

BearingPoint® 毕博

ISSB Standards are Landing – Milestone for ESG Disclosure

September 2023



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Chapter 1: About BearingPoint

About BearingPoint

BearingPoint is an independent management and technology consultancy with European roots and a global reach. The company operates in three business units: **Consulting, Products, and Capital**. Consulting covers the advisory business with a clear focus on selected business areas. Products provides IP-driven digital assets and managed services for business-critical processes. Capital delivers M&A and transaction services.

BearingPoint's clients include many of the world's leading companies and organizations. The firm has a global consulting network with more than 10,000 people and supports clients in over 70 countries, engaging with them to achieve measurable and sustainable success.

 €862m
Total revenue

 1,437
Projects delivered

 47
BearingPoint offices

 22
IP products and services

 5,253
BearingPoint people

 42
Countries in which we delivered projects

 24
Number of countries with BearingPoint offices

 197
BearingPoint Partners

Key offerings in China

	Supply Chain	ESG	Finance & Risk	Sales & Marketing
Business Consulting	<ul style="list-style-type: none"> • Procurement and Supplier • Logistics Management • Supply Chain Integration Business Plan • Overseas supply chain network • Sustainable Supply Chain • Supply Chain Agile and Risk Management 	<ul style="list-style-type: none"> • Management process • Maturity assessment • Enterprise Carbon footPrint • Product Carbon footprint • ESG Report 	<ul style="list-style-type: none"> • Financial excellence • Financial digital transformation • Business process re-engineering • Due diligence • M&A feasibility analysis • Risk and Compliance management 	<ul style="list-style-type: none"> • Overseas market expansion • Omnichannel solution • Business growth and marketing solution • Customer Journey and Experience • PIPL and Data Governance • After sales management • Customer Value Assessment
Digitalization	<ul style="list-style-type: none"> • STP Cost Calculation Model • Risk assessment model • Inventory Navigation • Data governance • Digitalized green supply chain 	<ul style="list-style-type: none"> • Data management • Data modeling • Dynamic monitoring • Carbon Emissions Calculator 	<ul style="list-style-type: none"> • Data management • Risk data modeling • Customized digitalization 	<ul style="list-style-type: none"> • CDP-Customer data platform • OptixTM -Smart pricing • NitroTM AI sales and demand forecasting
Products	<ul style="list-style-type: none"> • E-procurement platform    • SAP IBP  	<ul style="list-style-type: none"> • SAP SFM  	<ul style="list-style-type: none"> • SAP Concur  	



Chapter 2: ISSB Framework Introduction

The growing importance of ESG Reports

Authorities, investors and a wide range of stakeholders are calling for ESG information disclosure



Respond to ESG Regulations

- Legislation and regulations regarding ESG disclosure are gradually being enhanced and strengthened. By 2023, **29 high-impact countries and territories** maintain some degree of **mandatory ESG disclosure regulation** (e.g., EU, UK, US, Canada, China, New Zealand, Singapore, etc.)
- Major **stock exchanges** around the world are progressively imposing ESG reporting disclosure requirements **on listed companies**
- Various **international organizations** have already established or are in the process of **creating standardized ESG reporting frameworks** (e.g., ISSB, GRI, SASB, etc.)



