
Sustainability-related disclosure through ISSB Standards

Aspects of nature and biodiversity

Veronika Pountcheva
Global Asset owner meeting, Frankfurt June 2024

A truly global baseline of disclosures



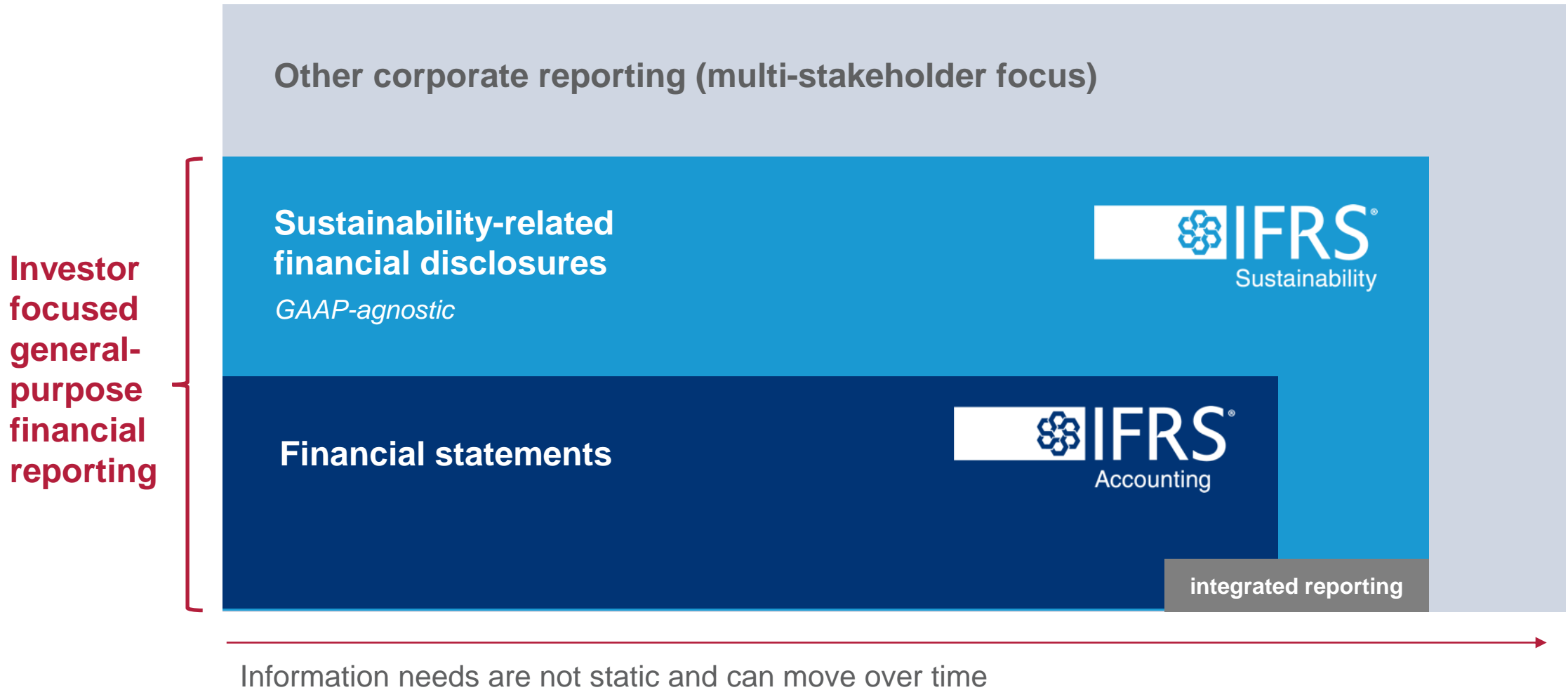
additional
building blocks

- can be added to meet jurisdiction-specific requirements
- can be added to meet broader multi-stakeholder needs

