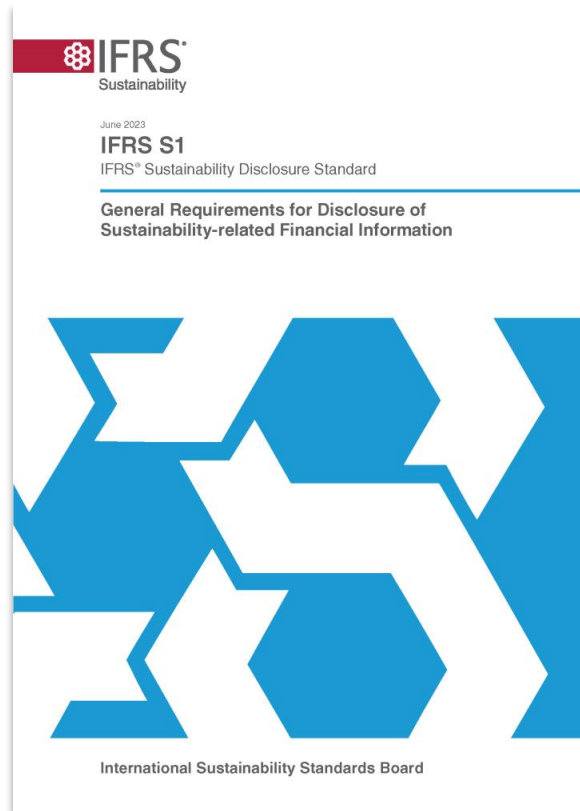

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

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



- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** with the financial statements, to meet investor information needs
- Applies **TCFD architecture** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (IFRS S2) refers to **sources to help companies** identify sustainability-related risks and opportunities and information
- Can be used in conjunction with **any accounting requirements (GAAP)**

