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# Update on activities – International Sustainability Standards Board (ISSB)

Banking Regulation and Supervision Agency  
The Banks Association of Turkey  
EBRD

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July 2024, Istanbul

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# Overview

1. Introduction

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2. Jurisdictional view

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3. IFRS S1 – General requirements

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4. IFRS S2 – Climate

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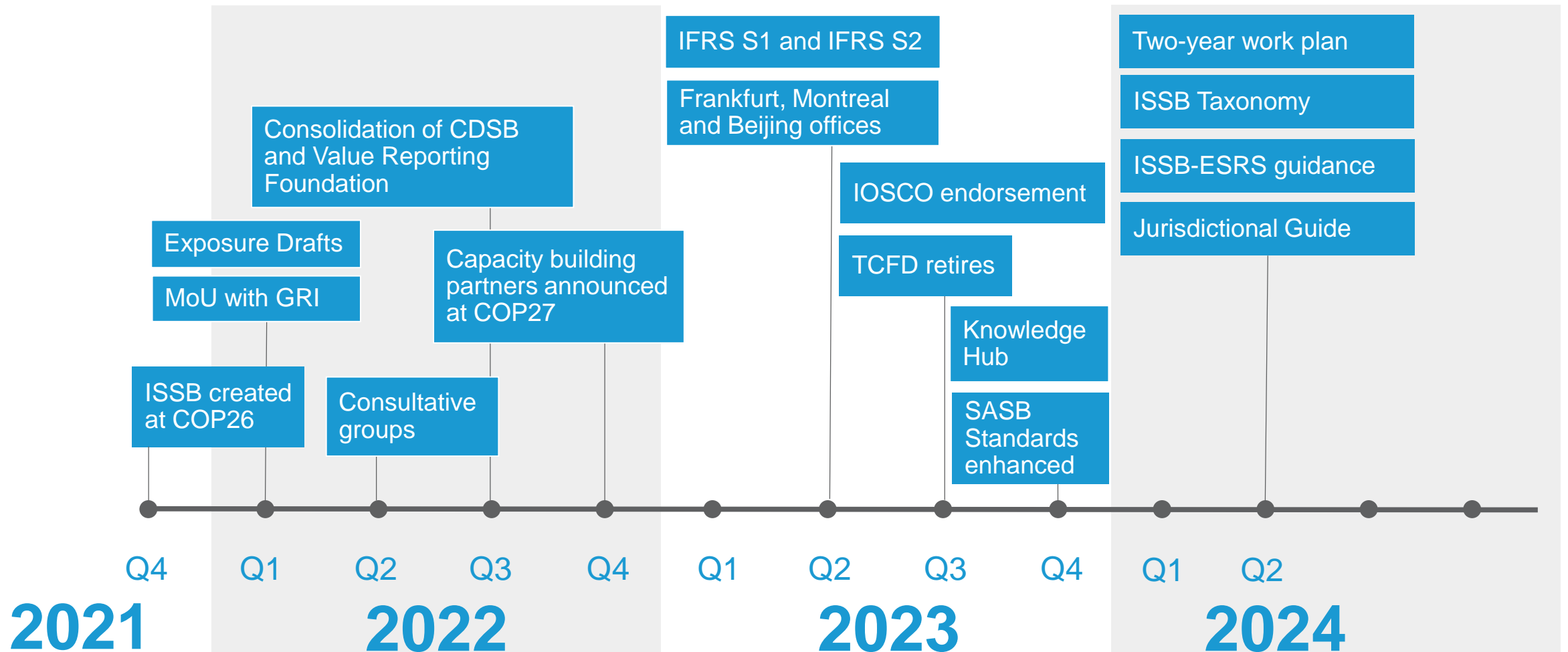
5. Global support

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6. Next steps

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# ISSB milestones



# Jurisdictions taking steps towards ISSB Standards

**More than 20 jurisdictions** have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks.

Together, these jurisdictions account for:

**~55%**

of global **gross domestic product (GDP)**

**40%+**

of **global market capitalisation\***

**\*75%**

excluding US market

**50%+**

of **global greenhouse gas emissions**

## Jurisdictional approaches to adopt or otherwise use ISSB Standards focuses on jurisdictions that:

1

- **Have adopted** or otherwise used ISSB Standards
- **Have introduced** other sustainability-related disclosure requirements

2

- **Are in the process** of adopting or otherwise using ISSB Standards
- **Are in the process** of introducing other sustainability-related disclosure requirements

