

Capacity building workshop on Sustainability reporting standards for SARAS

November 1, 2023

Agenda

1. The need for sustainability-related financial disclosure by banks
2. Review of international reporting standards: Introduction to ISSB and ESRS
3. IFC Beyond the Balance Sheet Toolkit and Platform

BUSINESS CASE

The business case for environment, social and governance – empirical perspective

1

Better Risk Management - Without proper management of ESG risks there can be severe impacts from project development. IFC Performance Standards suggest the RIGHT THING TO DO for the identification and management of ESG risks and impacts.

2

Higher Returns - Increasing evidence shows that investors who consider ESG risks as part of their investment decision-making also have lower risk, less volatile portfolios and higher returns. IFC reviewed the performance of 656 investments and found that clients with better E&S performance financially outperform companies with worse E&S performance by 210 basis points on return on equity and by 110 basis points on return on assets.

3

ESG Premium Companies are willing to pay about a 10 percent median premium to acquire a company with a positive record for ESG issues over one with a negative record (McKinsey Global Survey)

4

ESG Reporting Matters - IFC also found that reporting really matters: firms with a well-established practice of reporting on more than half of SASB material sustainability indicators outperform firms with a weak reporting culture. This is in line with the findings by Harvard Business School that reporting on material issues is associated with increased firm value.

Companies with robust ESG practices tend to:

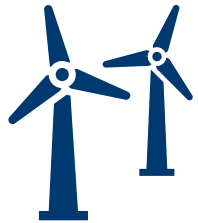
- Financially outperform their peers
- Attract and retain talents
- Achieve higher productivity in the workplace
- Create competitive advantage
- Improve company reputation
- Better prepare for uncertainty
- Avoid activist intervention
- Attract long-term investors
- Access to cheaper financing
- Attract customer loyalty
- Reduce regulatory and legal intervention
- Maintain their Social License to Operate (SLO)

Why?

Sustainability creates opportunities and risks for the banking industry

Opportunity: financing a sustainable future

Risk: impact on balance sheets from uncertainty



Transformation of energy production towards renewables

Electrification of transport and automation of mobility

Innovation through nature-based solutions

Real-estate market collapse in low-lying areas

Increased risk of major crop failures, with implications for meat and dairy producers

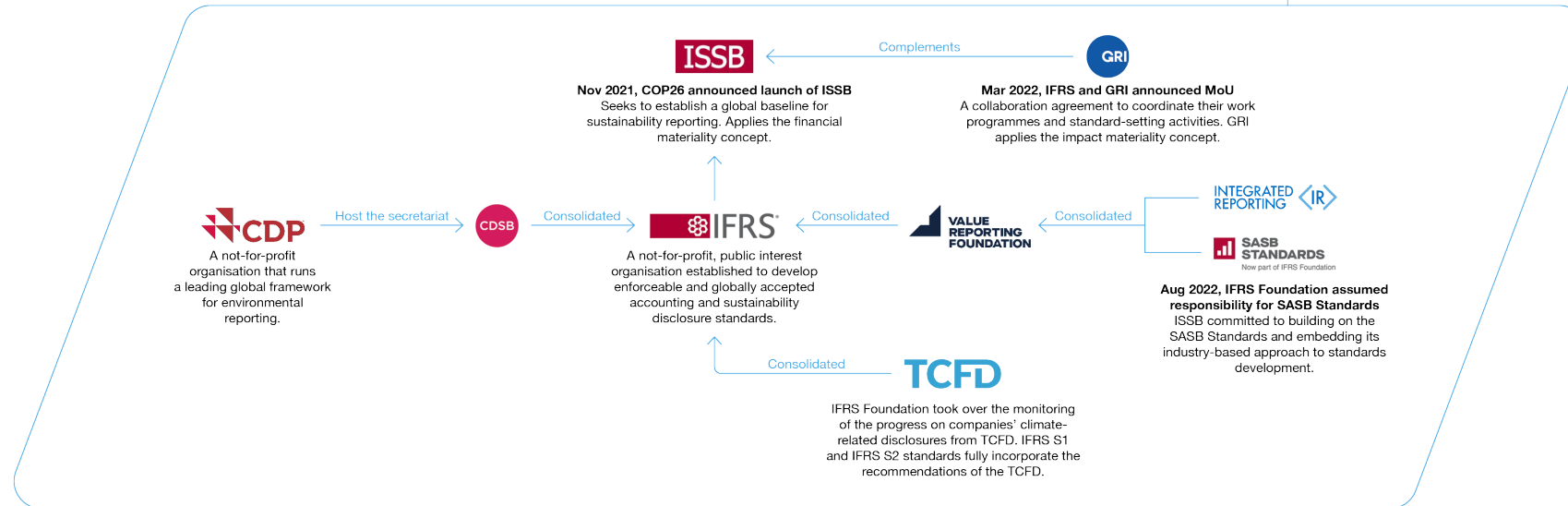
Closures of fossil fuel-powered power plants before end of useful life

Why report?

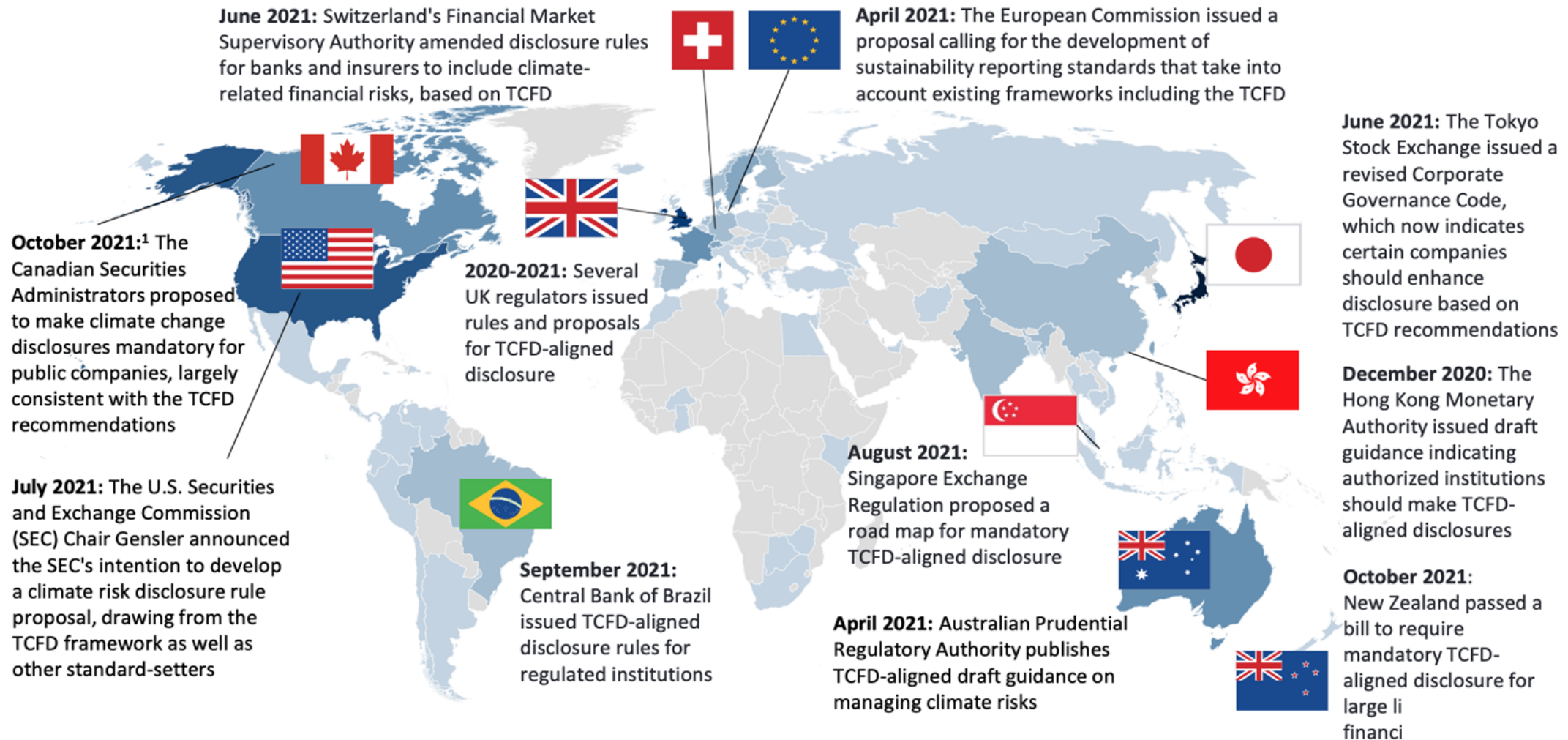
- Rising global interest: strong support from investors, companies, policy makers, market regulators and others from around the world, inc. G20 and the G7 leaders
- Need to better understand macroeconomic impacts
- Support better management of risks and opportunities within the business

