

KEY REQUIREMENTS OF THE ISSB STANDARDS

OVERVIEW

The International Sustainability Standards Board (ISSB) has introduced two foundational standards, IFRS S1 and IFRS S2, to establish a comprehensive global framework for sustainability-related financial disclosures. These standards aim to enhance the quality, consistency, and comparability of sustainability information disclosed by companies worldwide.

DETAILS

Below, we outline the key requirements of these standards.

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

1. Materiality Assessment

Companies must disclose information that is material to the users of general-purpose financial reports. Materiality is determined based on the potential impact on the company's financial performance, position, and prospects. Materiality should be assessed regularly to ensure that disclosures remain relevant and reflect the company's current circumstances.

2. Comprehensive Disclosure Framework

Companies must integrate sustainability-related disclosures with their general financial reporting, providing a holistic view of their performance. Disclosures must include both qualitative descriptions and quantitative data, ensuring a comprehensive understanding of sustainability-related risks and opportunities.

3. Governance and Oversight

Companies must disclose the governance structures, processes, and controls in place to oversee sustainability-related risks and opportunities. Details on the roles and responsibilities of the board and management in managing sustainability-related issues must be provided.

4. Risk Management

Companies need to disclose how they identify and assess sustainability-related risks. Information on the strategies and processes in place to mitigate identified risks must be included.

5. Strategy and Impact

Companies must disclose their overall sustainability strategy, including how sustainability-related risks and opportunities are integrated into their business model and strategy. The impact of sustainability-related risks and opportunities on the company's financial performance and position must be clearly articulated.

6. Value Chain Considerations

Companies must include information on sustainability-related risks and opportunities that extend beyond their immediate operations to their entire value chain. This includes upstream and downstream activities, such as supply chain impacts and customer-related sustainability issues.

IFRS S2: Climate-related Disclosures

1. Climate-related Governance

Companies must disclose the governance structure in place to manage climate-related risks and opportunities. The role of the board in overseeing climate-related issues must be detailed.

2. Strategy and Climate Impact

Companies need to describe how climate-related risks and opportunities are integrated into their overall strategy and business model. Companies are required to use scenario analysis to assess the potential impact of climate-related risks and opportunities on their business.

3. Risk Management Specific to Climate

Companies must disclose the processes used to identify and assess climate-related risks. Information on the processes in place to manage and mitigate climate-related risks must be included.

4. Metrics and Targets

Companies need to provide quantitative metrics related to climate-related risks and opportunities, such as greenhouse gas (GHG) emissions. Companies must disclose any climate-related targets set by the organisation, including the metrics used to assess progress towards these targets.

5. Value Chain and Climate Impact

Companies are required to disclose their Scope 1, Scope 2, and, where applicable, Scope 3 greenhouse gas (GHG) emissions. Scope 3 emissions cover the value chain, including both upstream and downstream activities. Companies must also consider and disclose climate-related risks and opportunities within their supply chain, detailing how these may affect their business operations and financial performance.

The ISSB's IFRS S1 and IFRS S2 standards provide a robust framework for sustainability-related financial disclosures. By adhering to these standards, companies can enhance the transparency, consistency, and comparability of their sustainability reporting, thereby providing stakeholders with valuable insights into their sustainability performance and strategy. Adopting these standards not only helps companies meet regulatory requirements but also strengthens their commitment to sustainable business practices.

For more detailed information on the ISSB and its reporting requirements, please refer to the [IFRS ISSB](https://www.issb.org/) website, or alternatively, contact us at info@envionas.com.