3

- **Have taken steps towards** adoption or other use of ISSB Standards
- **Have taken steps towards** the introduction of other sustainability-related disclosure requirements

# Jurisdictional profiles

Jurisdictional profiles will provide information for jurisdictions that have already taken, are in the process of, or are taking, steps towards the adoption or other use of ISSB Standards or the introduction of other sustainability-related disclosures

## 1 Stated jurisdictional target

- Requirements that are planned to become effective or to be introduced in the future

## 2 Most up-to-date status

- Most up-to-date status of a jurisdiction's sustainability-related disclosure requirements

Informed by  
**bilateral**  
discussions with  
jurisdictions

Developed based  
on **publicly**  
announced  
roadmap/legislation

Covers **scalability**  
and **transition**  
reliefs

**Updated** as reliefs  
expire or as  
jurisdiction updates  
roadmap

# Benefits of transparency on jurisdictional approaches



**Support IOSCO's monitoring** on the adoption or other use of ISSB Standards and its capacity building initiatives



## **Support regulators:**

- **prepare** for the adoption or other use of ISSB Standards, including considerations on scalability and phasing-in
- **identify peers** following similar jurisdictional approaches
- **understand** how emerging disclosure requirements support global consistency and comparability



**Support investors' understanding of jurisdictional approaches** to help them assess, compare and price sustainability-related risks and opportunities

**Support the IFRS Foundation identifying capacity building needs** across different stakeholder groups, including regulators, and coordinate its own efforts

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# Assertion of compliance with ISSB Standards

1

## With ISSB Standards

Only possible for entities that **comply with all the requirements** in ISSB Standards

2

## With climate-related requirements in ISSB Standards

To facilitate investors' understanding, **entities that comply with all the requirements in IFRS S2 and with the climate relevant provisions in IFRS S1** – including in jurisdictions adopting climate-requirements in ISSB Standards can state that they comply with the climate-requirements in ISSB Standards



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# Regulatory Implementation Programme

- **Vehicle** to assist regulators as they design and plan their approaches to adopt or otherwise use ISSB Standards
- Role of the IFRS Foundation is to **ensure availability of appropriate materials** to support adoption and application of ISSB Standards
- **Cooperation with international bodies and other partners** that engage and support a wide range of jurisdictions, including:
  - International bodies, including IOSCO
  - Multilateral development banks
  - Other regional bodies
  - Private sector
- Breadth of demand **requires leveraging global reach and experience** of partners to act as multiplier to deliver support for jurisdictions

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# Objectives of the Regulatory Implementation Programme

- **Inform** regulators and other relevant authorities of considerations and outcomes relevant to the adoption or other use of ISSB Standards
- **Outline** policy rationale for the adoption of other use of ISSB Standards
- **Provide clarity** on descriptions of jurisdictional approaches
- Programme aims to **provide tools, materials and instruments useful for** jurisdictions at each stage of their adoption journey
- Materials aimed to **support and guide partners' jurisdictional initiatives**
- Outline of Regulatory Implementation Programme to be **published end of May**
- Programme materials to be **developed as needs are identified**

# Supporting the implementation of IFRS S1 and IFRS S2

The ISSB will continue to help stakeholders develop a shared understanding of IFRS S1 and IFRS S2 and **enable the delivery of a comprehensive global baseline** of sustainability-related financial disclosures. In particular, the ISSB will:



- develop and enhance educational materials that **explain the core concepts** underpinning IFRS S1 and IFRS S2;



- convene the Transition Implementation Group (TIG) to **discuss companies' questions** related to implementing IFRS S1 and IFRS S2;



- **monitor market developments** to assess potential implications for IFRS S1 and IFRS S2;



- support the IFRS Foundation's comprehensive **capacity-building programme**; and