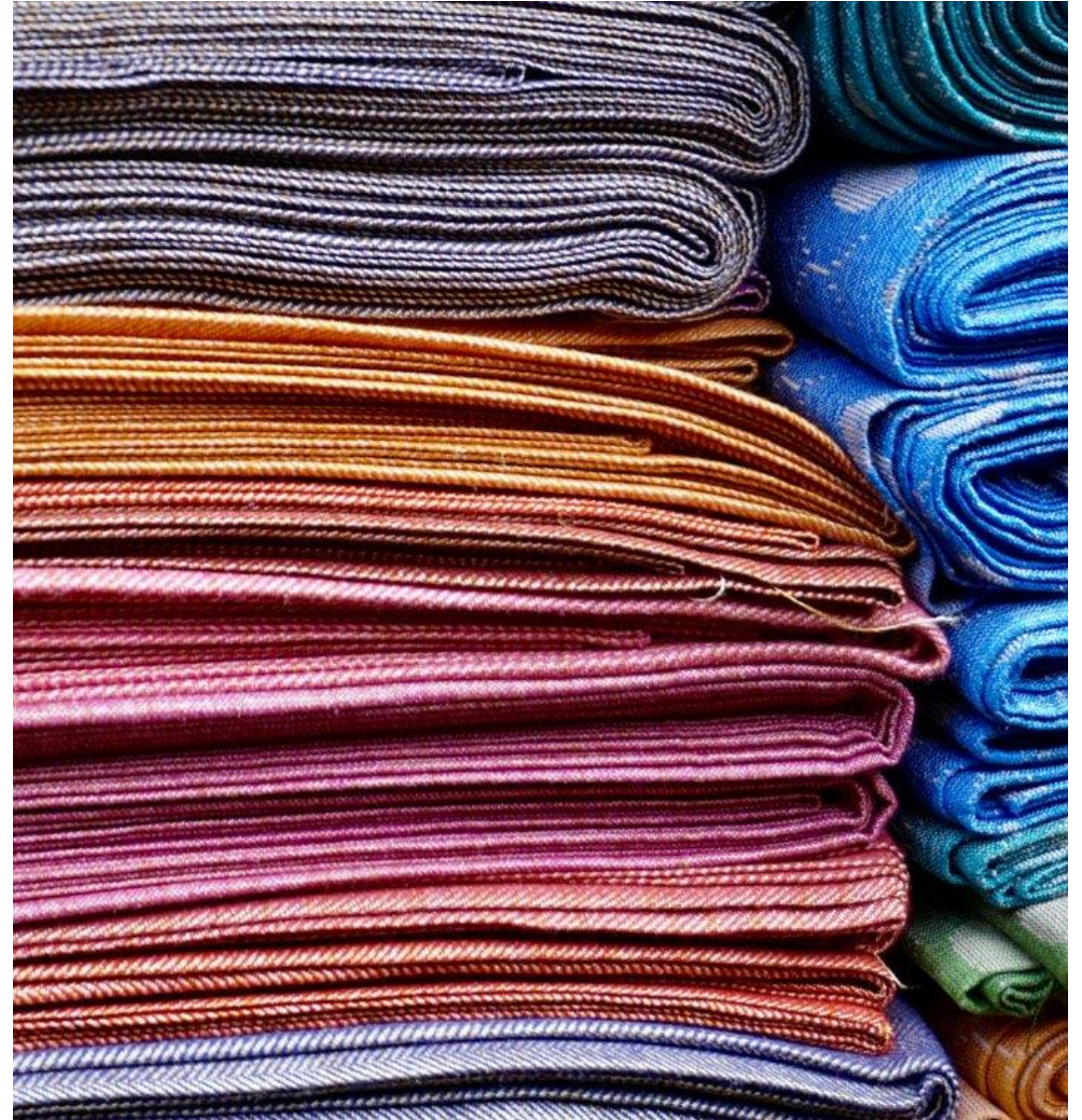
Contents of IFRS S1

1. Objective
2. Scope
3. Conceptual foundations
4. Core content
5. General requirements
6. Judgements, uncertainties and errors



