



## **Financial Reporting Webinar Series:**

IFRS Sustainability Standards – The climate-related  
and general disclosure prototypes

**Friday, 18 March 2022**

# What is proposed under the general requirements prototype?

Disclosures focus on matters that are critical to the way a company operates:

The general disclosure requirements prototype sets out a framework

## Governance

Processes, controls and procedures that a company uses to monitor sustainability-related risks and opportunities.



## Strategy

Sustainability-related matters that could enhance the business model and strategy over the short, medium and long term.



## Risk management

How sustainability related risks are identified, assessed, managed and mitigated.



## Metrics and targets

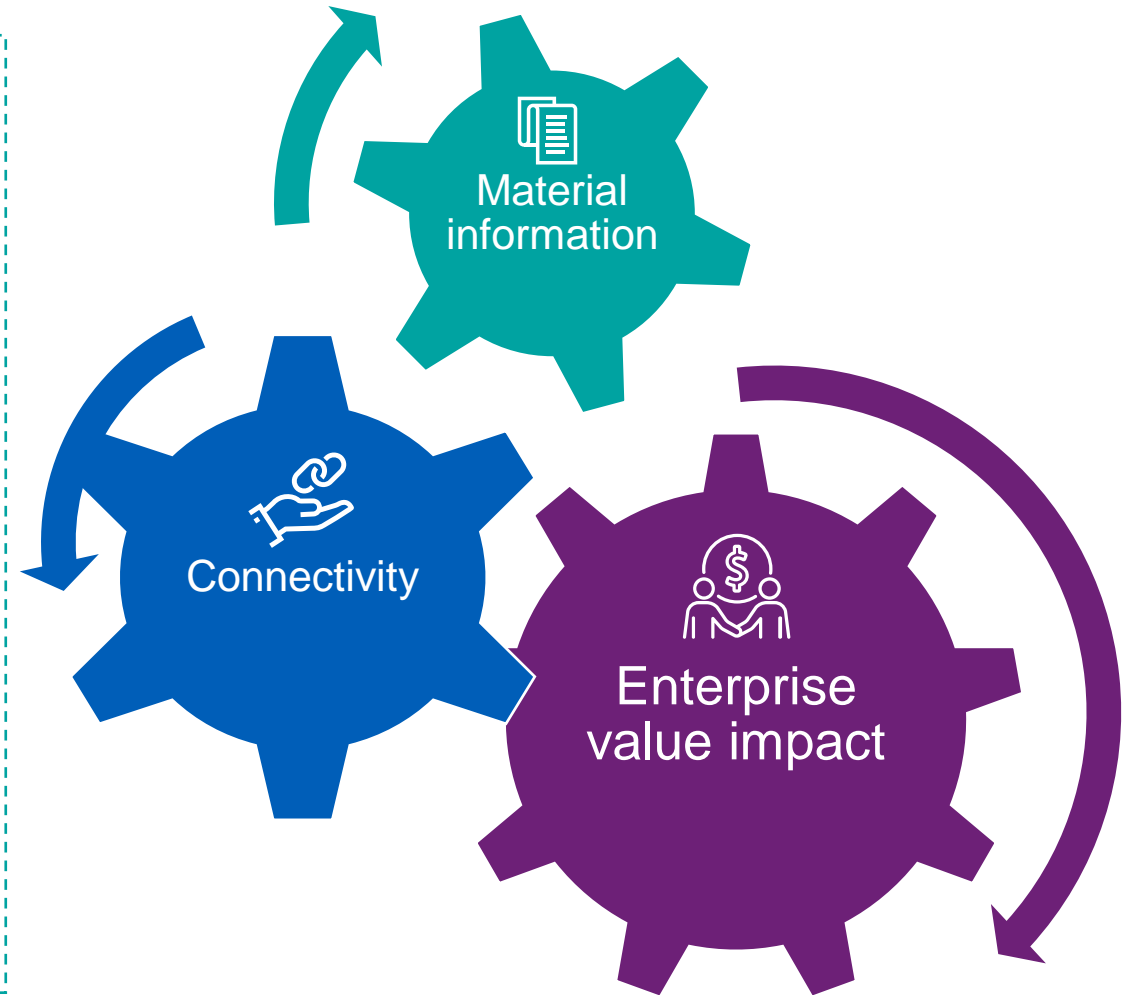
Information used to manage and monitor performance on sustainability-related matters over time.



Topic(or 'theme') based standards that build on this framework and require cross-industry and industry-specific disclosures

Climate-related disclosures

Future Sustainability Disclosure Standards





# Example proposed disclosure linking enterprise value to sustainability risks and opportunities

Disclose information to enable users of GPFRs to understand the impact of significant sustainability-related risks and opportunities on the entity's current financial position, performance and cash flow **at the reporting period end, and anticipated over the short, medium and long term:**

- Impact on the entity's most recently reported financial performance, position and cash flows
- Expectation on entity's financial position to change over time in line with its strategy to address significant sustainability-related risks and opportunities, reflecting:
  - i. the entity's current and committed investment plans and their anticipated impact on the financial position, (e.g. major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements)
  - ii. the entity's planned sources of funding to implement the strategies
- how management expects the entity's financial performance to change over time in line with its strategy to address significant sustainability-related risks and opportunities; and
- how the entity's assessment of significant sustainability-related risks and opportunities has affected judgements made or present sources of estimation uncertainty in the financial statements.