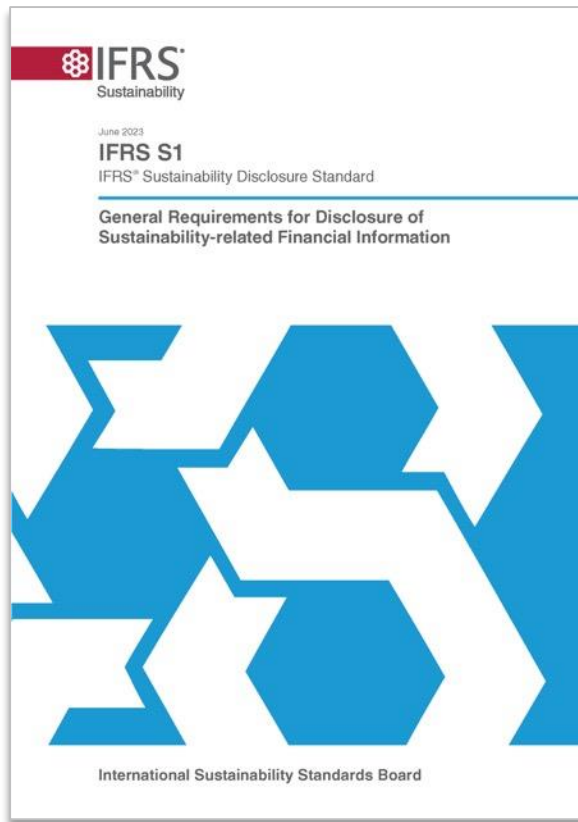


- support companies in using the IFRS Sustainability Disclosure Taxonomy to enhance efficient **digital consumption and comparison** of reports.

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

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

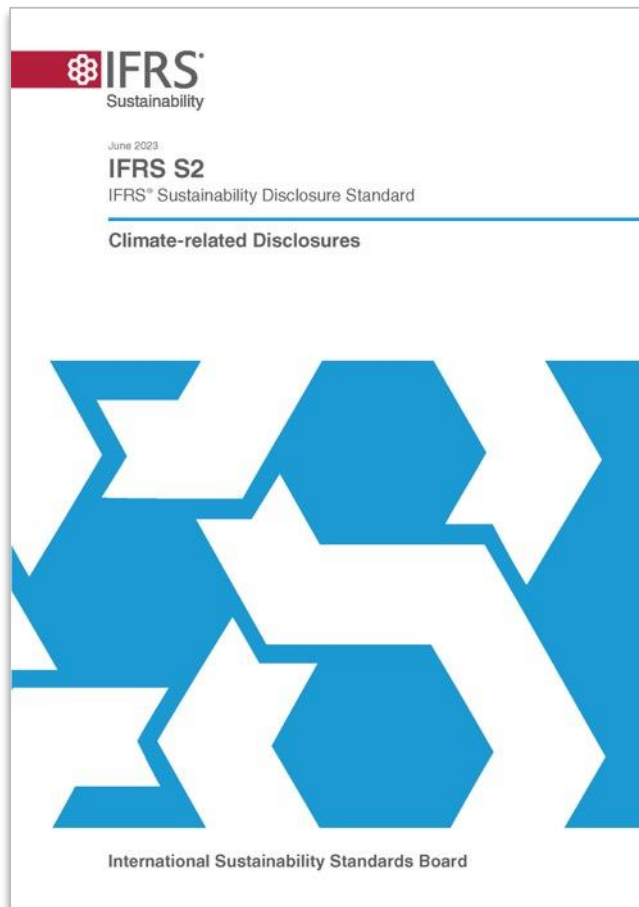


- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** with the financial statements, to meet investor information needs
- Applies **TCFD architecture** whenever providing information about sustainability
- Requires **industry-specific disclosures**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

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## **IFRS S2:** Climate-related Disclosures

# 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

## Companies providing climate disclosures still need IFRS S1

### Answers provided by IFRS S1 **necessary for any disclosures**

Who reports (reporting entity)	Timing of reporting (with financial statements)	Value chain concepts
Describes sustainability	Location of reporting (in general purpose financial report)	Materiality – meaning and assessment
Connections in information (including with financial statements)	Relief from disclosing commercially sensitive opportunities	Quality of information (eg relevant and representationally faithful)
What to do with changes in estimates and errors	When disaggregation is needed	Comparative information
Interactions with law and regulation	Disclosures about key judgements	Assertion using ISSB Standards



# IFRS S2 based on TCFD recommendations

TCFD core elements	IFRS S2 summary comparison	
Governance	Broadly consistent	
Strategy	Broadly consistent	<ul style="list-style-type: none"> <li>Requires that a company consider and refer to its <b>Industry-based Guidance</b></li> <li>Requires <b>additional information</b> regarding resiliency</li> <li>Does not specify which <b>climate-related scenarios</b> to use</li> <li>Provides additional <b>application guidance and reliefs</b></li> </ul>
Risk management	Broadly consistent	<ul style="list-style-type: none"> <li>Explicitly requires additional disclosures on the processes used to identify, assess, prioritise and monitor <b>opportunities</b></li> </ul>
Metrics and targets	Broadly consistent	<ul style="list-style-type: none"> <li>Requires disclosure of <b>industry-based metrics</b></li> <li>Requires <b>additional disclosures</b> related to a company's GHG emissions and planned use of carbon credits</li> <li>Provides additional <b>application guidance and reliefs</b></li> </ul>