Review of international reporting standards: Introduction to ISSB and ESRS

Pathway to ESG disclosure going mainstream



The climate regulatory movement



Source: [TCFD Fundamentals Workshop](#)

TCFD 2023 STATUS REPORT


Figure A4

Disclosure by Industry: 2022 Fiscal Year Reporting

Percent of Companies¹

Recommendation	Recommended Disclosure	Industry							
		Banking (235)	Insurance (117)	Energy (205)	Materials and Buildings (345)	Transportation (128)	Agriculture, Food, and Forest (115)	Technology and Media (91)	Consumer Goods (131)
Governance	a) Board Oversight	57%	65%	76%	71%	70%	57%	43%	58%
	b) Management's Role	40%	44%	57%	46%	44%	39%	32%	32%
Strategy	a) Risk and Opportunities	69%	68%	70%	66%	55%	57%	38%	46%
	b) Impact on Organization	35%	45%	58%	46%	40%	49%	27%	28%
	c) Resilience of Strategy	9%	13%	16%	12%	6%	17%	5%	8%
Risk Management	a) Risk ID and Assessment Proc.	40%	44%	42%	40%	30%	36%	14%	22%
	b) Risk Management Processes	46%	51%	45%	38%	37%	35%	20%	29%
	c) Integration into Risk Mgmt.	38%	36%	32%	22%	21%	18%	7%	11%
Metrics and Targets	a) Climate-Related Metrics	61%	56%	81%	81%	70%	71%	67%	62%
	b) Scope 1,2,3 GHG Emissions	58%	53%	77%	75%	64%	64%	65%	54%
	c) Climate-Related Targets	47%	50%	80%	77%	73%	69%	56%	63%

1. The numbers in parentheses represent the size of the review population.

Legend:  Low to high percentage of reporting

For fiscal year 2022 reporting:

58% of companies disclosed information in line with at least five of the 11 recommended disclosures — up from 18% in 2020;

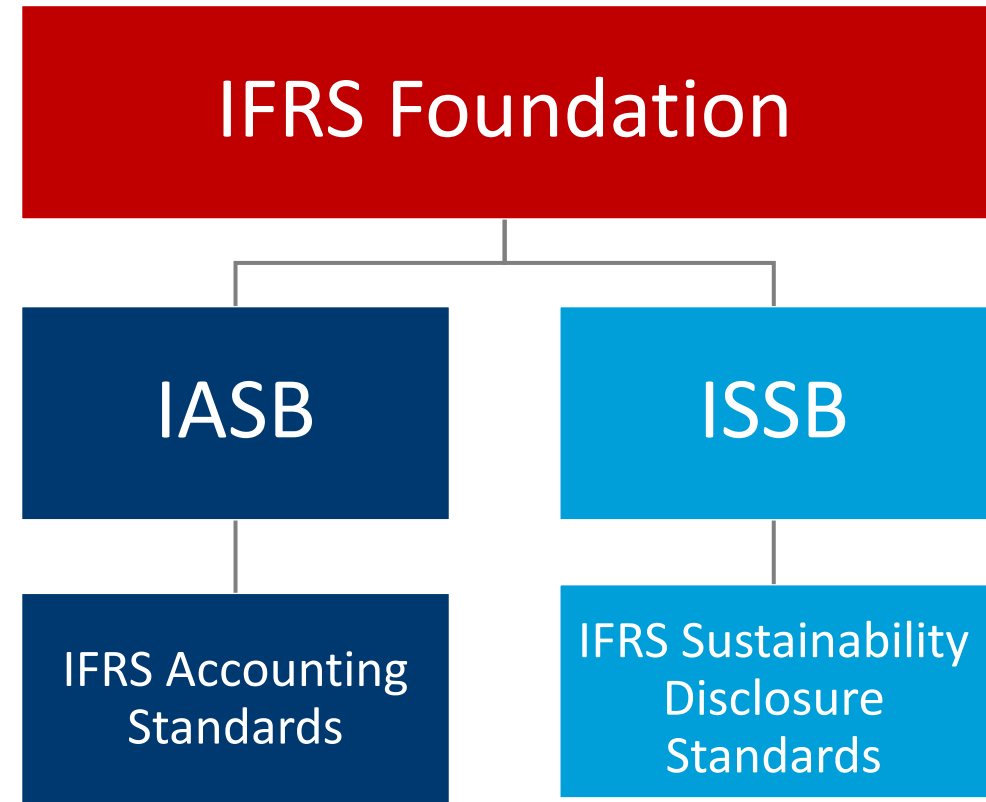
however, **only 4%** disclosed in line with all 11 recommendations.

	EU/EFRAG EUROPEAN SUSTAINABILITY REPORTING STANDARDS	IFRS/ISSB SUSTAINABILITY AND CLIMATE DISCLOSURE STANDARDS
AUDIENCE	ALL STAKEHOLDERS	INVESTORS
SCOPE MATERIALITY	ALL ESG ISSUES DOUBLE	GENERAL REQUIREMENTS AND CLIMATE SINGLE
BUILDING BLOCKS	GRI, CDP	CDSB, VRF TCFD
TCFD ALIGNED	YES	YES
SECTOR- SPECIFIC	FORTHCOMING	YES
SMES	YES	NO
ASSURANCE	YES	YES
DIGITAL REPORTING	TAXONOMY TO BE DEVELOPED	YES
EXPECTED STATUS	MANDATORY TO LARGE LISTED AND NON-LISTED EU COMPANIES AND LISTED SMES	SUBJECT TO NATIONAL JURISDICTIONS

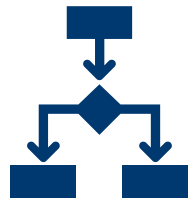


Where did the ISSB standards come from?