ISSB Standards

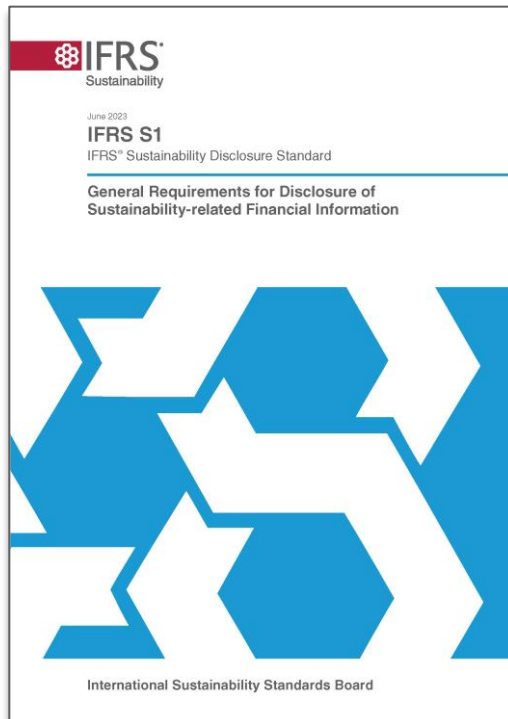
- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

Sustainability information tailored to audience needs



IFRS sustainability disclosure standards

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



IFRS S2: Climate-related Disclosures



Benefits for companies

Using the ISSB Standards:

- provide information that inform investment decision making
- indicates dedication to robust sustainability disclosure, transparency and ‘future-proofing’ the business
- positions a company favorably with investors and is of interest to other stakeholders, such as regulators
- builds structure and processes around intricate data, ultimately contributing to long-term performance
- helps navigate future regulatory changes
- provides a “passport” to a growing number of jurisdictions world-wide, enabling better access to capital, customers and suppliers while meeting regulatory requirements



Jurisdictional journey: Adopting ISSB Standards

- Supporting regulators adopt the Standards in a timely, consistent and comprehensive manner
- Adoption Guide supports:
 - jurisdictions by providing information helpful to design and plan their journey
 - transparency for capital markets, regulators and other stakeholders by setting out features for jurisdictional profiles.

Jurisdictions on the adoption journey include:

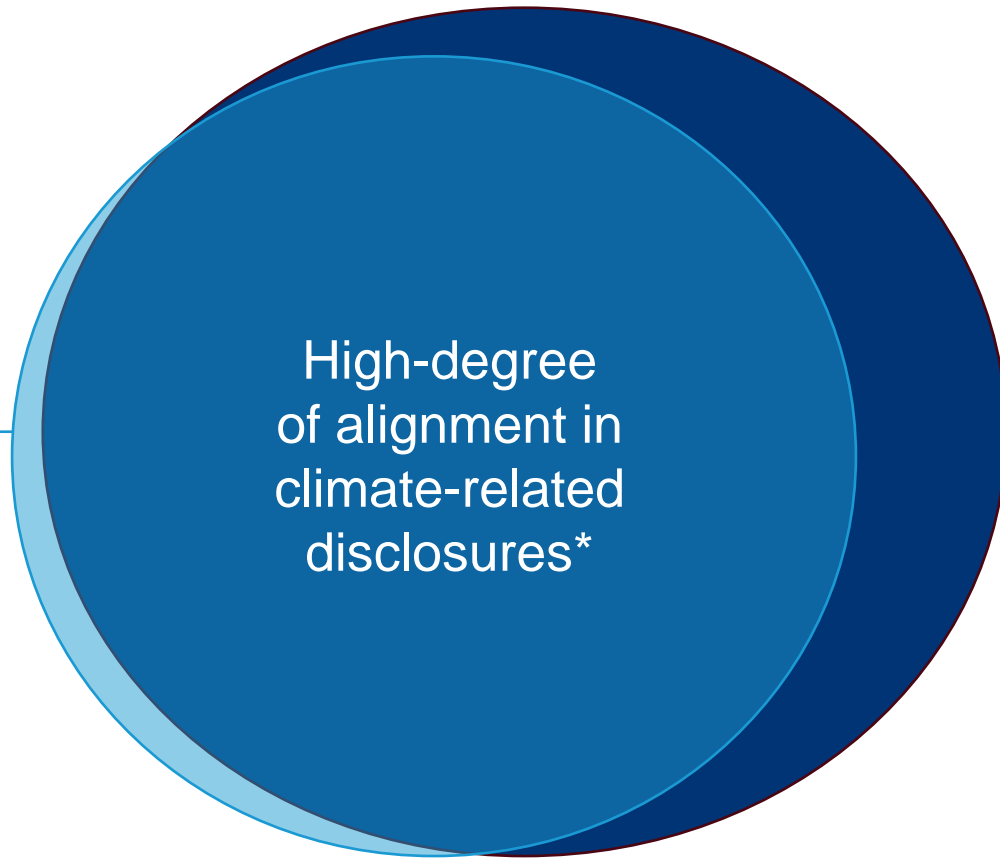


- Australia
- Brazil
- Canada
- Costa Rica
- Hong Kong
- Japan
- Kenya
- Nigeria
- Malaysia
- Mexico
- Pakistan
- Philippines
- Singapore
- Turkey
- UK

A list of ongoing and completed jurisdiction consultations on sustainability-related disclosures is available:

[ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdiction-consultations-on-sustainability-related-disclosures](https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdiction-consultations-on-sustainability-related-disclosures)

ISSB Standards:
Additional requirements
(eg financed emissions)




ESRS:
Additional requirements for stakeholders interested in impacts (that do not create risks or opportunities for a company's prospects) and information that if missing or obscured is not reasonably expected to affect investor decisions

High-degree of alignment around disclosures to provide decision-useful information for investors on risk management and how dependencies and impacts create risks and opportunities for a company's financial position and prospects

* The ISSB, the European Commission and EFRAG are discussing how to explain the alignment and interoperability between the respective standards, including the choices a company needs to make to enhance alignment and where the standards have specific requirements.

2024 priorities

Implementation

- Capacity building
- Public forum for implementation questions
- Educational material
- Maintain SASB Standards
- Digital taxonomy
- **Interoperability**
- Connectivity with financial statements

Adoption

- **Work with jurisdictions**
- Develop Inaugural Jurisdictional Guide
- Provide transparency on progress
- Encourage voluntary application of the ISSB Standards

Future work plan

- Reflect on feedback received via consultation about future work plan
- Plan to finalise decisions H1 2024
- Agree research projects to gather evidence about what problem needs to be solved and assess whether a feasible solution can be found

New ISSB projects

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



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

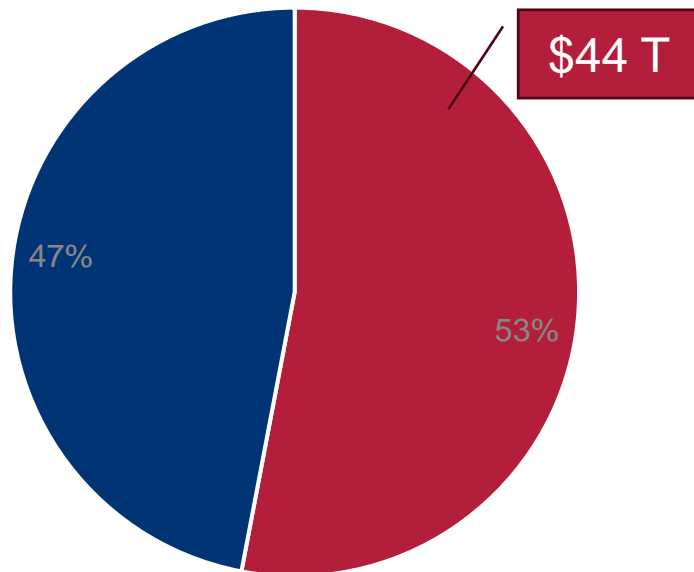
The ISSB expects to publish its Feedback Statement in June 2024, setting out its two-year work plan.