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## 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

# 1. Strategy and decision-making



The effects of climate-related risks and opportunities on a company's strategy and decision-making

**How the company has responded to, and plans to respond to, climate-related risks and opportunities**

Includes disclosures on any transition plan the company has and plans to achieve its targets

**How the company is resourcing, and planning to resource, these plans and activities**

**The company's progress against previously reported plans**

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## 2. Current and anticipated financial effects



The effects of climate-related risks and opportunities on a company's current and anticipated financial performance, financial position and cash flows

- A company is required to disclose **both quantitative and qualitative** information. The quantitative information may be a single amount or a range
- A company can provide qualitative rather than quantitative information when:
  - Not **separately identifiable**;
  - There is a **high level of measurement uncertainty**; or
  - For anticipated effects, this is **not commensurate** with the company's skills, expertise and resources

## 3. Climate resilience



The resilience of a company's strategy and business model to climate-related changes, developments and uncertainties



Climate resilience  
assessment



Inputs and key  
assumptions used in  
the scenario analysis

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## 3. 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**

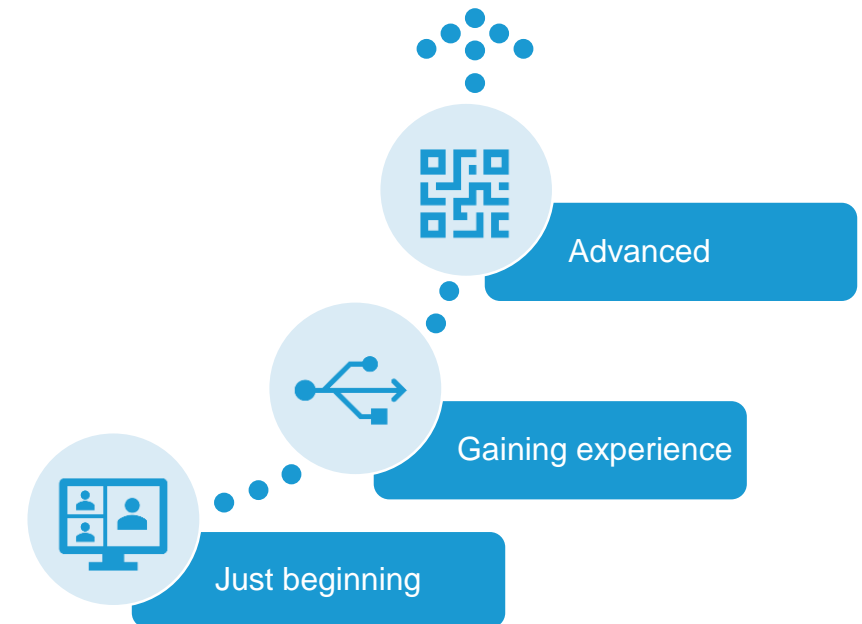
### 3. Commensurate approach to scenario analysis

The ISSB's application guidance draws on the range of practice outlined in documents published by the TCFD

Designed to help companies:

- ✓ identify the appropriate stage to use
- ✓ navigate toward a more robust resilience assessment and related disclosures over time

#### TCFD's stages of progression



## 4. 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:** 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



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## 4. Scope 3 GHG emissions

Scope 3 GHG emissions disclosure, across 15 categories\*, when the information is material

- |   |   |
|---|---|
| 1. Purchased goods and services             | 8. Upstream leased assets                     |
| 2. Capital goods                            | 9. Downstream transportation and distribution |
| 3. Fuel and energy related activities       | 10. Processing of sold products               |
| 4. Upstream transportation and distribution | 11. Use of sold products                      |
| 5. Waste generated in operations            | 12. End-of-life treatment of sold products    |
| 6. Business travel                          | 13. Downstream leased assets                  |
| 7. Employee commuting                       | 14. Franchises                                |
|   | 15. Investments                               |

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*\*Categories identified in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*