- International Sustainability Standards Board of the IFRS Foundation
- Sister Board of International Accounting Standards Board (IFRS Accounting Standards)
- Global Board with a wide range of backgrounds
- Rigorous process, including public consultation (1400+ responses)

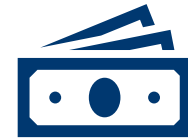


ISSB Standards enhance investor-company dialogue



Decision-useful

Developing globally comparable sustainability-related disclosures, that are assurable, to meet the information needs of investors



Cost-effective

Enabling companies to communicate to investors globally comparable, comprehensive information about sustainability-related risks and opportunities

A truly global baseline of disclosures



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

IFRS Sustainability Disclosure Standards

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

- *General* requirements for a company to disclose information about its sustainability-related risks, i.e. s governance, strategy and risk management, as well as metrics and targets
- Defines *key concepts*, i.e. materiality, fair presentation, reporting entity, information related to a company's value chain, connected information

IFRS S2 Climate-related Disclosures

- Requirements for a company to disclose information about its **climate**-related risks and opportunities, while building on the requirements described in IFRS S1
- Integrates the recommendations of the *TCFD* and requires the disclosure of information about both cross-industry and industry-specific climate-related risks and opportunities.

TIMELINE

- IFRS S1 and S2 have different implementation paths. There is a one-year transition relief in relation to implementation of IFRS S1, allowing companies time to get familiar with the details of the ISSB standards by only focusing on climate-related risks and opportunities.
- In the second year, entities then report on all their material sustainability-related risks and opportunities. The ISSB is planning for the standards to take effect from January 2024. On this basis, the first entities reporting in line with the standards are expected to be seen in 2025.



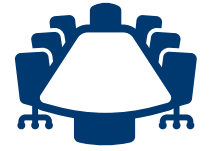
The overall requirement

Disclose information about sustainability (including climate)-related risks and opportunities that is useful for primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Core content – built on TCFD



Governance



Objective: to enable users of general purpose financial reports to understand the *governance processes, controls* and *procedures* an entity uses to monitor, manage and oversee sustainability-related risks and opportunities.

Disclosures on:

- The **governance body(s) or individual(s) responsible** for oversight of sustainability-related risks and opportunities; and
- **Management's role** in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related risks and opportunities.

Strategy



Objective: to enable users of general purpose financial reports to understand an entity's *strategy for managing sustainability-related risks and opportunities*.

Disclosures on:

- The **sustainability-related risks and opportunities** that could reasonably be expected to affect the entity's prospects;
- The **current and anticipated effects** of those sustainability-related risks and opportunities on the entity's business model, value chain, financial position, etc; and
- The **resilience of the entity's strategy** and its business model to those sustainability-related risks (scenario analysis).

Risk management



Objective: To enable users of general purpose financial reports:

(a) to understand an entity's processes to identify, assess, prioritise and monitor sustainability-related risks and opportunities, and how they are integrated into the entity's overall risk management process; and

(b) to assess the entity's *overall risk profile* and its *overall risk management process*.

Disclosures on:

- The **processes and related policies** the entity uses to identify, assess, prioritise and monitor sustainability-related risks & opportunities; and
- How these are **integrated into** and inform the **entity's overall risk management process**.

Metrics and targets



Objective: to enable users to *understand an entity's performance* in relation to its sustainability-related risks and opportunities, including *progress towards any targets* the entity has set, and any *targets it is required to meet by law or regulation*.

Disclosures on (not comprehensive list):

- **Metrics** for each sustainability-related risk and opportunity that could reasonably be expected to affect the entity's prospects
- Greenhouse gas emissions: **Scope 1, 2 and 3**, inc. specific metrics for Banks and FIs
- Climate-related **targets**

HOW to disclose

- As part of your general-purpose financial reporting package (annual report)
- Only disclose **material** information
- Report **industry-specific** disclosures where possible (guidance included)
- Focus on **climate for now**, but you can disclose on other sustainability-related risks and opportunities
- Assurance - International Auditing and Assurance Standards Board (IAASB) draft International Standard on Sustainability Assurance 5000 (ISSA 5000). EU – limited assurance.

Summary of jurisdictional status as of late October

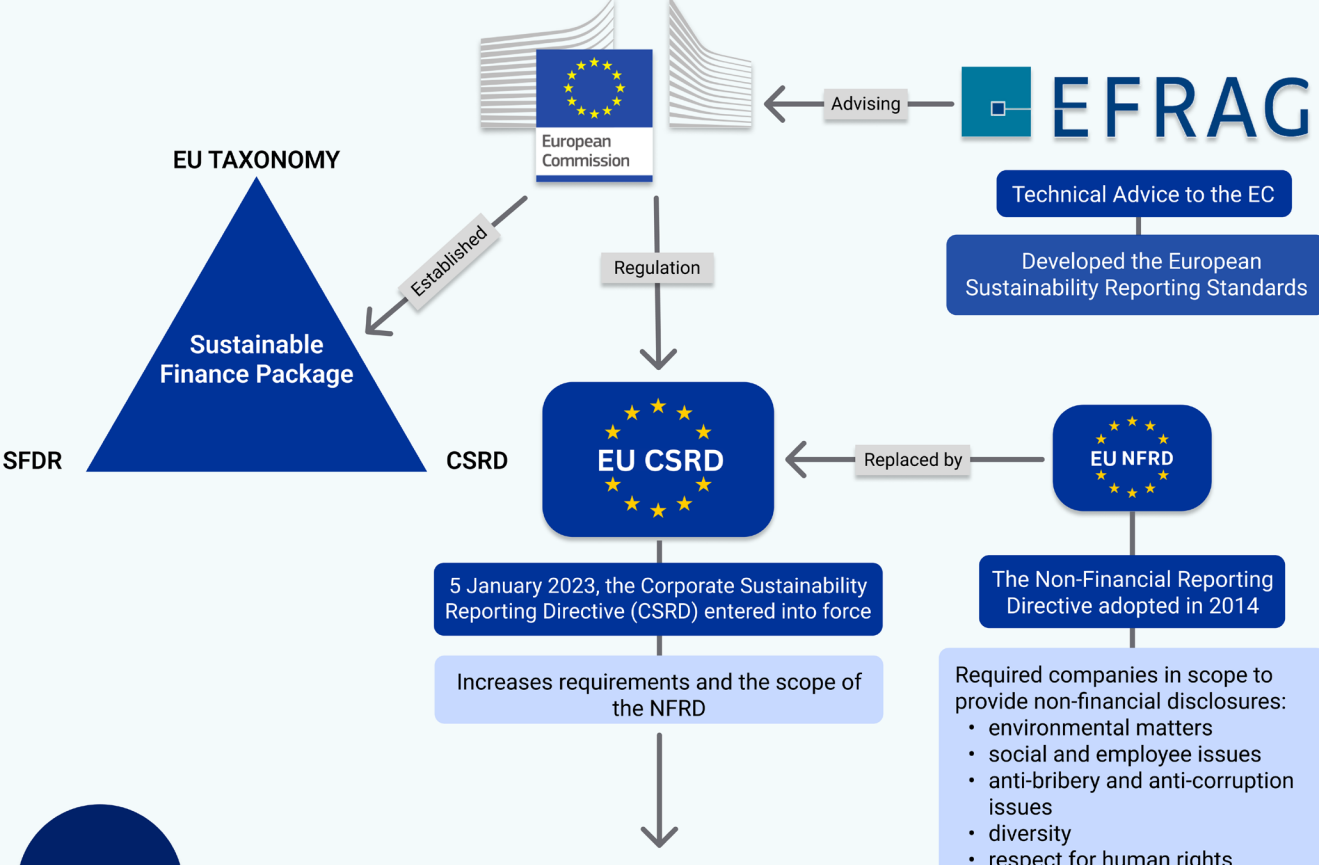
- A. We've seen several jurisdictions **begin consulting publicly on disclosure requirements and roadmaps towards adoption of ISSB Standards**, either encompassing disclosure of all sustainability-related risks and opportunities – such as Singapore and UK – or encompassing just climate-related disclosures – such as Australia and Hong Kong.
- B. A handful of additional jurisdictions **plan to publish consultations** on proposed requirements and/or a proposed roadmap – such as Japan and Korea.
- C. A few jurisdictions have made **public statements that they will fully adopt S1 and S2**,
- A. Brazil announced full endorsement of S1 and S2, with two years for voluntary application, followed by mandatory application in 2026.
 - B. Kenya, Nigeria and Zimbabwe and Sri Lanka have also announced full adoption, with details to be finalised, such as potential phase-ins and the scope of preparers affected
- D. The two jurisdictions with consultations that took place at the same time as the S1 and S2 consultation last summer – the EU and US – are at different stages:
- i. EU has finalised its first 12 European Sustainability Reporting Standards. There is a very high degree of alignment in their and our climate disclosure standards.
 - ii. The US SEC has not finalised their climate disclosure requirements and there is not a definitive timeline to do so. California recently passed legislation to require climate risk disclosure with permission to use ISSB.

