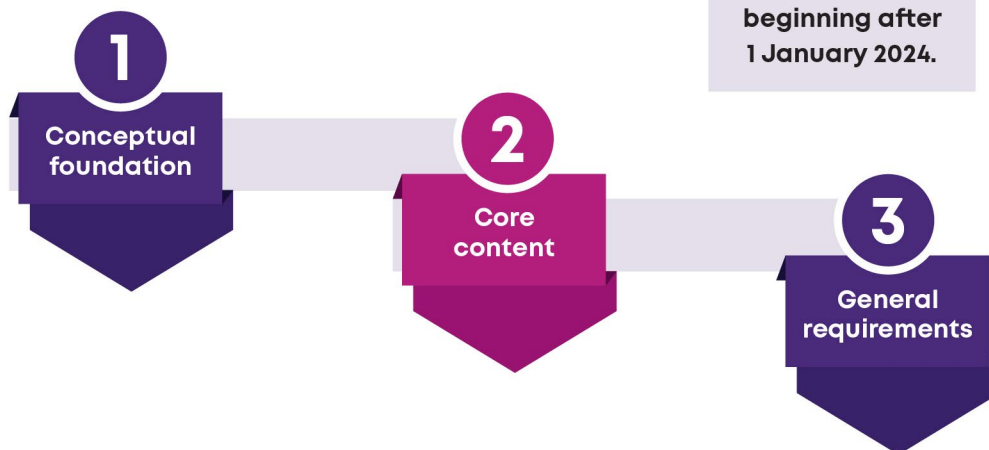


Consolidation with existing frameworks such as TCFD, SASB



Interconnectivity with financial statements reducing duplication

The two issued standards cover:



Conceptual Foundation

The ISSB had issued the conceptual framework which set out the following seven tenets as the guiding principles for standard setting.

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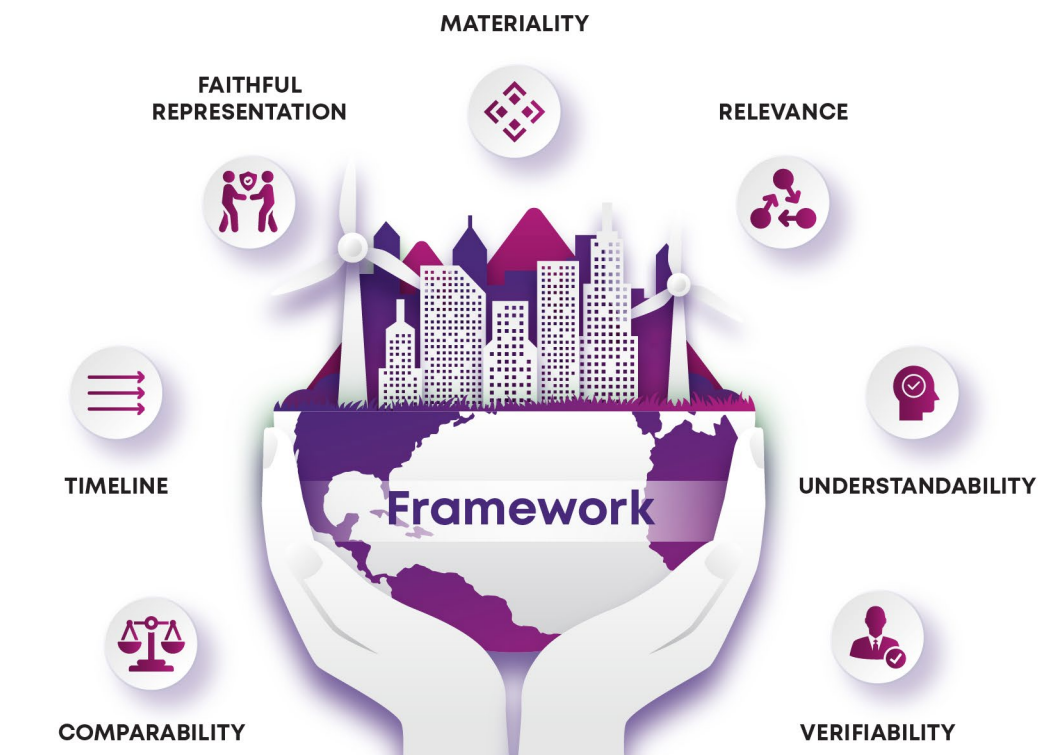
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IFRS S1 sets out the disclosures relating to sustainability-related risks and opportunities that are material, proportionate and decision-useful to investors.

Materiality:

- IFRS S1 requires entities to disclose material information relating to sustainability-related risks and opportunities.
- Information that is expected to influence decisions of the users of the reports would be considered material.
- The materiality judgments are entity-specific.
- Materiality is a combination of qualitative and quantitative factors.

Materiality provides both a sense of direction and priority. The assessment of what is material should be dynamic as it could change with passage of time or shift in priorities within an entity.

Connected information:

To make the disclosures relevant connections between various disclosures within sustainability-related risks and opportunities or with financial statements should be provided.

Cluttering the disclosures with repetitive information obscures the understandability and relevance of disclosures. Also, providing interconnectivity with the financial statements aids decision making by providing single version of truth.

IFRS S2 sets out specific climate-related disclosures and is designed to be used in conjunction with IFRS S1.

Core Content

Disclosures in IFRS S1 and S2 are based upon the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD). In summary:



General Requirements

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Statement of compliance

An entity whose disclosures comply with all the requirements of these standards shall make an explicit and unreserved statement of compliance

Sources of guidance

An entity could refer and consider the applicability of material disclosure topics by cross referencing from different standards as well like SASB.

Location of disclosures

The disclosures are location- agnostic and could be presented either with management commentary or in line with local regulations.

