



The Global CEO Advisory Firm

Are We There Yet?

Progress Towards a Global ESG Disclosure Framework

December 2021

IFRS Foundation Announcement on November 3, 2021



The **International Financial Reporting Standards (IFRS) Foundation**, an organization responsible for setting global accounting standards, launched the International Sustainability Standards Board (ISSB).



The **ISSB will work to establish a singular, global ESG disclosure framework** for corporates.



The **Value Reporting Foundation (VRF)** - which includes the Sustainability Accounting Standards Board (SASB) and International Integrated Reporting Council (IIRC) - and the Climate Disclosure Standards Board (CDSB) have officially merged with the IFRS Foundation.



The **IFRS' Technical Readiness Working Group (TRWG)** issued a prototype framework for both **general** ESG and **climate** corporate disclosures.



The **ISSB will have a global presence in all regions – the Americas, Asia-Oceania, Europe and the Middle East** – with primary offices in Frankfurt and Montréal and support from the San Francisco and London offices.

What Happens Next?



The **ISSB will appoint its Chair and Vice Chair, fill the 12 other board positions and review the disclosure prototypes** submitted by the TRWG.



The **ISSB will begin work in “early 2022” and issue a public consultation on a climate disclosure framework on “a timely basis” in 2022.** Other disclosure frameworks for other ESG topics will be published by the ISSB in subsequent years.



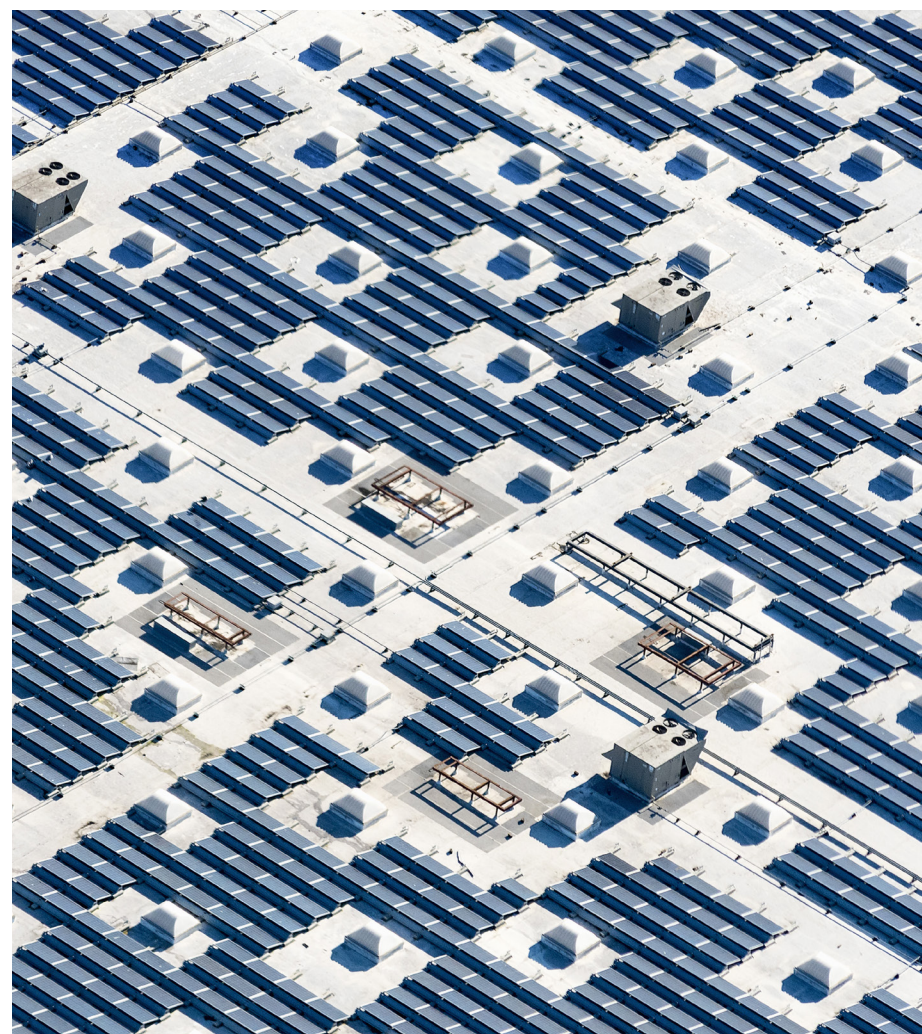
Given this stated timeline, the **IFRS Foundation initiative is not likely to materially impact the content of company ESG reports** published in 2022.



However, the disclosed **TRWG prototypes on both general ESG disclosure and climate can serve as helpful guidance on how company ESG reports may need to evolve** in the next year.



Companies should also continue to monitor the **pending ESG corporate disclosure regulations from both the U.S. Securities & Exchange Commission and the European Union.**



Highlights of the IFRS ESG Disclosure Prototypes

ESG disclosure standards are **voluntary** but designed for use by regulators.

Companies can **self-certify** compliance with the IFRS ESG disclosure standards.

The general ESG disclosure prototype's structural pillars are **governance, strategy, risk management & metrics/targets**.