Jurisdictions on the adoption journey include:



- Australia
- Brazil
- Canada
- Hong Kong
- Japan
- Kenya
- Nigeria
- Mexico
- Philippines
- Singapore
- UK

EUROPEAN SUSTAINABILITY REPORTING STANDARDS



12 ESG Standards – 5 ENV, 4 SOC, 1 GOV, 2 CROSS-CUTTING

1178 Data points

Sector-agnostic (sector-specific June 2026)

DOUBLE MATERIALITY

- Financial (aligned with ISSB)
- Impact (aligned with GRI)

4 PILLARS

- Governance
- Strategy
- Impact, Risk and Opportunity Management
- Metrics and Targets

SUBJECT TO MATERIALITY ASSESSMENT

ASSURANCE - limited

XBRL Taxonomy to be developed

SMEs version to be developed



Mapping table of climate disclosures across ESRS and ISSB



Joint statement from EFRAG and GRI

31 July 2023, EC adopts the ESRS

General	Environment	Social	Governance
ESRS 1 General requirements	ESRS E1 Climate change	ESRS S1 Own workforce	ESRS G1 Business conduct
ESRS 2 General disclosures	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marine resources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity and ecosystems	ESRS S4 Consumers and end-users	
	ESRS E5 Resource use and circular economy		

EUROPEAN SUSTAINABILITY REPORTING STANDARDS

12 STANDARDS, 1178 DATA POINTS

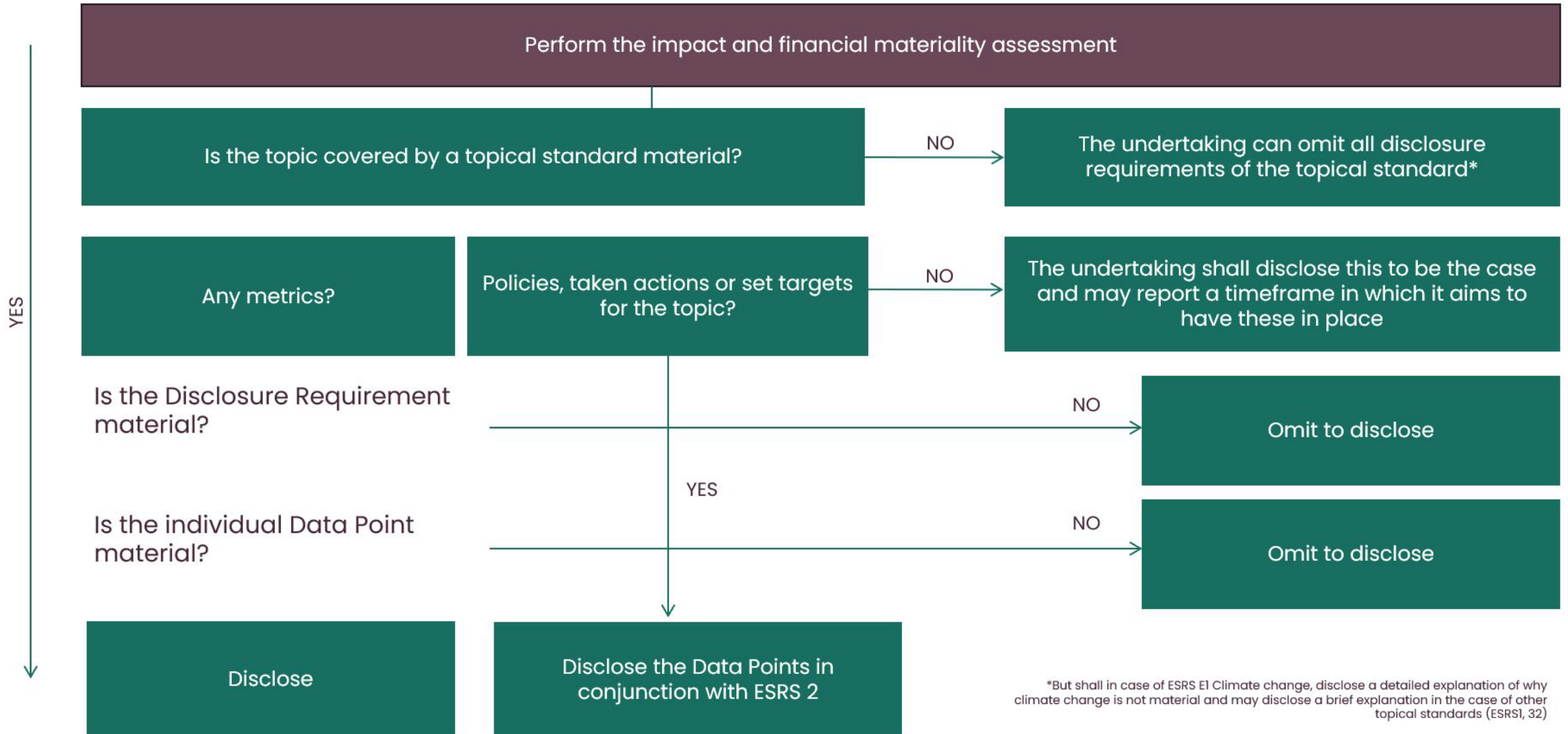
General	<ul style="list-style-type: none"> 1 General principles 2 General, strategy, governance and materiality disclosure requirements
E Environment	<ul style="list-style-type: none"> E1 Climate E2 Pollution E3 Water/Marine E4 Biodiversity and ecosystems E5 Resource use and Circular economy
S Social	<ul style="list-style-type: none"> S1 Own workforce S2 Workers in the value chain S3 Affected communities S4 Consumers and End-users
G Governance	<ul style="list-style-type: none"> G1 Business conduct