Meet Stakeholder Demands

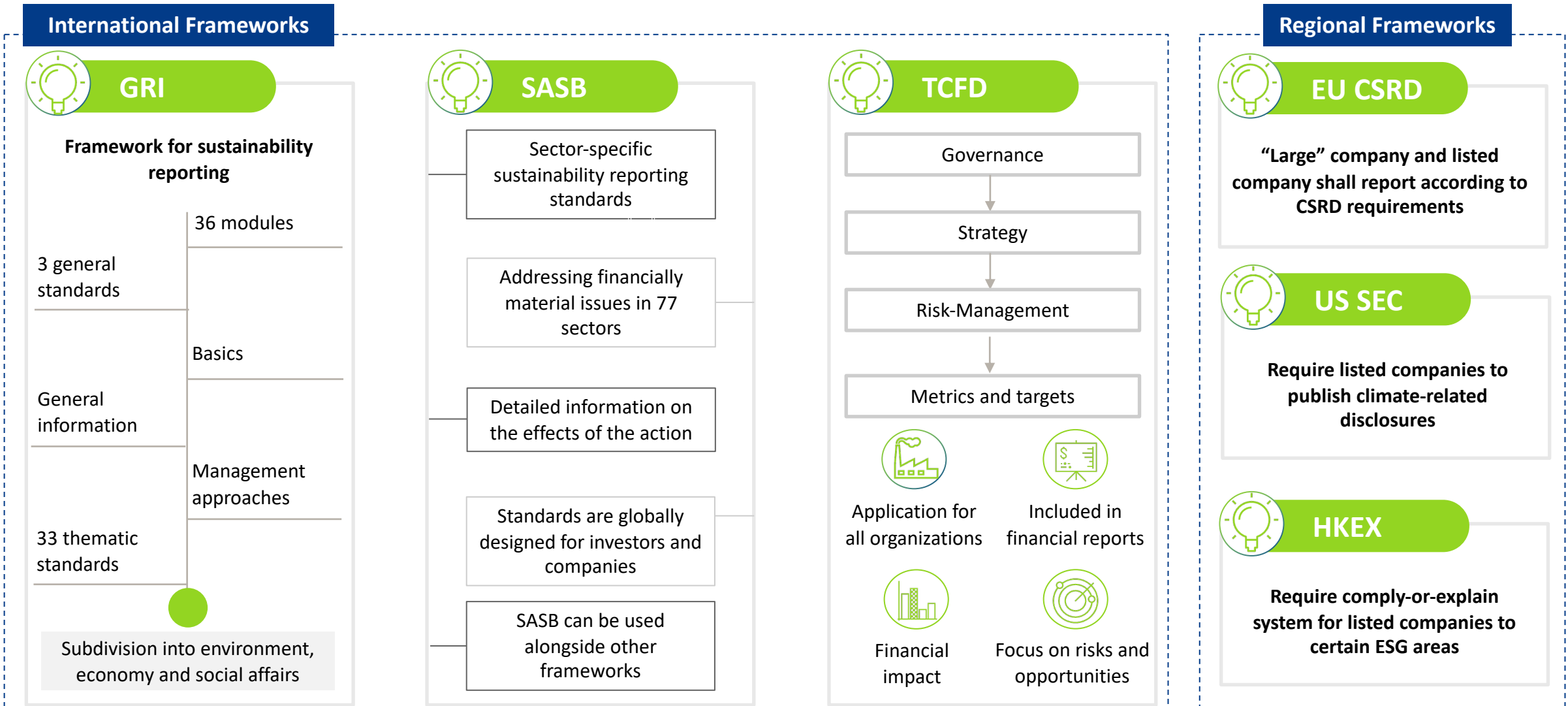
- The rapid growth in companies **signing up to the Principles for Responsible Investment (PRI)** is leading to consider ESG factors as an important long-term non-financial indicator **for assessing asset value and higher ESG requirements for underlying assets when making investments**
- Strong ESG performance helps companies establish **long-term cooperative relationships with customers**
- Showcase a company's **commitment to ethical and sustainable practices**, enhancing its reputation and attracting conscious **consumers**
- Demonstrating a commitment to ESG values **enhance employee engagement and retention**



Improve Company Performance

- Allow companies to be **transparent and accountable** about their environmental and social impacts and how they govern their operations
- Help companies **identify and manage risks related to ESG issues**. Understanding and addressing these risks can protect the company's reputation, reduce operational costs, and safeguard against potential disruptions
- Drive **innovation within a company**, leading to new business opportunities and revenue streams
- Contribute to building a **positive brand reputation and gaining market trust**