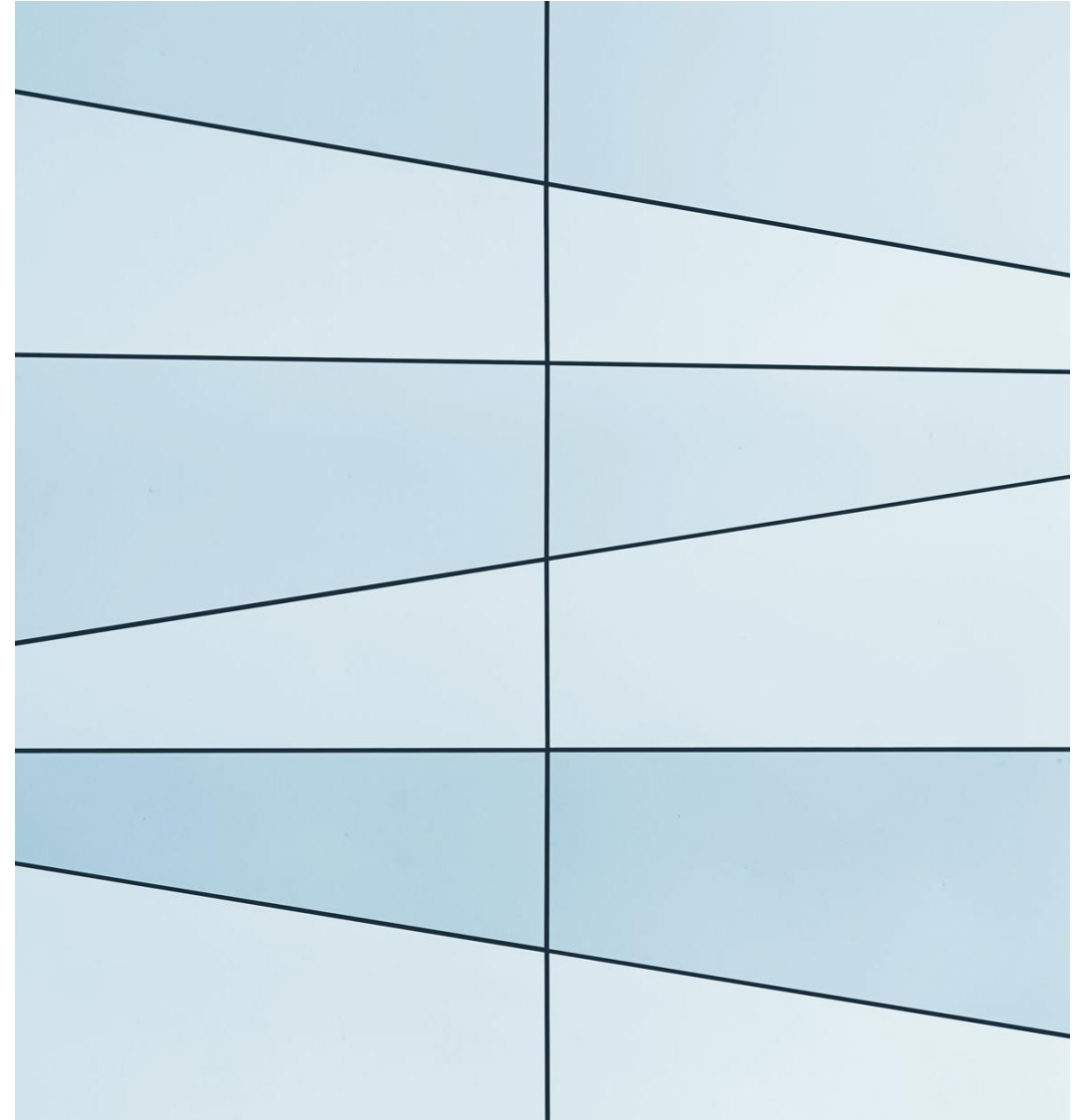
## Scope 3 GHG emissions: Financed emissions



Companies with emissions associated with investments (or other forms of financing) are required to report on financed emissions.

Applies to companies with activities associated with:

- Asset Management
- Commercial Banks
- Insurance



## 4. 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

## 4. Scope 3 measurement framework

Guidance to support companies

	A company shall prioritise the use of:	If prioritised information not available, consider:
Measurement	direct measurement	<b>estimation</b> activity data and emission factors
Data	<b>primary data</b> eg company-specific metric tons of waste generated	<b>secondary data</b> eg estimated metric tons of waste generated based on industry-average data
Scope	<b>more granular data</b> cradle-to-gate GHG emissions for the product of interest	<b>less granular data</b> GHG emissions and/or activity data for the entire corporation
Verification	verified	not verified

## 5. Industry-specific requirements



Industry-specific disclosure is useful because:

- relevant sustainability-related issues **vary by industry**
- investors analyse companies and portfolios by **industry and sector**
- companies can focus on reporting that more **closely fits** their business
- it **reduces costs and minimise noise** by focusing on the most relevant information

In response to feedback, IFRS S2:

- requires that industry-specific disclosures be provided but the industry-based metrics provided are illustrative guidance rather than requirements
- an exception to this is information about financed emissions which is required to be provided

The ISSB has indicated an intention to make the industry-based metrics mandatory in the future, subject to consultation

## 6. Climate-related targets



Disclose the climate-related targets a company has set, as well as those it is required to meet by law or regulation



**The characteristics** of each target



How the company **sets and reviews** each target



The company's **performance against** each target

Including additional disclosures related to a company's gross and net GHG emissions targets

# IFRS S2 guidance



## Application Guidance

- Applying scenario analysis to assess climate resilience
- Measuring Scope 1-3, plus a framework for measuring Scope 3
- Disclosing information:
  - relevant to financed emissions
  - relevant to cross-industry metric categories
  - about climate-related targets



## Accompanying Guidance

- Metrics that could be disclosed relevant to cross-industry metric categories
- Examples of disclosing GHG emissions information applying the principles in IFRS S1 for aggregation and disaggregation
- Industry-based guidance on identifying appropriate disclosures associated with common business models and activities in a particular industry