Companies and investors face significant and concentrated nature-related financial exposures

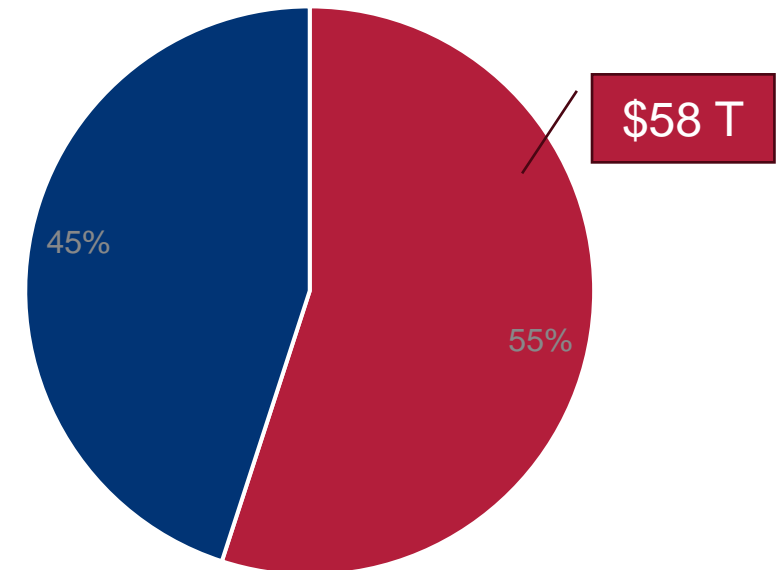


A significant and growing portion of global economic activity is highly/moderately dependent on nature

Global GDP 2019 Nature-Related Dependency



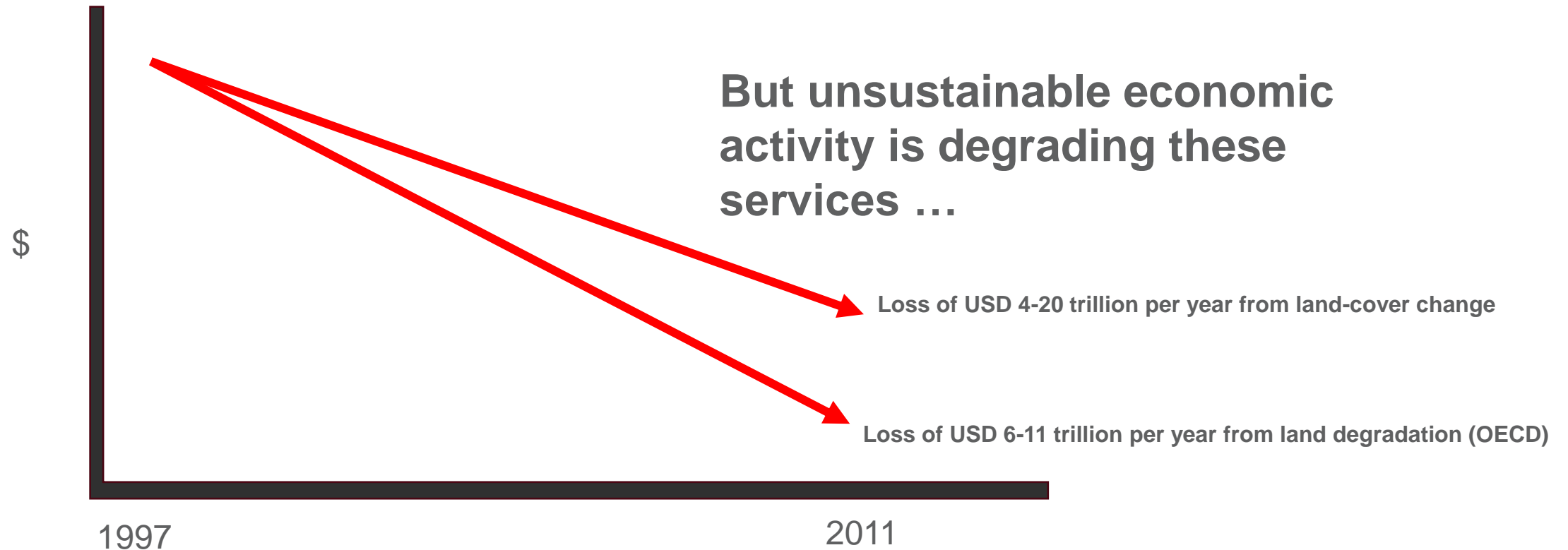
Global GDP 2023 Nature-Related Dependency