A brief summary of selected important frameworks, provides an overview of the content as well as the framework conditions



Selected ESG reporting frameworks comparison

GRI is currently the most widely used **voluntary reporting framework**, as it can be applied to all types of organizations

	International Frameworks			Regional Frameworks		
	GRI	SASB	TCFD	CSRD	SEC Proposal	HKEX ESG Guidance
Year Founded	1997	2012	2015	2021	2021	2012
Sector-Specific	In progress	√	×	×	×	×
Global Application	√	√	√	×	×	×
Materiality Analysis	Double materiality	Single materiality	Single materiality	Double Materiality	/	Double materiality
Target Audience	All stakeholders	Investors and the financial markets	Investors and the financial markets	All stakeholders	Stoke exchange	Stoke exchange
Area of Application	Overall range of ESG aspects	Environment, selected social/ governance issues	Climate-related	Selected 11 ESG topics	Climate and governance related	Overall range of ESG aspects
Limitations	/	Weaknesses in the governance issue	Disclosure recommendations in general terms	Applicability for approximately 50,000 companies in EU	Applicability for listed companies in SEC	Applicability for listed companies in HKEX

How to tackle the challenge
of non-standardized ESG
reporting?

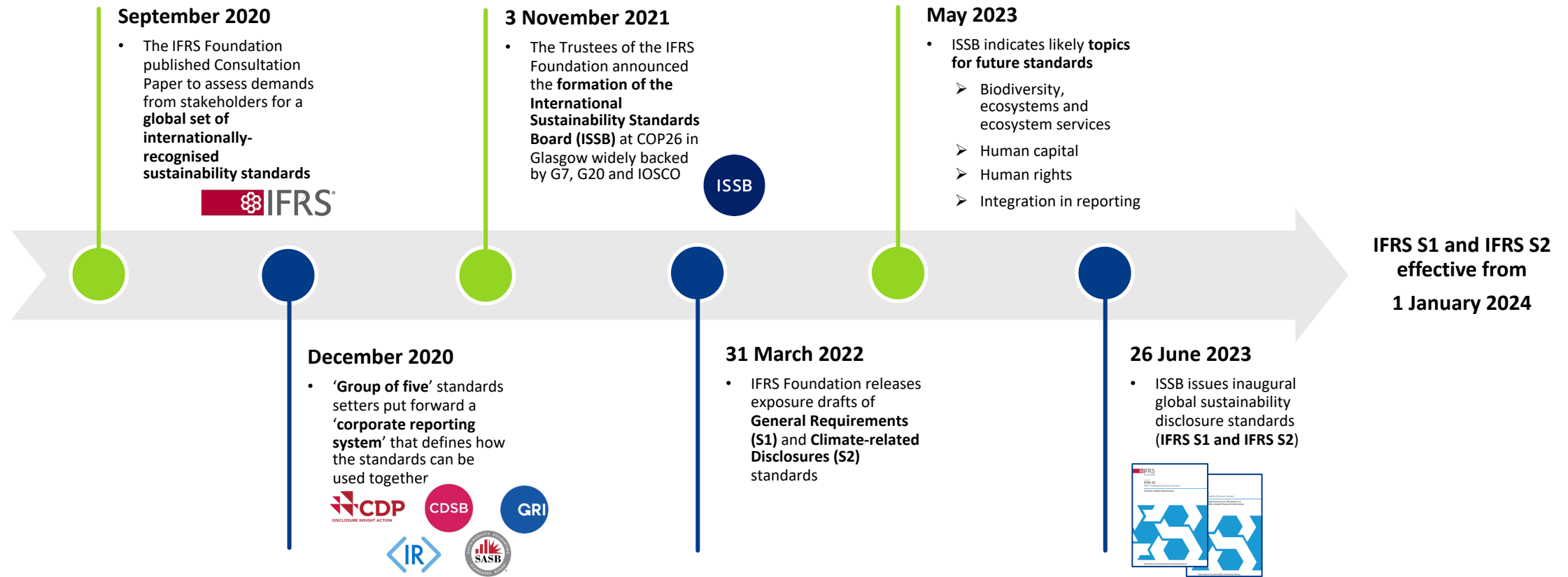
The Birth of ISSB



ISSB's journey: a timeline of inception and growth

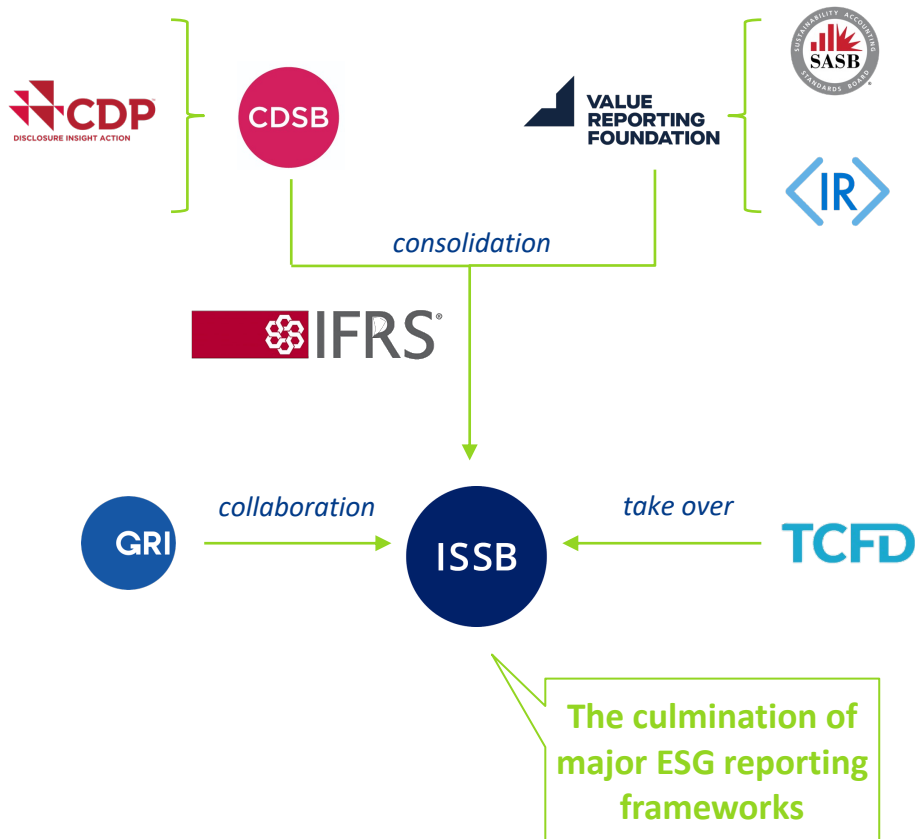


The **International Sustainability Standards Board (ISSB)** is a standard-setting body established under the **IFRS** (International Financial Reporting Standards) **Foundation**, which aims to develop high-quality, comprehensive **global baseline of sustainability disclosures** focused on the needs of **investors and the financial markets**.



On the shoulders of giants: the profound obligations of ISSB

The relationship between ISSB and existing reporting frameworks



The goals of ISSB

1 **Global Baseline**

- Allow companies and investors to **standardize on a single, global baseline** of sustainability disclosures for the capital markets, with any additional jurisdictional requirements being built on top of this global baseline

2 **Decision-useful**

- Develop globally **comparable** sustainability-related disclosures
- Focusing **exclusively on capital markets** means that ISSB Standards only **require information that is material, proportionate and decision-useful to investors**

3 **Cost-effective**

- Design to **provide reliable information** to investors;
- One report, apply to **multiple scenarios**