Reference: General requirements  
prototype paragraph 32

## Objective

Develop a climate prototype building on existing materials to provide a basis for consideration as an exposure draft under the ISSB

Would require a company to disclose information that enables investors to assess:

- **Governance**
- **Strategy**
- **Risk management**
- **Metrics and targets**



Introduction

Foundation

Objective

Scope

Governance

Strategy

Risk management

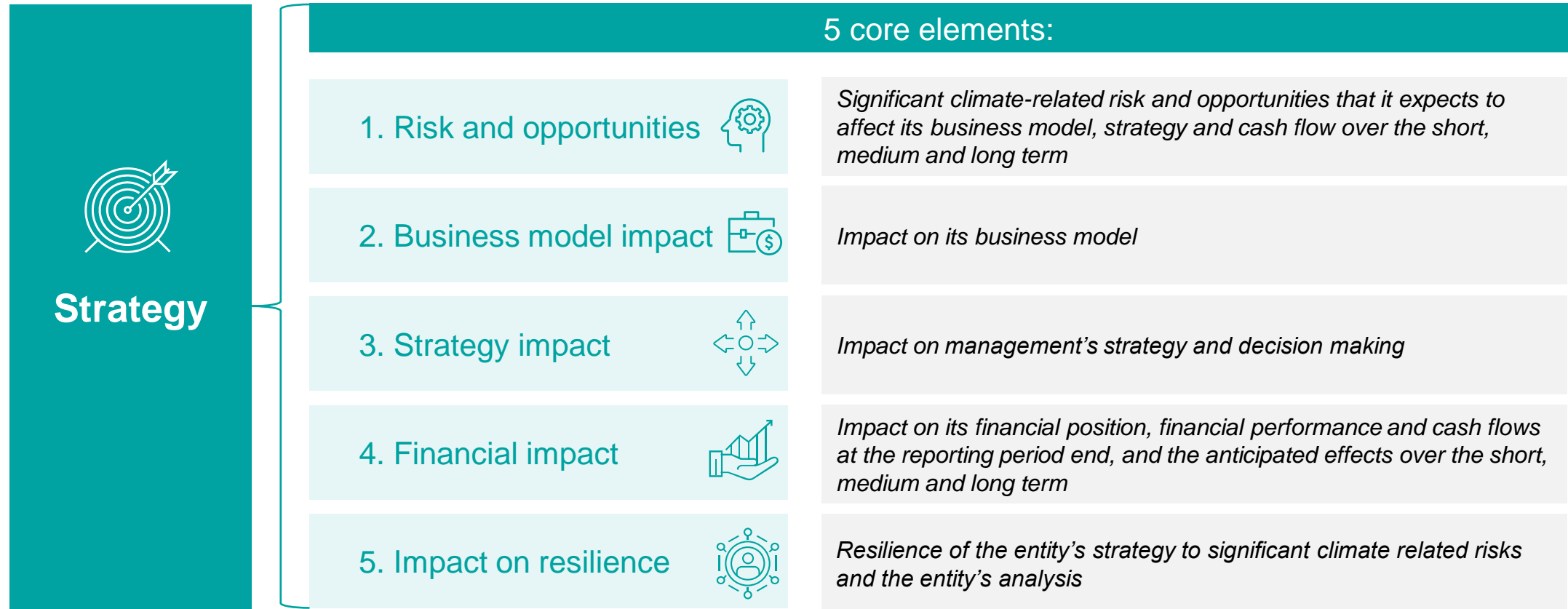
Metrics and targets

Appendices

A: Defined terms

B: Industry-specific disclosures

While proposing requirements for governance and risk management in line with the TCFD recommendations, the prototype focuses extensively on disclosure around **strategy** and **metrics** given their importance to investors



# Scenario analysis – would it be required?

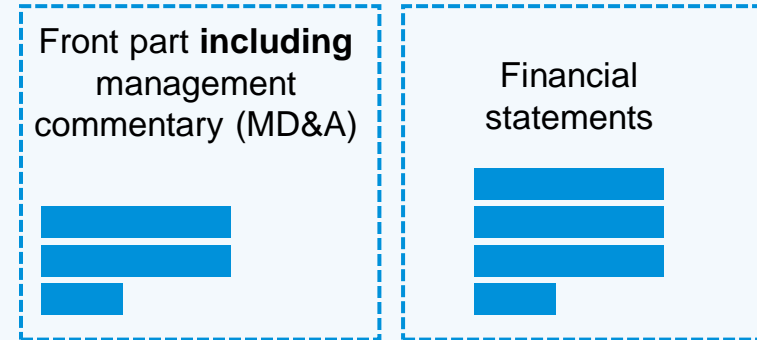
## What is scenario analysis?