■ Highly or Moderately Dependent ■ Low Dependency

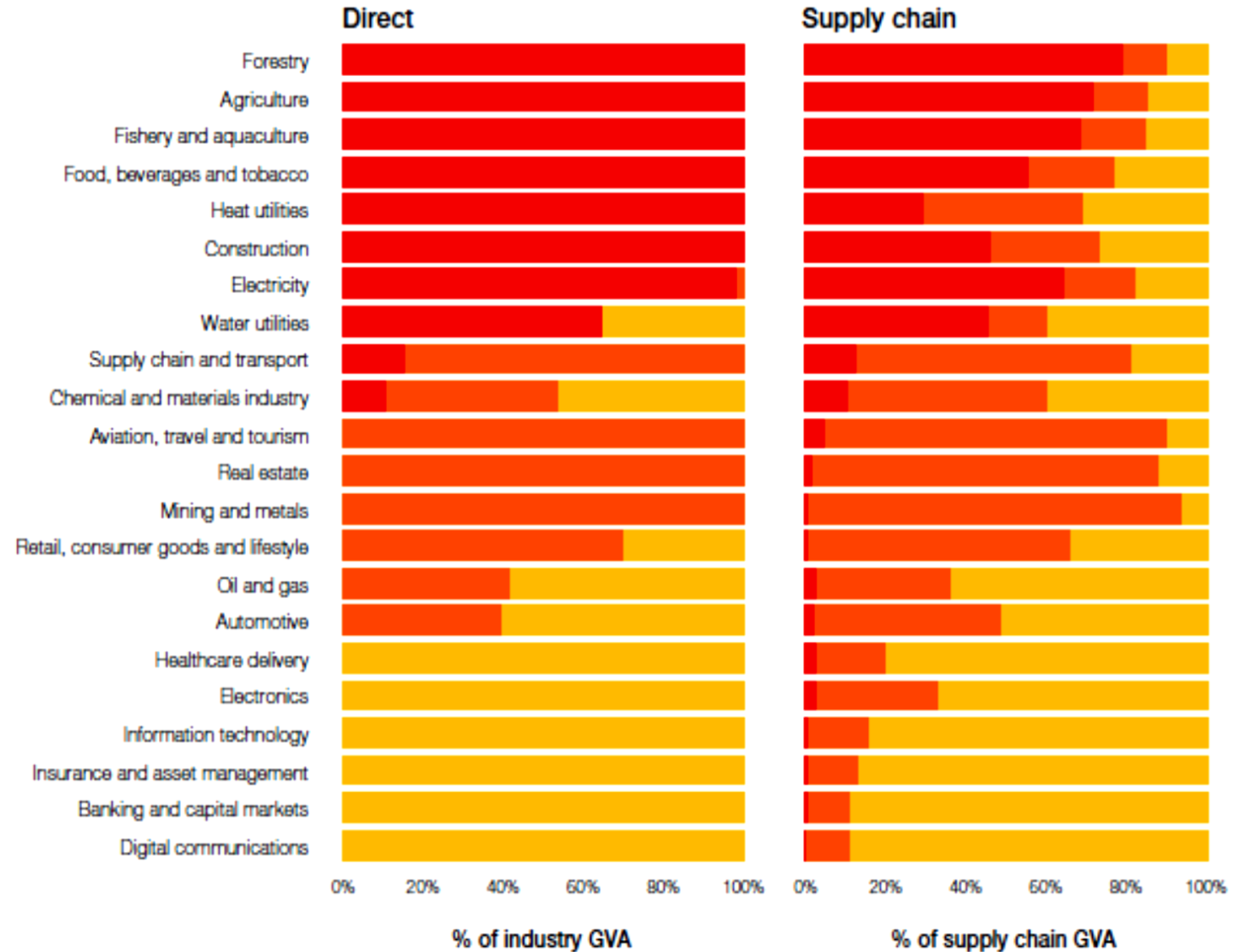
■ Highly or Moderately Dependent ■ Low Dependency