A look into IFRS S1 & S2 scope and requirements

4 Core Elements

Governance

The **governance processes, controls and procedures** the entity uses to monitor and manage sustainability-related risks and opportunities

Strategy

The **approach** the entity uses to **manage sustainability-related risks and opportunities**

Risk Management

The **processes** the entity uses to **identify, assess, priorities and monitor** sustainability-related risks and opportunities

Metrics and Targets

The entity's **performance** in relation to sustainability-related risks and opportunities

Align with TCFD structure

IFRS S1 & S2 Requirements

IFRS S1: General Requirements



- Disclosure of materiality information about sustainability-related risks and opportunities with the financial statements
- Information of the company
- Information across its value chain, including supply and distribution channels
- Cost of capital
- Apply TCFD structure
- Requires industry-specific disclosures

Industry-specific disclosures shall align with SASB sector standards

IFRS S2: Climate-related Disclosures



- Disclosure of material information about climate-related physical and transition risks and climate-related opportunities
- Strategy and targets
- Current and anticipated financial effects
- Climate resilience (scenario analysis)
- Scope 1-3 GHG emissions using GHG Protocol
- Fully incorporates the TCFD structure
- Requires industry-specific disclosures

Reliefs for first year of application

- 1) Later reporting allowed – annual information can be provided with half year reporting
- 2) Can limit disclosures to climate-related information
- 3) Scope 3 disclosure not required
- 4) Do not need to apply Greenhouse Gas Protocol if already using a different measurement approach
- 5) Do not need to provide comparative information

Affirmative responses to the ISSB standards launch, from regulators and markets



224 members who regulate **more than 95%** of the world's securities markets in more than 115 jurisdictions

IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards

In a major step towards consistent, comparable and reliable sustainability information, IOSCO announces today that it has decided to endorse the sustainability-related financial disclosures standards, recently issued by the International Sustainability Standards Board (ISSB), IFRS S1 and IFRS S2.



The Exchange proposes to mandate all issuers to make climate-related disclosures in their ESG reports, and introduce new climate-related disclosures aligned with the International Sustainability Standards Board (ISSB) Climate Standard. The ISSB Climate Standard builds on the principles of the TCFD recommendations², and sets out detailed climate disclosures. The proposals mark a significant milestone in achieving the commitment to mandate TCFD-aligned disclosures by 2025 as announced by the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group³. Acknowledging the readiness of the issuers and their concerns, the Exchange proposes interim provisions⁴ for certain disclosures (eg financial effects of climate-related risks and opportunities, scope 3 emissions and certain cross-industry metrics) for the first two reporting years following the effective date of 1 January 2024.