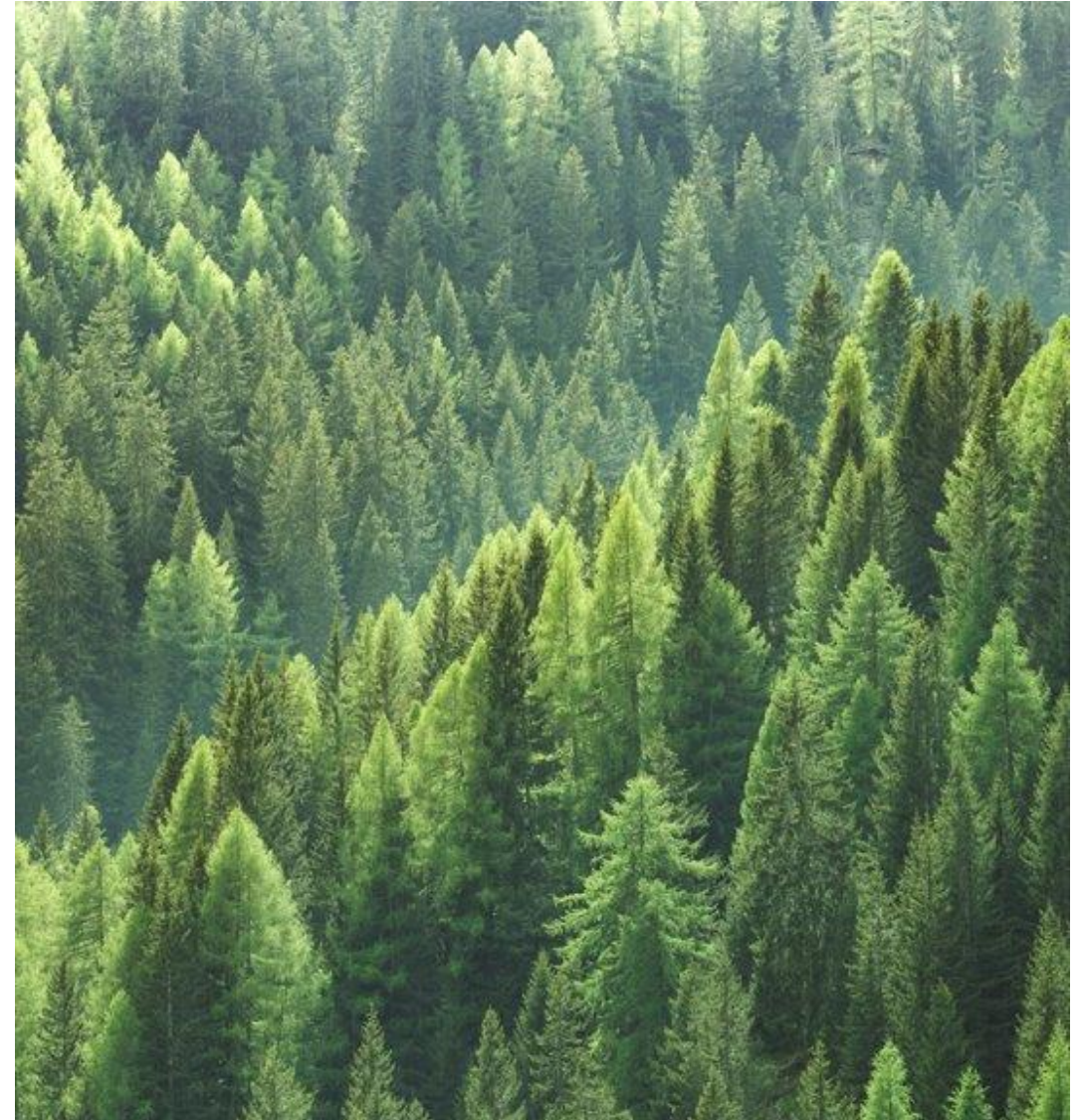


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## Educational material:

### Nature and social aspects of climate

- Helps companies consider ‘**nature and social aspects**’ of climate-related risks and opportunities **when they prepare climate-related disclosures**
- ‘**Nature**’ aspects might include those related to water or deforestation
- ‘**Social**’ aspects might include the just transition to a lower-carbon economy
- Helps companies apply IFRS S2 but **does not affect any of the requirements in the Standard.**