And through ecosystem services, nature provides benefits that are economically worth between \$125 and more than \$140 trillion p.a. globally.



Estimate of annual loss in ecosystem services 1997-2011

Economic dependency on nature varies significantly by sector, leading to potentially poorly understood risk distribution and concentration



Source: PwC (April 2023). Managing nature risks: from understanding to action. Strategy + Business. www.pwc.com/managing-nature-risks

■ High ■ Medium ■ Low

Source: PwC

Risks in high dependency sectors

High biodiversity <u>risk sectors</u>	Biodiversity <u>topics</u> to be addressed in high risk sectors
<p><i>Direct risk</i></p> <ul style="list-style-type: none"> ■ Agriculture ■ Food ■ Energy ■ Paper ■ Palm oil ■ Mining ■ Retail <p><i>Indirect risk</i></p> <ul style="list-style-type: none"> ■ Financial ■ IT ■ Insurance ■ Pensions ■ Banks 	<p><i>General vs industry & country specific</i></p> <ul style="list-style-type: none"> ■ Deforestation ■ Water ■ Waste ■ Land use change & habitat fragmentation ■ Over-exploitation ■ Land degradation: soil & vegetation ■ Governance & land rights

Most businesses depend on materials and services from natural ecosystems (including working ecosystems such as farms and managed forests). But the **dependencies can sometimes be hard to spot**. Finding them involves taking stock of the goods used along a company’s value chain and tracing those goods back to their biological sources, as well as mapping out the ecosystem functions that aid business activity.

Risks in the real-economy flow through to the financial system, which also has significant and concentrated exposures to nature

- **EU Bank Loans:**
 - almost 75% of all bank loans in the EU are provided to companies highly dependent on at least one ecosystem service;
 - only 100 euro-area banks finance around 90% of the total global biodiversity impact caused by euro area firms (ECB)
- **Dutch FI Portfolios:**
 - an estimated 36% of Dutch financial institutions' portfolios are highly or very highly dependent upon at least one ecosystem service (DNB)
- **Stock Exchanges:**
 - About \$45 trillion in market cap of companies listed on 19 stock exchanges are exposed to high or moderate nature dependence (PwC).