- A structured way to consider how climate-related risks and opportunities could impact a company's governance framework, business model and strategy.
- [Scenario analysis](#) is used to answer 'what if' questions. It does not aim to forecast or predict what will happen.

## What is a climate scenario?

- A set of assumptions around how the world will react to achieving different degrees of global warming.
  - For example, the carbon prices and other factors needed to limit global warming to 1.5°C.
- By their nature, scenarios may be different from the assumptions underlying the financial statements. However, careful consideration needs to be given to the extent to which linkage between the scenario analyses and these assumptions is appropriate.

## Annual Report



Consider consistency of assumptions

## Is scenario analysis required?

- It is referenced in the climate prototype.
- It can be a helpful tool for management in assessing the resilience of a company's business model and strategy to climate-related risks.

## Why is disclosure useful?

- It can help investors assess the possible exposures from a range of hypothetical circumstances.

- The prototype specifically requires disclosure of: **(1) Cross-industry metrics and (2) Industry-based metrics.**
- As well as targets set by management to mitigate or adapt to climate-related risks or maximise climate-related opportunities and other key performance indicators used by the board or management to measure progress towards the targets



## Cross-industry metrics





*Intended to enhance comparability across reporting entities to provide essential building blocks to assess climate-related risks and opportunities in seven key areas including GHG emissions, vulnerability to transition risks and physical risks.*



## Industry-based metrics

*A tailored set of industry-based metrics and activity metrics based on SASB standards, along with a technical protocol that provides guidance on definitions, scope, implementation, compilation and presentation.*

# Example- insurance industry disclosure requirements

 Insurance	Disclosure topic 	Accounting Metric 	Accounting metric unit of measure 
	Incorporation of Environmental, Social, and Governance Factors in Investment Management	Total invested assets, by industry and asset class	Reporting currency
		Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies	n/a
	Policies Designed to Incentivize Responsible Behaviour	Net premiums written related to energy efficiency and low carbon technology	Reporting currency
		Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviours	n/a
	Environmental Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	Reporting currency
		Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	Reporting currency
		Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	n/a



# Resources

Publication date: 03.11.2021

This document represents recommendations from the Technical Readiness Working Group (TRWG) for consideration by the International Sustainability Standards Board (ISSB) for a general requirements for disclosure of sustainability-related financial information standard. While the recommendations build on the established work of the organisations represented on the TRWG, this document has not been subject to the due process of those organisations or the IFRS Foundation. After starting its work, the ISSB is expected to consult publicly on proposals for a general requirements for disclosure of sustainability standard informed by the TRWG's recommendations. The ISSB's work will be subject to the IFRS Foundation's due process.

## General Requirements for Disclosure of Sustainability-related Financial Information Prototype

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021



Publication date: 03.11.2021

This document represents recommendations from the Technical Readiness Working Group (TRWG) for consideration by the International Sustainability Standards Board (ISSB) for a climate-related disclosure standard. While the recommendations build on the established work of the organisations represented on the TRWG, this document has not been subject to the due process of those organisations or the IFRS Foundation. After starting its work, the ISSB is expected to consult publicly on proposals for a climate-related disclosure standard informed by the TRWG's recommendations. The ISSB's work will be subject to the IFRS Foundation's due process.

## Climate-related Disclosures Prototype

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021



# Get ready for ISSB sustainability disclosures

## Understanding the prototypes

[home.kpmg/ifrs](https://home.kpmg/ifrs)

December 2021



# Webinar dates and topics for 2022

- **26 January – HKEX Listing Rules Update**
- **18 March – IFRS Sustainability Standards – The climate-related and general disclosure prototypes**
- **20 May – Interim reporting update: What's on the horizon**
- **10 June – ESG update/TCFD/Climate-risk on financial reports**
- **29 July – Accounting for intangible assets (including alternative investment asset class)**
- **2 September – IASB projects update**
- **18 November – ESG update/TCFD/Climate-risk on financial reports**
- **16 December – Year-end reporting reminders**



**For more details and access to our webinar series:**

**<https://home.kpmg/cn/en/home/services/audit/ifrs-news/financial-reporting-webinar-series.html>**



# Speakers



**Robert Gibson**

Adjunct Professor  
Division of Environment and  
Sustainability  
HKUST

E rgibson@ust.hk



**Pat Woo**

Partner  
KPMG China, and  
Global Co-Chair, Sustainable  
Finance KPMG IMPACT

E pat.woo@kpmg.com



**Len Jui**

Deputy Chair  
International Auditing and Assurance  
Standards Board (IAASB)

Partner  
Department of Professional Practice  
KPMG China

E len.jui@kpmg.com



**Serene Seah-Tan**

Partner  
Department of Professional Practice  
KPMG China

E serene.seah-tan@kpmg.com





[kpmg.com/cn/socialmedia](https://kpmg.com/cn/socialmedia)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG, a Hong Kong (SAR) partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in Hong Kong (SAR).

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.