The Sovereign State Support



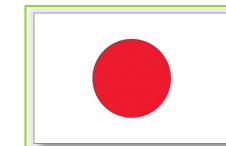
Singapore



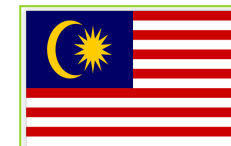
Nigeria



Australia



Japan



Malaysia



Canada

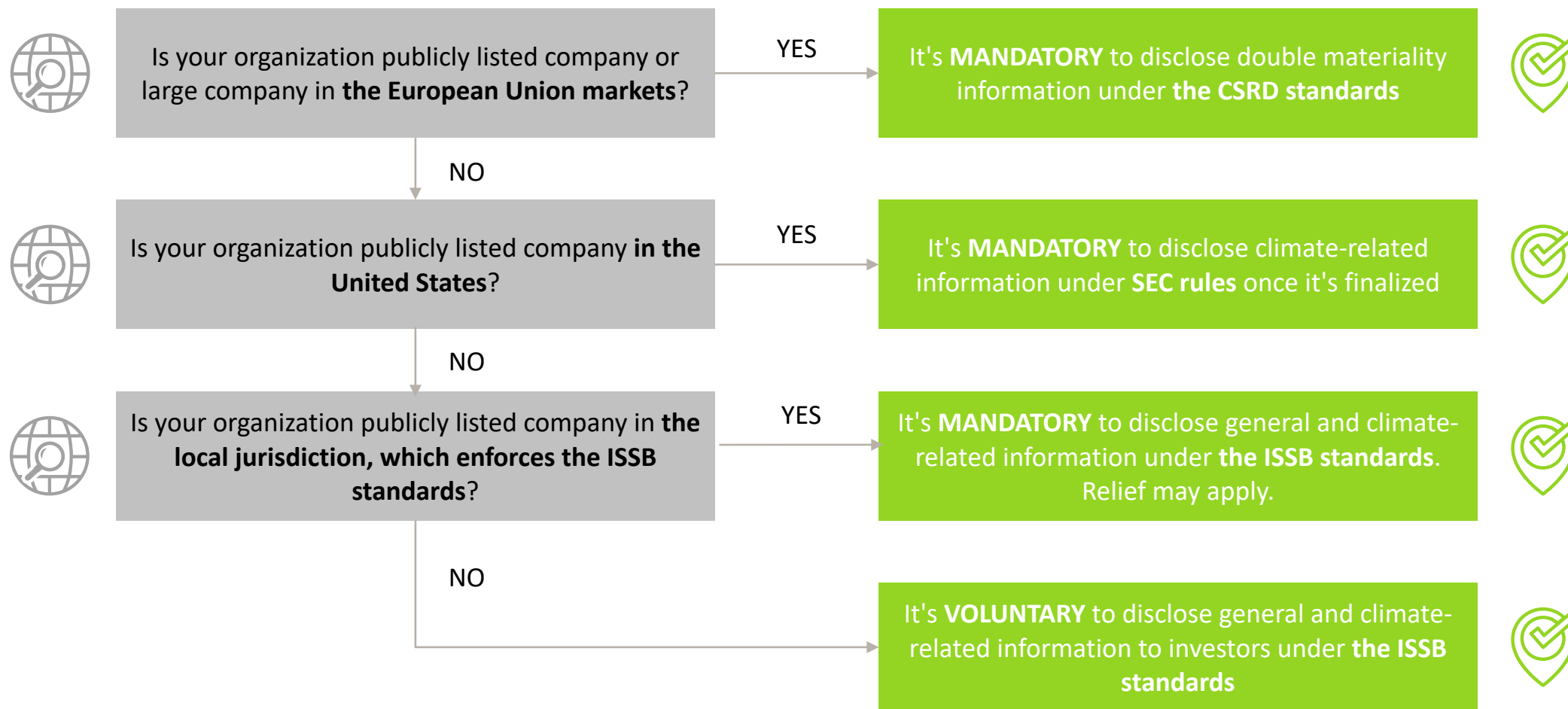


Chapter 3: Where enterprise could start

How ISSB differs from other disclosure frameworks

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Decision tree to identify which standards your may apply to



How many efforts will it take to transition to the ISSB standards if another framework is already in use?

Interoperability with existing frameworks

Interoperability between ISSB and existed standards

BearingPoint's analysis

Effort evaluation



- **IFRS S1 requires industry-based disclosures derived from the SASB Standards**
- Analyze governance, strategy, risk management, metrics and targets status of industry importance issues in IFRS S1/S2



Less effort



- **TCFD elements are fully incorporated into the ISSB S1/S2 Standards**
- **TCFD requirements are similar with IFRS S2**
- Analyze governance, strategy, risk management, metrics and targets status of industry importance issues in IFRS S1



Less effort



- **High degree of climate-disclosure and financial materiality alignment (IFRS S2)**
- **Governance and impacts of risks and opportunities in the value chain are align with IFRS S1**
- Analyze strategy, metrics and targets status of industry importance issues in IFRS S1