	Standard	Voluntary	Total
Environmental Standards	E1 Climate change	1	220
	E2 Pollution	9	68
	E3 Water and marine resources	16	48
	E4 Biodiversity and ecosystems	58	119
	E5 Resource use and circular economy	16	84
Social Standards	S1 Own workforce	61	199
	S2 Workers in the value chain	14	67
	S3 Affected communities	14	65
	S4 Consumers and end-users	14	64
Governance Standards	G1 Business conduct	11	51

[DRAFT] LIST OF ESRS E1 CLIMATE CHANGE DATA POINTS OCT. 2023 - IMPLEMENTATION GUIDANCE

ESRS	DR	Paragraph	Name	Data Type	Appendix C (SFDR + PILLAR 3 + Benchmark + CL)	V [Voluntary]
E1	E1-1	14	Disclosure of transition plan for climate change mitigation	narrative	CL	
E1	E1-1	16a	Explanation of how targets are compatible with limiting of global warming to one and half degrees Celsius in line with Paris Agreement	narrative		
E1	E1-1	16b	Disclosure of decarbonisation levers and key action	narrative		
E1	E1-1	16c	Disclosure of significant operational expenditures (Opex) and (or) capital expenditures (Capex) required for implementation of action plan	narrative		
E1	E1-1	16c	Financial resources allocated to action plan (OpEx)	monetary		
E1	E1-1	16c	Financial resources allocated to action plan (CapEx)	monetary		
E1	E1-1	16d	Explanation of potential locked-in GHG emissions from key assets and products and of how locked-in GHG emissions may jeopardise achievement of GHG emissions reduction targets	narrative		
E1	E1-1	16e	Explanation of any objective or plans (CapEx, OpEx) for aligning economic activities (revenues, CapEx, OpEx) with criteria established in Commission Delegated Regulation (EU) 2023/1733	narrative		
E1	E1-1	16f	Significant CapEx for coal-related economic activities	monetary		
E1	E1-1	16f	Significant CapEx for oil-related economic activities	monetary		
E1	E1-1	16f	Significant CapEx for gas-related economic activities	monetary		
E1	E1-1	16g	Undertaking is excluded from EU Paris-aligned Benchmarks	semi-narrative	PILLAR 3 + Benchmark	
E1	E1-1	16h	Explanation of how transition plan is embedded in and aligned with overall business strategy and financial planning	narrative		
E1	E1-1	16i	Transition plan is approved by administrative, management and supervisory bodies	semi-narrative		
E1	E1-1	16j	Explanation of progress in implementing transition plan	narrative		
E1	E1-1	17	Date of adoption of transition plan for undertakings not having adopted transition plan yet	gYear		
E1	E1-4	34a + 34 b	Tables: Multiple Dimensions (baseline year and targets; GHG Types, Scope 3 Categories, Decarbonisation levers, entity-specific denominators for intensity value)	Table		
E1	E1-4	34a + 34 b	Absolute value of total Greenhouse gas emissions reduction	Table/ghgEmission	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Percentage of total Greenhouse gas emissions reduction (as of emissions of base year)	Table/percent	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Intensity value of total Greenhouse gas emissions reduction	Table/decimal	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Absolute value of Scope 1 Greenhouse gas emissions reduction	Table/ghgEmission	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Percentage of Scope 1 Greenhouse gas emissions reduction (as of emissions of base year)	Table/percent	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Intensity value of Scope 1 Greenhouse gas emissions reduction	Table/decimal	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Absolute value of location-based Scope 2 Greenhouse gas emissions reduction	Table/ghgEmission	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Percentage of location-based Scope 2 Greenhouse gas emissions reduction (as of emissions of base year)	Table/percent	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Intensity value of location-based Scope 2 Greenhouse gas emissions reduction	Table/decimal	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Absolute value of market-based Scope 2 Greenhouse gas emissions reduction	Table/ghgEmission	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Percentage of market-based Scope 2 Greenhouse gas emissions reduction (as of emissions of base year)	Table/percent	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Intensity value of market-based Scope 2 Greenhouse gas emissions reduction	Table/decimal	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Absolute value of Scope 3 Greenhouse gas emissions reduction	Table/ghgEmission	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Percentage of Scope 3 Greenhouse gas emissions reduction (as of emissions of base year)	Table/percent	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34a + 34 b	Intensity value of Scope 3 Greenhouse gas emissions reduction	Table/decimal	SFDR+PILLAR 3+ BENCHMARK	
E1	E1-4	34b	Explanation of how consistency of GHG emission reduction targets with GHG inventory boundaries has been ensured	narrative		

Flowchart for determining disclosures under ESRS



BEYOND THE BALANCE SHEET
SUSTAINABILITY AND CLIMATE
DISCLOSURE PROGRAM

Unique Proposition




Market Gap

- Lack of granularity and clarity on sustainability and climate reporting
- Introduction of new disclosure standards
- Standards and frameworks focused on developed markets
- Lack of practical digital tools for disclosure
- Lack of advisory and implementation support to report preparers

WB Role

- WBG: the voice of clarity and catalyst of change providing guidance and support to companies and capital market players in emerging markets
- Help develop standards and advocate for emerging markets considerations
- Develop tools and build the capacity of emerging market companies and countries to implement the new sustainability disclosure standards

We build capacity to support sustainability and climate disclosure and sustainable finance

	REGULATORY LEVEL	MARKET AND FIRM LEVEL	
TOPICS	1  Thought leadership and standard-setting	2  Capacity-building and market education	3  Enhancing sustainable finance
Sustainability disclosure	Uplifting ESG disclosure standards in EMs through: <ul style="list-style-type: none"> • IFC Model for integrating ESG into corporate reporting • Building ESG regulation ecosystem • Research and benchmarking 	<ul style="list-style-type: none"> • Developing and disseminating learning materials, webinars, TOTs and tools • Building capacity of reporting issuers, financial institutions and stock exchanges 	<ul style="list-style-type: none"> • Expanding and strengthening sustainability-linked finance products knowledge • Supporting dialogue between companies, stock exchanges and investors
Climate disclosure	Enhancing climate disclosure standards in EMs through: <ul style="list-style-type: none"> • Research & database with regulation • Climate page on D&T platform • Climate disclosure guidance for SEs & tools 	<ul style="list-style-type: none"> • Building capital markets capacity on climate-related disclosure – TCFD training for real sector and banks • TOTs • Next – ISSB S2 climate training 	<ul style="list-style-type: none"> • Supporting the development of climate-related products, indices, bonds • Ranking & benchmarking
Target audience	Issuers, DFIs, stock exchanges and regulators	Issuers, stock exchanges, regulators and local partners	Issuers, stock exchanges and local partners
Partners	WB, UN SSE, CDP, ISSB, EFRAG, IOSCO, ICGN, UN PRI, UN GC, GRI, SBFN, UNEP FI	UN SSE, CDP, UNEP FI, ISSB, GRI	UNGC, UNSSE, ISSB, IOSCO, EU, UN PRI, CDP, ICGN, SBFN

IFC's Beyond the Balance Sheet Program's has delivered impressive results across emerging markets

Sustainability reporting in emerging markets

Since its launch in 2018, the Disclosure & Transparency toolkit and program have been used extensively throughout emerging markets, including in IFC's advisory work with companies, banks, and stock exchanges. IFC also uses it to support its investment activities in emerging market companies.