Judgments uncertainties, errors

An entity discloses information about the most significant uncertainties & judgments made that have the most significant impact on the disclosed information

Timing of reporting

The entity's sustainability related financial disclosures shall 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

Sensitive information

An entity may not disclose information that might potentially cause competitive harm in the market



First-time adoption and Transition

These standards are effective annual reporting periods beginning on or after 1 January 2024. Earlier application collectively of both the standards is permitted with appropriate disclosures.

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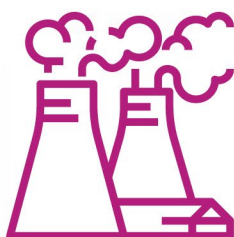
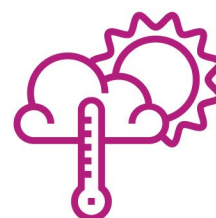
Transition:

The standards provide certain first-time adoption dispensations with a view to make the transition process smooth.



A first-time adopter is not required to disclose comparative information and is permitted to report sustainability-related financial disclosures after it publishes its related financial statements.

The standards provide a primacy to climate related disclosures and permits a first-time adopter to report solely on IFRS S2



If a first-time adopter's method of measurement of its greenhouse gas emissions is other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), then the entity is permitted to continue using that other method in its first annual reporting period. Further, a first-time adopter is not required to disclose its Scope 3 greenhouse gas emissions.

Way forward

As a leading tech-enabled global platform that offers ESG and Accounting & Reporting Consulting, we look forward to the new era that ISSB ushers in. Having worked extensively with major reporting standards which form the bedrock for IFRS S1 and IFRS S2, we are best placed to assist our clients in their journey.

In our experience, entities looking to adopt these standards need to holistically evaluate its application.

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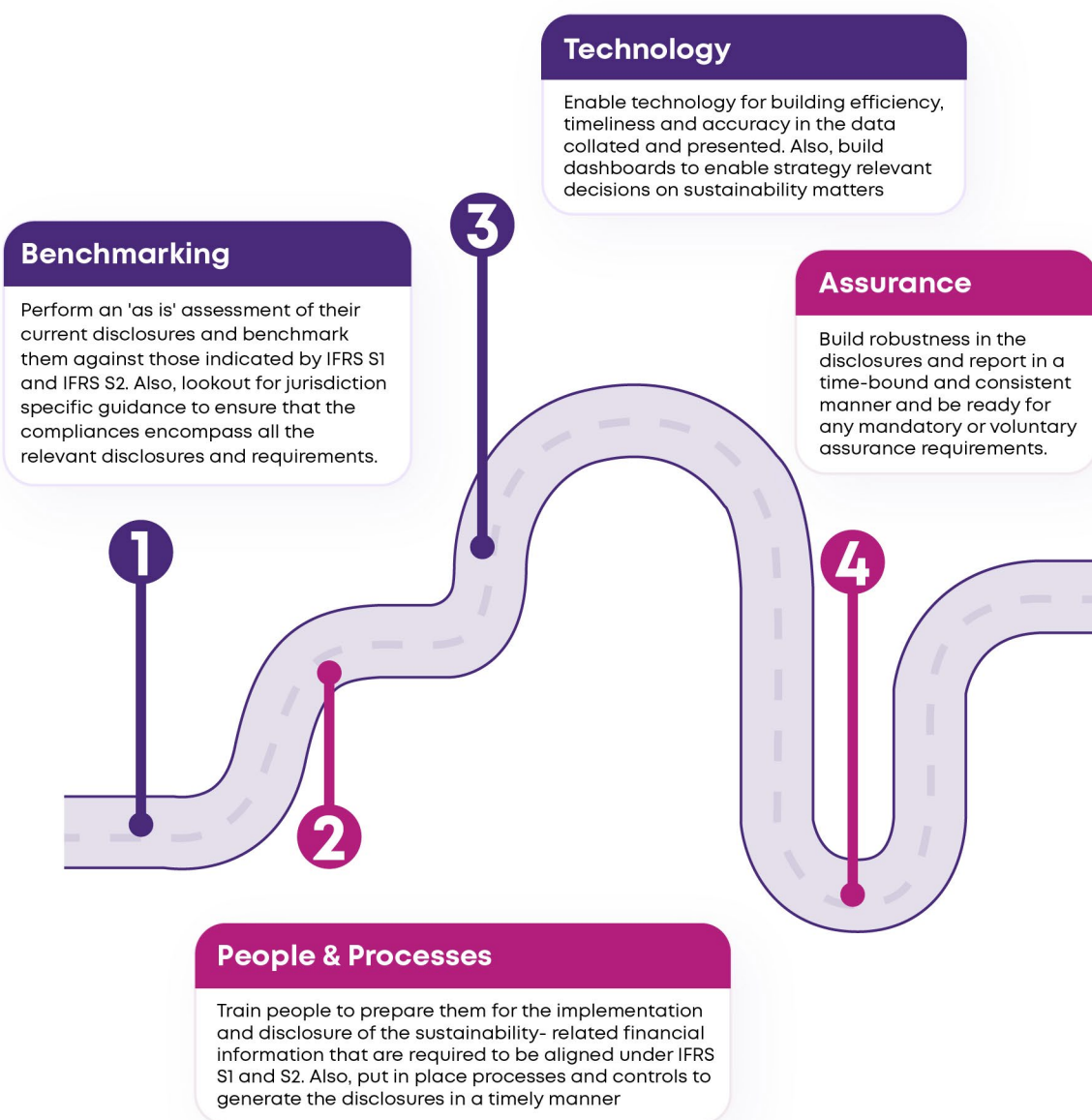
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A TEAM THAT YOU CAN TRUST TO DELIVER

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