Less effort

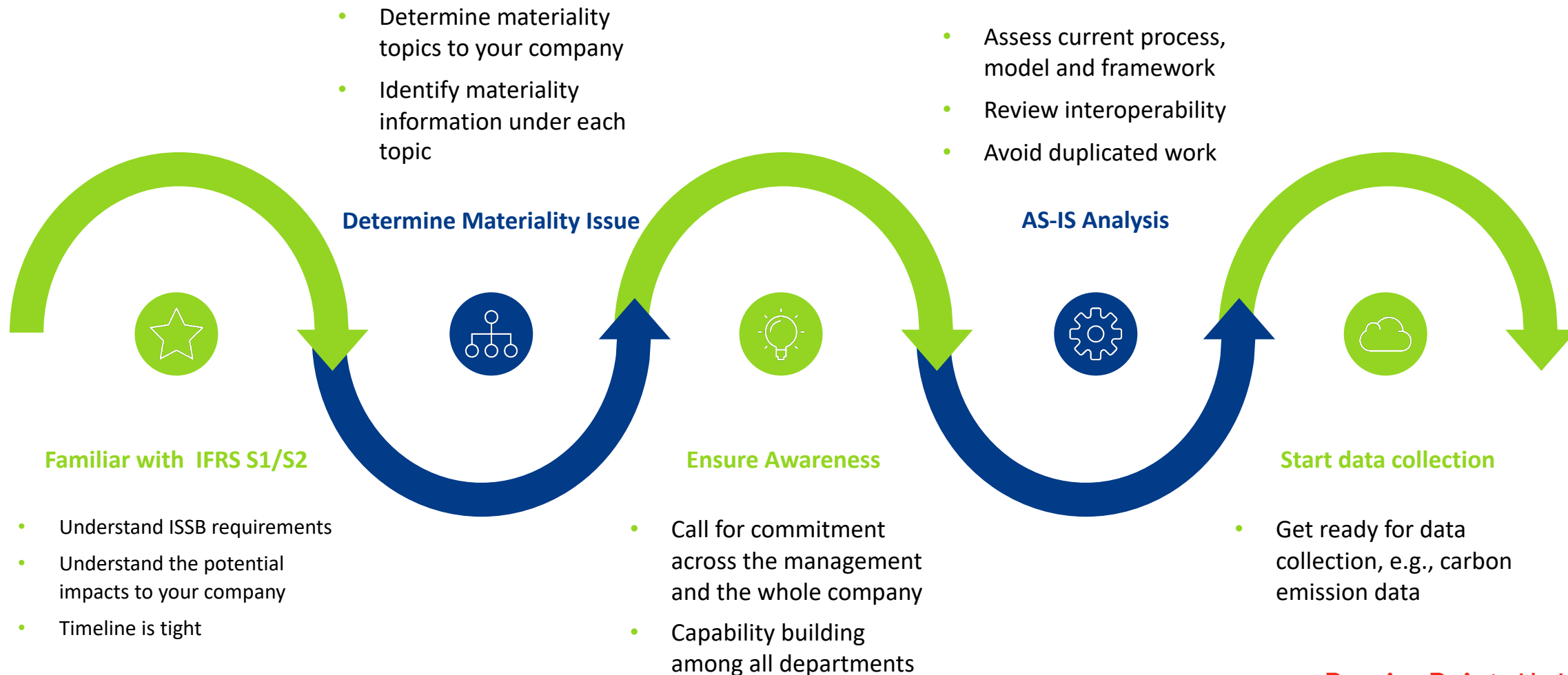


- The two set of standards serve different purpose. IFRS S1/S2 is investor-focused, while GRI is people-and-planet-focused
- Interoperability guidance is under development