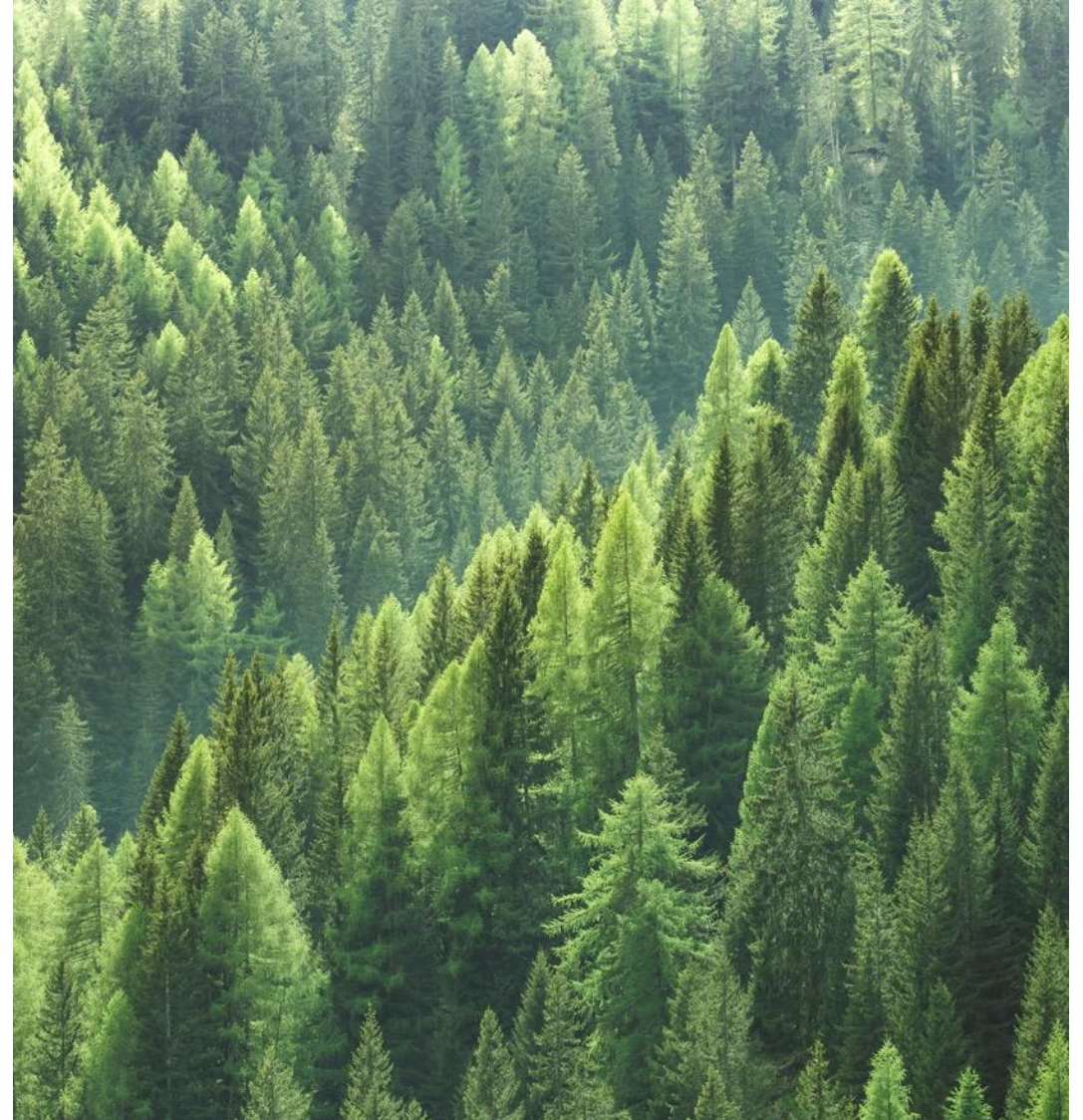




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## Capacity building with and through partners

- 40+ global and local partners committed to ensuring readiness through the ISSB's Partnership Framework
- Considering specific circumstances of emerging and developing economies and smaller companies
- Focused on enabling consistent and comparable high-quality disclosures to bring benefits of sustainability-related disclosures to all



# Educational materials



ABOUT US | IFRS ACCOUNTING | IFRS SUSTAINABILITY

Home > Supporting materials for IFRS Sustainability Disclosure Standards

## Supporting materials for IFRS Sustainability Disclosure Standards

IFRS SUSTAINABILITY DISCLOSURE STANDARDS

NEWS

The International Sustainability Standards Board (ISSB) issued its inaugural standards—IFRS S1 and IFRS S2—on 26 June 2023. The Standards have ushered in a new era of sustainability-related financial disclosures in capital markets worldwide.

Click on a Sustainability Disclosure Standard below to see information about all the ISSB's activities and educational material to support application of that Sustainability Disclosure Standard. You will also find a link to the Standard issued. The Standards are also available through the [IFRS Sustainability Standards Navigator](#).

Supporting materials for our Standards

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



**IFRS S2 Climate-related Disclosures**



### Related information

[IFRS Sustainability Standards Navigator](#)

[ISSB issues inaugural global sustainability disclosure standards](#)

[Knowledge hub](#)



+ Educational materials

+ Webcasts and webinars

+ Transition Implementation Group (TIG)

+ Sources of guidance

+ IFRS Sustainability knowledge hub

+ Other IFRS Sustainability resources

+ Technical enquiries and implementation questions

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## Educational materials

Available now:

- Comparison of IFRS S2 with the TCFD recommendations
- Nature and social aspects of climate-related risks and opportunities
- Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards
- Using the SASB Standards to meet the requirements in IFRS S1
- How to apply the Integrated Reporting Framework with IFRS S1 and IFRS S2
- Current and anticipated financial effects
- Interoperability guidance: ISSB Standards and ESRS

In development – materials about:

- Materiality
- Proportionality mechanisms
- Scenario analysis

## 2024 priorities

### Implementation

- Capacity building
- Public forum for implementation questions through Transition Implementation Group
- Educational material
- Digital taxonomy
- Support use of the SASB Standards

### Adoption

- Work with jurisdictions following publication of Jurisdictional Guide
- Regulatory Implementation Programme
- Provide transparency on progress
- Encourage voluntary application of the ISSB Standards

### Work plan

- Publish and initiate two-year work plan following consultation on future priorities

**Fundamental to all activities:** Connectivity with IASB, interoperability, stakeholder engagement

## New ISSB projects

The ISSB has **finalised the decisions** for its next two-year work plan and will start **two new research projects** on risks and opportunities associated with:



### Biodiversity, ecosystems and ecosystem services

- Growing interest among investors for improved disclosure
- Build from pre-existing initiatives such as SASB Standards, CDSB guidance and TNFD



### Human capital

- Affects companies of all sizes and types
- Opportunity to address a lack of consistent, comparable disclosures
- Includes both employees and workers in value chain

*The ISSB expects to publish its Feedback Statement in June 2024, setting out its two-year work plan.*

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## Key takeaways

1. IFRS S1 and IFRS S2 were issued exactly a year ago
2. Companies and jurisdictions are beginning to implement, adopt and apply the ISSB Standards → the TIG are discussing implementation questions being received by stakeholders
3. To support the implementation of the ISSB Standards:
  - a) the SASB Standards have been updated to enhance their international applicability
  - b) the IFRS Sustainability Disclosure Taxonomy has been issued
4. Stakeholders will continue to be supported through:
5. the continued development of educational material
  - a) capacity building activities
  - b) ongoing enhancements to the SASB Standards