The climate disclosure prototype is in line with both the Task Force on Climate-related Financial Disclosures (**TCFD**) **general narrative framework** and **SASB industry-specific climate metrics**.

Prototype Only – Not Yet For Public Comment

Disclosure standards utilize the **investor definition** of “financially material” ESG information related to **“risks and opportunities.”**

There is no specific mention of external assurance, but disclosure should be **“complete, neutral, and accurate.”**

New company ESG disclosure should be published at least **every 12 months** and **at the same time (and with) financial disclosures**.

The prototype encourages a **restatement** if any “material” errors are discovered in ESG disclosure.

Key Questions Remain

How much overlap will there ultimately be between the pending U.S. Securities and Exchange Commission, IFRS and EU Corporate Sustainability Reporting Directive (CSRD) corporate ESG disclosure requirements?

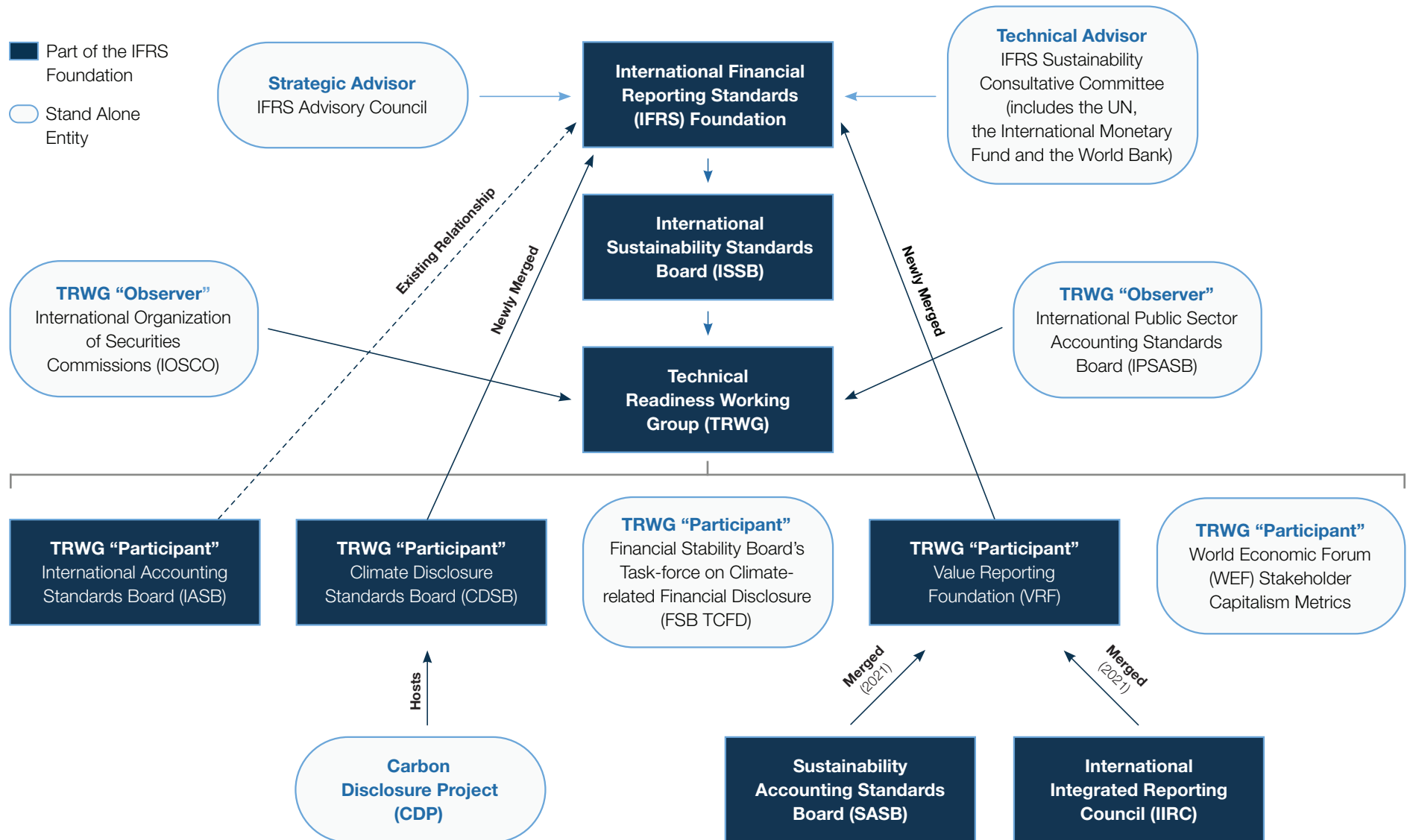
Will the EU CSRD ultimately require corporate ESG disclosure based on a “double materiality” standard – different than the IFRS’ proposed “financial materiality” standard?

How will the Global Reporting Initiative (GRI) disclosure framework - one of the most utilized ESG disclosure standards - be incorporated into these pending initiatives moving forward?

Will different ESG disclosure requirements emerge in other major global markets if such markets disagree with the final IFRS framework?



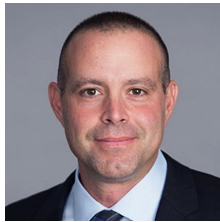
Appendix: Primary Participants in the IFRS Initiative



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