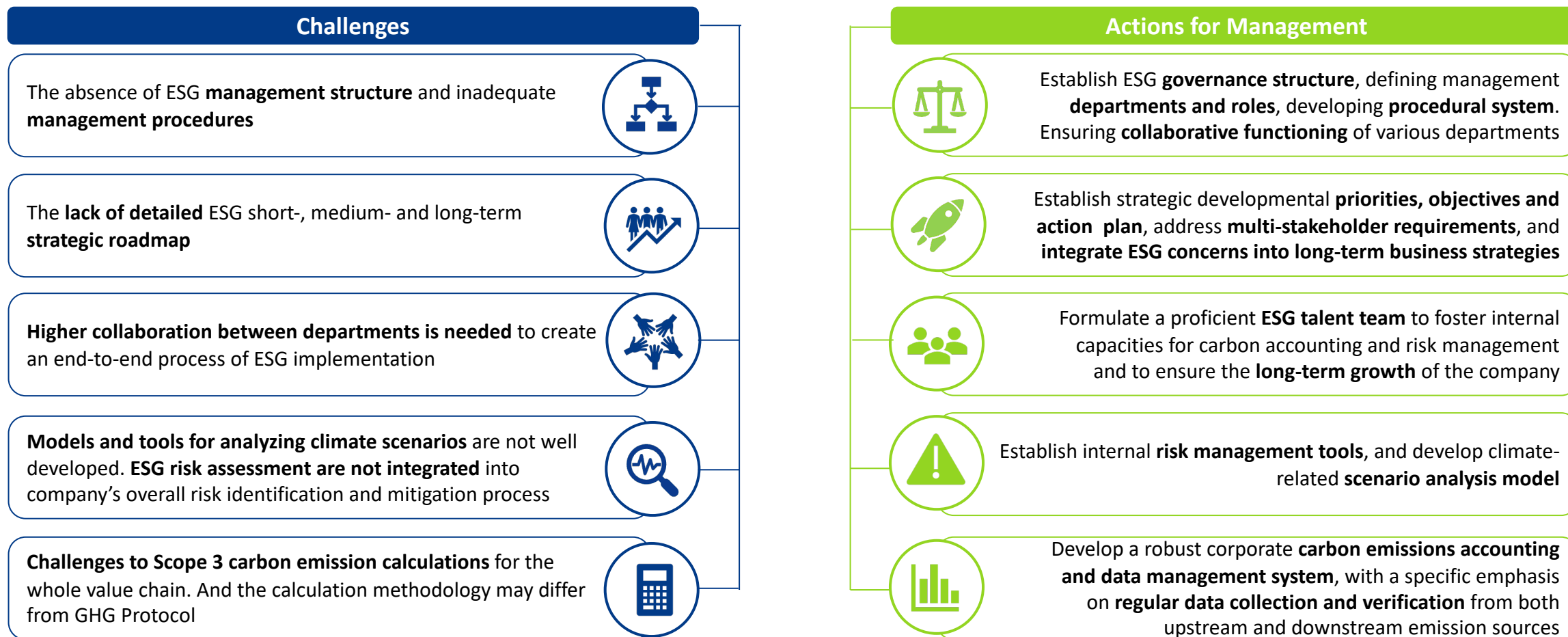


More effort

Five steps to prepare disclosure under the ISSB standards, now



Challenges company may face and the solutions





Chapter 4: Values of BearingPoint

Our Highlighted Sustainability Services

Challenges

The absence of **ESG management structure** and inadequate **management procedures**



The **lack of detailed** ESG short-, medium- and long-term **strategic roadmap**



Higher collaboration between departments is needed to create an end-to-end process of ESG implementation



Models and tools for analyzing climate scenarios are not well developed. **ESG risk assessment** are not **integrated** into company's overall risk identification and mitigation process



Challenges to Scope 3 carbon emission calculations for the whole value chain. And the calculation methodology may differ from GHG Protocol



BearingPoint Value & Service

Sustainability Assessment and Gap Analysis



Blueprint for a sustainable operating system



Sustainability Information Disclosure



Relative Knowledge Training



Carbon Emission Calculation



ESG Data Management



Q & A



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