Do you think this could work?

5,000+

People trained

70+

Capacity building events

23,000

People trained

100+

Markets

Climate disclosure capacity building

IFC, UNSSE, and CDP developed a 2-module public TCFD (Task Force for Climate-related Financial Disclosure) training course. The course upskilled 20,000 companies in over 60 markets, reaching 12,000 participants in 40 emerging markets. IFC, CDP, UNSSE, and UNEP FI also developed and delivered a TCFD training course to 3,000 Financial Institutions.

IFC and the World Bank won the UNCTAD ISAR 2022 Award in International Category for "Improving the Sustainability Reporting in Emerging Markets"

OUR APPROACH

Beyond the Balance Sheet Sustainability Disclosure Platform

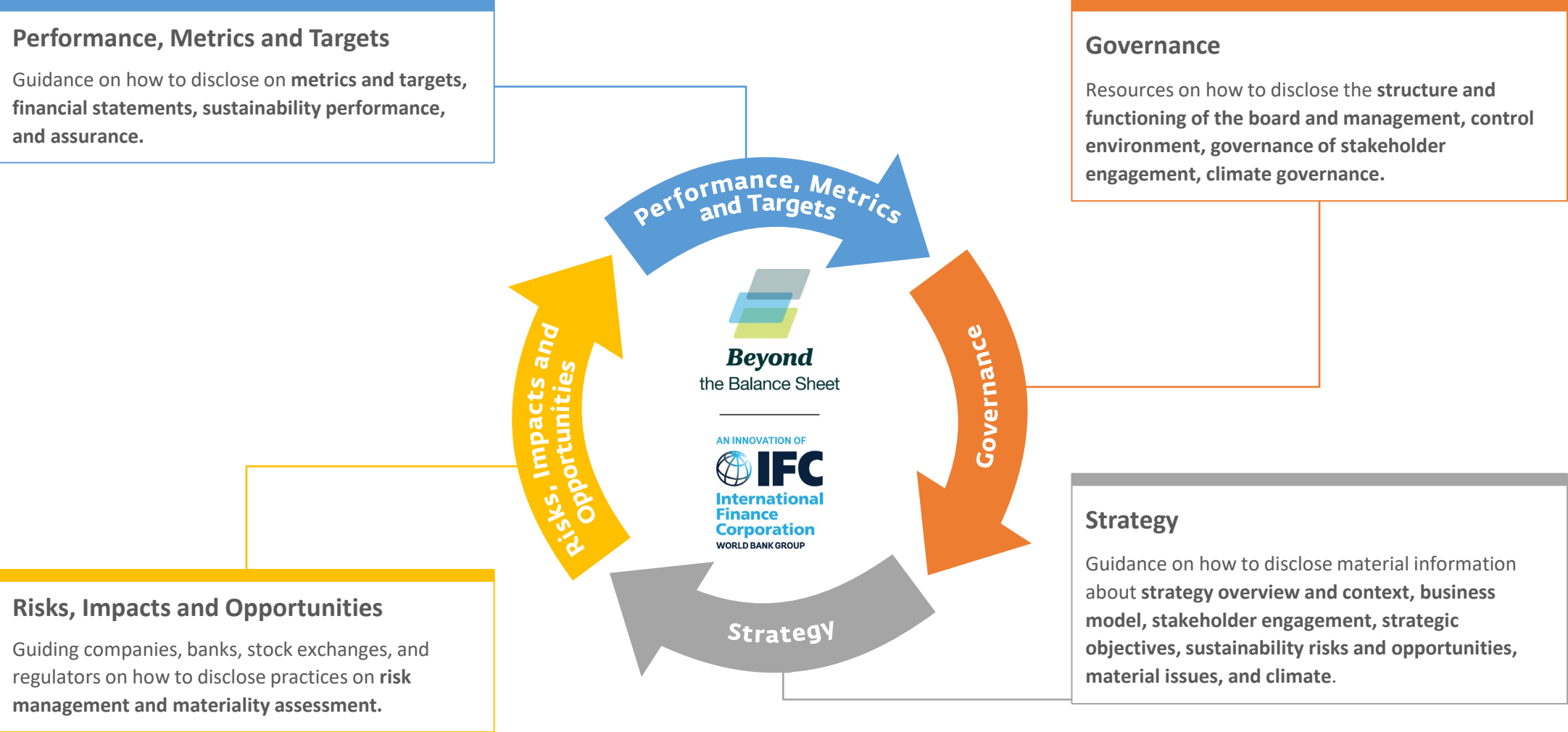
#ESG #EmergingMarkets #IFC #BeyondTheBalanceSheet #UNSSSE #CDP #SECO Economic Cooperation and Development

IFC's Beyond the Balance Sheet Platform is a one-stop shop on sustainability and climate reporting tailored for emerging markets.



<https://www.ifcbeyondthebalancesheet.org/>

Beyond the Balance Sheet Sustainability Disclosure Toolkit and Platform



<https://www.ifcbeyondthebalancesheet.org/>

Beyond the Balance Sheet Sustainability Disclosure Platform



1 IFC Beyond the Balance Sheet platform is a one-stop shop providing guidance and a framework to improve sustainability and climate reporting tailored to emerging markets.

2 The platform offers an ecosystem of tools and resources comprising a digital toolkit, e-learning opportunities, company self-assessments, and extensive information resources to navigate the sustainability reporting landscape.

3 The platform is a public good for companies and banks, providing resources to enhance their sustainability reporting journey.

4 The platform is a public good for regulators and stock exchanges, providing resources to enhance disclosure and transparency regulations and practices.

5 The platform enables standardization of sustainability data and information, ultimately empowering investors and other stakeholders to constructively consider and engage on sustainability-related matters.

<https://www.ifcbeyondthebalancesheet.org/>



Beyond
the Balance Sheet



AN INNOVATION OF


IFC


**International
Finance Corporation**
WORLD BANK GROUP


Beyond the Balance Sheet Sustainability Disclosure Platform


#ESG #EmergingMarkets #IFC #BeyondTheBalanceSheet #UNSSE #CDP #SECO Economic Cooperation and Development


IFC's Beyond the Balance Sheet Platform is a one-stop shop on sustainability and climate reporting tailored for emerging markets.