Current disclosures and
use of disclosures are at
a nascent/early stage



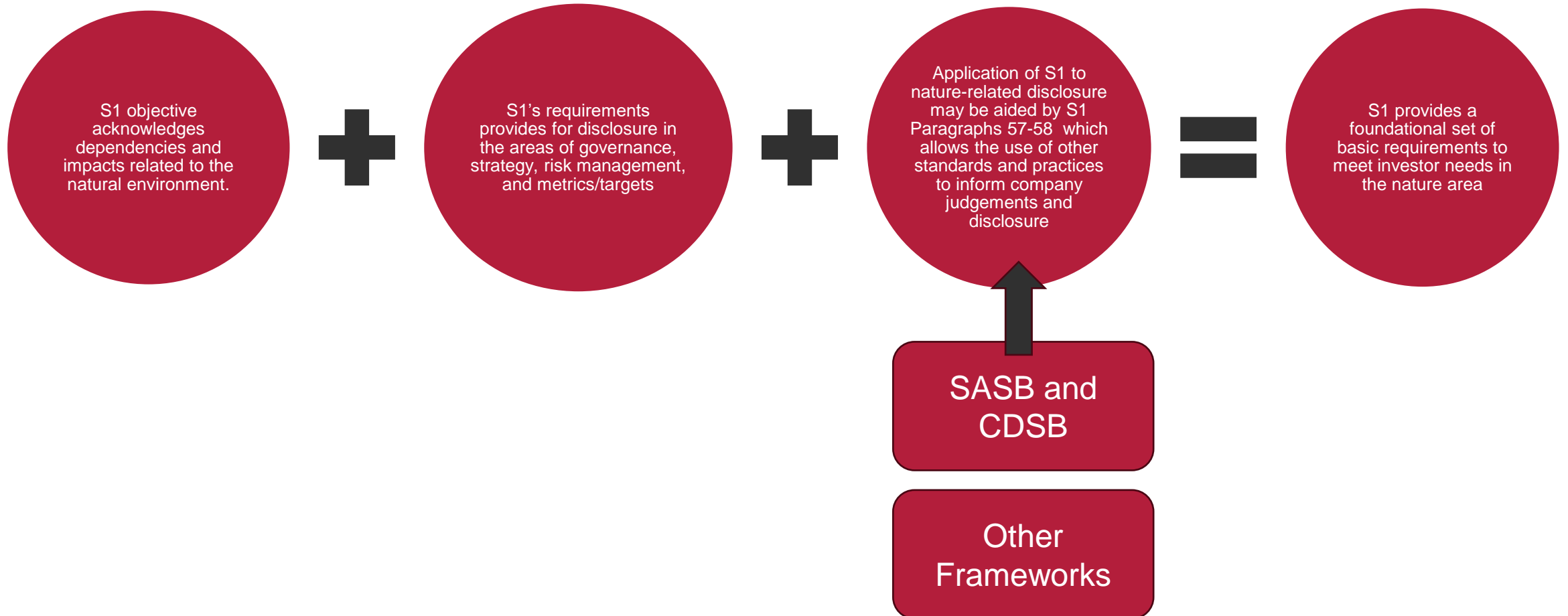
Given these nature-related risks and opportunities, investors are seeking information on:

- Companies' nature-related impacts and dependencies, and the risks and opportunities these may give rise to;
- The financial and non-financial implications of risks and opportunities for a company's nature-related commitments, its business model, and its ability to create value;
- The company's roadmap (strategy) to address its nature-related risks and opportunities;
- Uncertainties and the long-term/short-term tradeoffs facing a company among its nature-related risks and opportunities and in conjunction with a company's other sustainability issues.

However, current nature-related disclosures are at an early stage of development for four main reasons

1. **Focus on climate**: Companies have been focused on climate-related disclosure and their nature-related disclosures are just getting started.
2. **Low investor pressure**: Investors are concerned with nature-related risks but are currently placing a low priority on assessing implications for their portfolios.
3. **New frameworks**: The main nature-related disclosure frameworks are new within the last year or two; companies are still assessing and implementing them.
4. **New challenges**: Companies face several challenges around nature-related disclosure practices including location-specific, granular information; new nature-related assessment procedures; and greater heterogeneity of information.

IFRS S1 - a foundational set of basic requirements applicable to nature-related disclosure



Visit [ifrs.org](https://www.ifrs.org) to find out more

- [Access](#) the Standards and supporting materials
- Listen to the monthly [podcast](#)
- Respond to live [consultations](#)
- [Sign up](#) for news alerts
- Discover [services](#) that can support you
- [Observe](#) ISSB meetings