 **What is it?** A comprehensive digital platform providing guidance and resources to enhance sustainability and climate reporting tailored specifically for emerging markets.

 **Who can benefit?** Report preparers can access this public good to enrich their sustainability and climate reporting.

 **And it doesn't stop there!** Regulators and stock exchanges can also tap into this goldmine of resources to enhance disclosure and transparency regulations and practices.

 **What's inside?** A digital toolkit, e-learning opportunities, company self-assessments, and a wealth of information to navigate the fast-evolving sustainability reporting landscape.

 **Why does it matter?** Investors increasingly rely on sustainability information for their investment decisions to allocate capital to sustainable, climate-friendly and inclusive businesses.



<https://www.ifcbeyondthebalancesheet.org/>

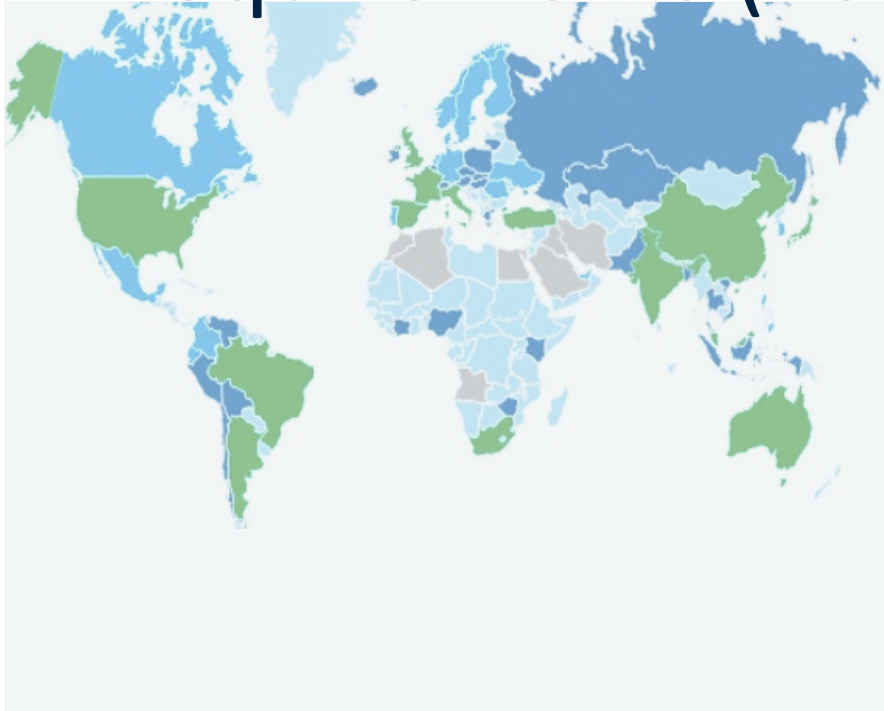
 **Beyond**
the Balance Sheet

 AN INNOVATION OF **IFC** | **International Finance Corporation**
WORLD BANK GROUP

	IFC Disclosure & Transparency Framework	International Sustainability Standards Board (ISSB)	EU Corporate Sustainability Reporting Directive (CSRD)	EU European Sustainability Reporting Standards (ESRS)	Global Reporting Initiative (GRI)	EU Non-Financial Reporting Directive (NFRD)
Purpose	<p>The IFC Disclosure & Transparency Framework consists of 3 elements:</p> <ul style="list-style-type: none"> - IFC Disclosure & Transparency toolkit - IFC Corporate Governance methodology - IFC Performance Standards <p>These combined aim to support predominantly companies in emerging markets identify, manage and report their environmental, social and governance impacts and risks.</p>	<p>Aims to align organizations and investors on the financial impacts of ESG. Industry-specific standards focus on material aspects of an organization's sustainability performance.</p> <p>Written to align with other international standards thereby, providing a global ESG benchmark</p>	<p>The Corporate Sustainability Reporting Directive modernizes and strengthens the rules concerning the social an environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, is now required to report on sustainability.</p>	<p>Set the standards that companies, as required by the CSRD regulation, shall use to report environmental, social and, governance aspects. The ESRS is part of the pathway to promote the transition to a sustainable EU economy, and the EU commitment to achieve climate neutrality by 2050 (European Green Deal, 2019).</p>	<p>Focuses on corporate social responsibility with equal weight on environmental, social and governance factors.</p> <p>GRI emphasizes stakeholder engagement to determine material issues.</p> <p>Applies to organizations of any size, sector, and location, regardless of public or private. Also informs other stakeholders who draw on the standards (investors and stock exchanges).</p>	<p>Improve disclosure of non-financial, sustainability information in company reporting for relevant companies in the EU.</p>
Scope	<p>The IFC D&T Framework aims to support companies of all sizes and stakeholders in emerging markets. It is sector agnostic, although specific guidance is available for certain sectors (EHS Guidelines). Covers environment, social, governance, transparency and disclosures</p>	<p>Global baseline standards aimed at all companies of all sizes, sector agnostic, provides a General ESG requirements standard and Climate standard</p>	<p>Companies subject to the CSRD will have to report according to the European Sustainability Reporting Standards (ESRS), tailored to EU policies while building on and contributing to international standardization initiatives.</p>	<p>To provide environmental, social and, governance standards to enable relevant businesses to report the requirements of the EU CSRD</p>	<p>Global economic performance, environmental and social reporting standards for business operations</p>	<p>Larger companies based in the EU.</p>
Intended users (including relevance to emerging market users)	<p>Companies that are based in or have significant operations in emerging markets, plus other relevant stakeholders such as legislators, regulators, and capital-market gatekeepers</p>	<p>Any corporation can use to guide its disclosure.</p> <p>IFRS has partnered with the World Bank since 2017 to provide greater support to developing economies in their use of IFRS Standards.</p>	<p>All large EU companies and to all EU companies listed on regulated markets except listed micro undertakings. The rules also apply to listed EU SMEs.</p> <p>Plus, relevant companies from non-EU countries. These are expected to be predominantly those from the United States (31%), Canada (13%) and the United Kingdom (10%). In total around 10,000 non-EU companies are expected to report under the standard.</p> <p>The main reporting burden for emerging market companies is likely to be borne by companies operating in the value chains of EU companies, and those in European countries who are looking to join the EU.</p>	<p>The users will be those that follow the requirements of the EU CSRD, i.e.. large companies in the EU subject to CSRD; listed companies on EU regulated markets except listed microenterprises, relevant companies from non-EU countries.</p>	<p>Public and private companies, cities, government agencies, NGOs.</p> <p>No specific results on GRI website or standards document for 'emerging markets' but members directory includes over 70 countries and standards used in over 100 countries</p>	<p>Large public-interest companies in the EU with more than 500 employees.</p> <p>The NFRD is not intended for use by emerging market companies</p>
	<p>Companies, stock exchanges, market regulators and investors</p>	<p>Regulators/Investors</p>	<p>EU Member states, EU and non-EU companies. Investors and other</p>	<p>EU member state regulators, EU commission and investors</p>	<p>Multiple stakeholder groups (business partners, civil society</p>	<p>Large listed companies, banks and insurance companies ('public</p>

WORK WITH STOCK EXCHANGES AND REGULATORS

Global Trends in ESG Guidance and Regulatory Requirements (2023)



Think of reporting requirements as the starting place for what to disclose—not a complete list.

A clear global trend:

- More than half of stock exchanges worldwide now have guidance on ESG disclosure
- A quarter of markets have mandatory disclosure
- Climate-related disclosure becoming mandatory



UN Sustainable Stock Exchanges Initiative

Capital Markets IFC's Technical Assistance to Stock Exchanges and Regulators



ESG Standards for Exchanges and Regulators



IFC DEVELOPMENT REACH

- 145 laws, codes and regulations in 130 markets,
- 30 scorecards, and
- 20 ESG reporting rules and guidelines worldwide.



New Workstream IFRS Sustainability Disclosure Standards Training Program



ESG Reporting Guidelines using the Toolkit in collaboration with the United Nations Sustainable Stock Exchanges

- Georgia
- Kazakhstan
- Ukraine
- Kenya
- Rwanda
- The Philippines
- Vietnam
- Bangladesh
- Laos
- Iraq
- Morocco
- Peru
- Mongolia
- South Africa
- Kyrgyzstan
- Jordan



Stock Exchanges: 50; Companies: 23,000

Emerging/Developing Markets	Developed Markets
<ul style="list-style-type: none"> Malaysia Singapore The Philippines Vietnam Indonesia Sri Lanka 	<ul style="list-style-type: none"> UK Australia USA – NYSE Luxembourg
<ul style="list-style-type: none"> Serbia Kosovo Kazakhstan Kyrgyzstan Turkey 	<ul style="list-style-type: none"> Switzerland Czech Republic Croatia Germany
<ul style="list-style-type: none"> Chile Colombia Mexico 	<ul style="list-style-type: none"> Bulgaria
<ul style="list-style-type: none"> Africa – ASEA Nigeria South Africa Kenya 	
<ul style="list-style-type: none"> Bangladesh 	
<ul style="list-style-type: none"> China 	

After session TCFD101 participants demonstrate 77% increase of their understanding of climate disclosure, and after session TCFD102 58,4%

What is next?

IFRS Sustainability Disclosure Standards Training Program

ALIGNING TO THE IFRS SUSTAINABILITY DISCLOSURE STANDARDS

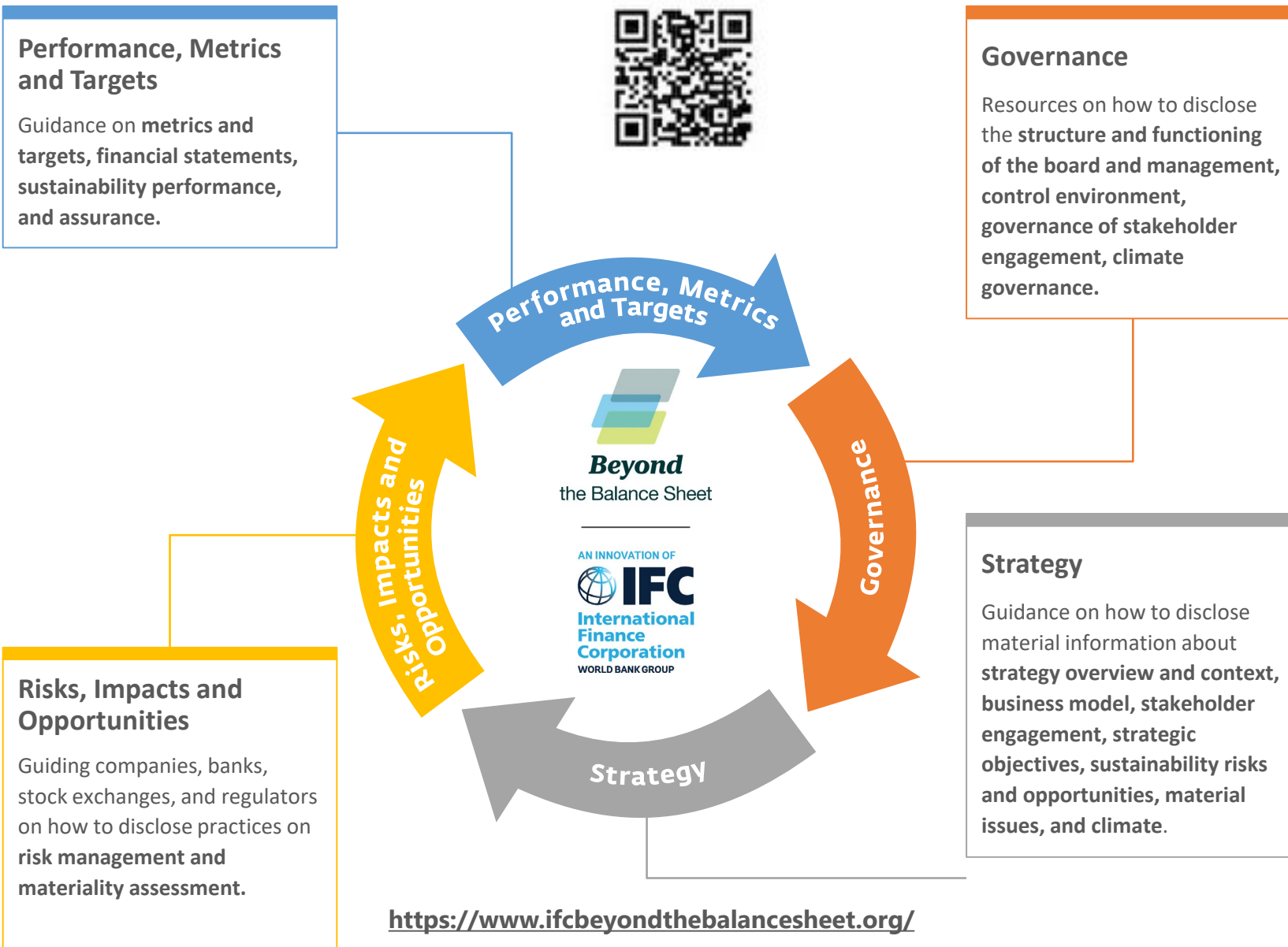
A joint training program assisting market participants on sustainability-related disclosures



The ISSB's free online training program, which will be organized with the support of local stock exchanges, will be announced at COP28 on December 4, 2023.

Thank you

Beyond the Balance Sheet Sustainability Disclosure Platform



1 IFC Beyond the Balance Sheet platform is a one-stop shop providing guidance and a framework to improve sustainability and climate reporting tailored to emerging markets.

2 The platform offers an ecosystem of tools and resources comprising a digital toolkit, e-learning opportunities, company self-assessments, and extensive information resources to navigate the sustainability reporting landscape.

3 The platform is a public good for companies and banks, providing resources to enhance their sustainability reporting journey.

4 The platform is a public good for regulators and stock exchanges, providing resources to enhance disclosure and transparency regulations and practices.

5 The platform enables standardization of sustainability data and information, ultimately empowering investors and other stakeholders to constructively consider and engage on sustainability-related matters.