Objective

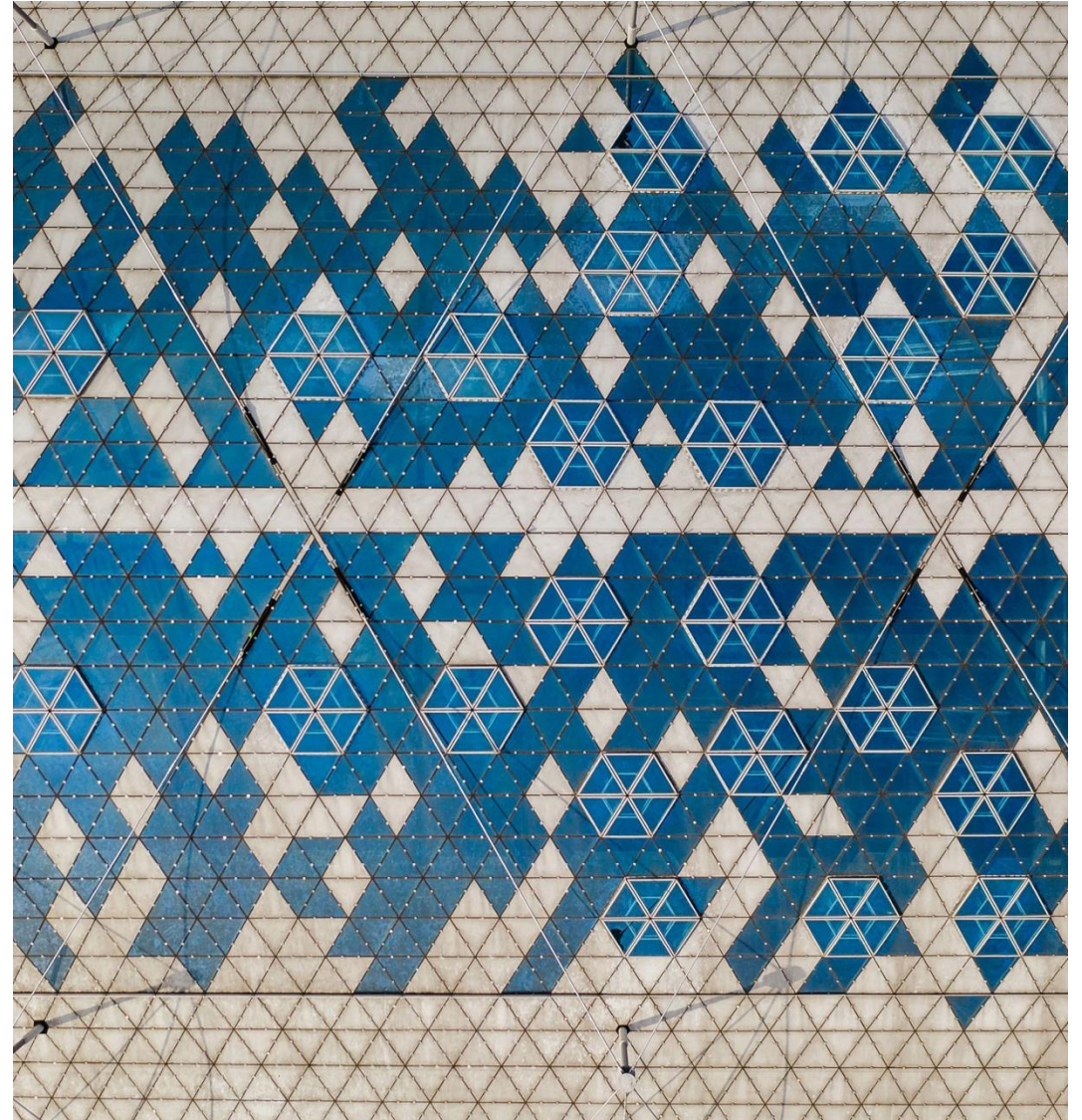
- IFRS S1 asks for disclosure of information about sustainability-related risks and opportunities to meet investor information needs
- That means information about:
 - all sustainability-related risks and opportunities that **could reasonably be expected to affect the company's prospects — its cash flows, access to finance or cost of capital over the short, medium or long term**



How companies identify material sustainability information

*Information is material if omitting, misstating or obscuring it could reasonably be expected to **influence investor decisions.***

This is based on the IFRS Accounting Standards definition of 'material'



How sustainability can affect a company's prospects

A company's ability to deliver financial value for **investors is inextricably linked to:**

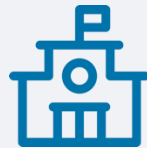
Stakeholders

with whom it works
and serves



Society

in which it
operates



Natural

resources upon
which it draws



Builds on concepts from the **Integrated Reporting Framework**

Connected information

IFRS S1 asks for information that enables understanding of the connections between:

- sustainability-related risks and opportunities
- disclosures on core content
- sustainability-related financial disclosures and financial statements

The disclosures are:

- prepared for the **same** reporting **entity** and reporting **period** as the related financial statements
- provided at the **same time** as the financial statements and as part of the general purpose financial reports
- include **data** and **assumptions** that **are consistent** with the corresponding financial data and assumptions in financial statements, to the extent possible, considering accounting requirements.

Applies TCFD structure to set out core content areas



Governance

Governance processes, controls and procedures a company uses to monitor, manage and oversee sustainability-related risks and opportunities



Strategy

A company's strategy for managing sustainability-related risks and opportunities



Risk management

The process a company uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities



Metrics and targets

A company's performance in relation to sustainability-related risks and opportunities

Guidance for developing sustainability disclosures



Which risks & opportunities?

To identify relevant **risks and opportunities**, a company uses ISSB Standards and **shall consider**:

- **SASB Standards**

A company **may also consider**:

- CDSB Framework Application Guidance
- industry practice
- materials of investor-focused standard setters



Which information?

To identify what information to disclose, a company uses ISSB Standards, and for matters other than climate, **shall consider**:

- **SASB Standards**

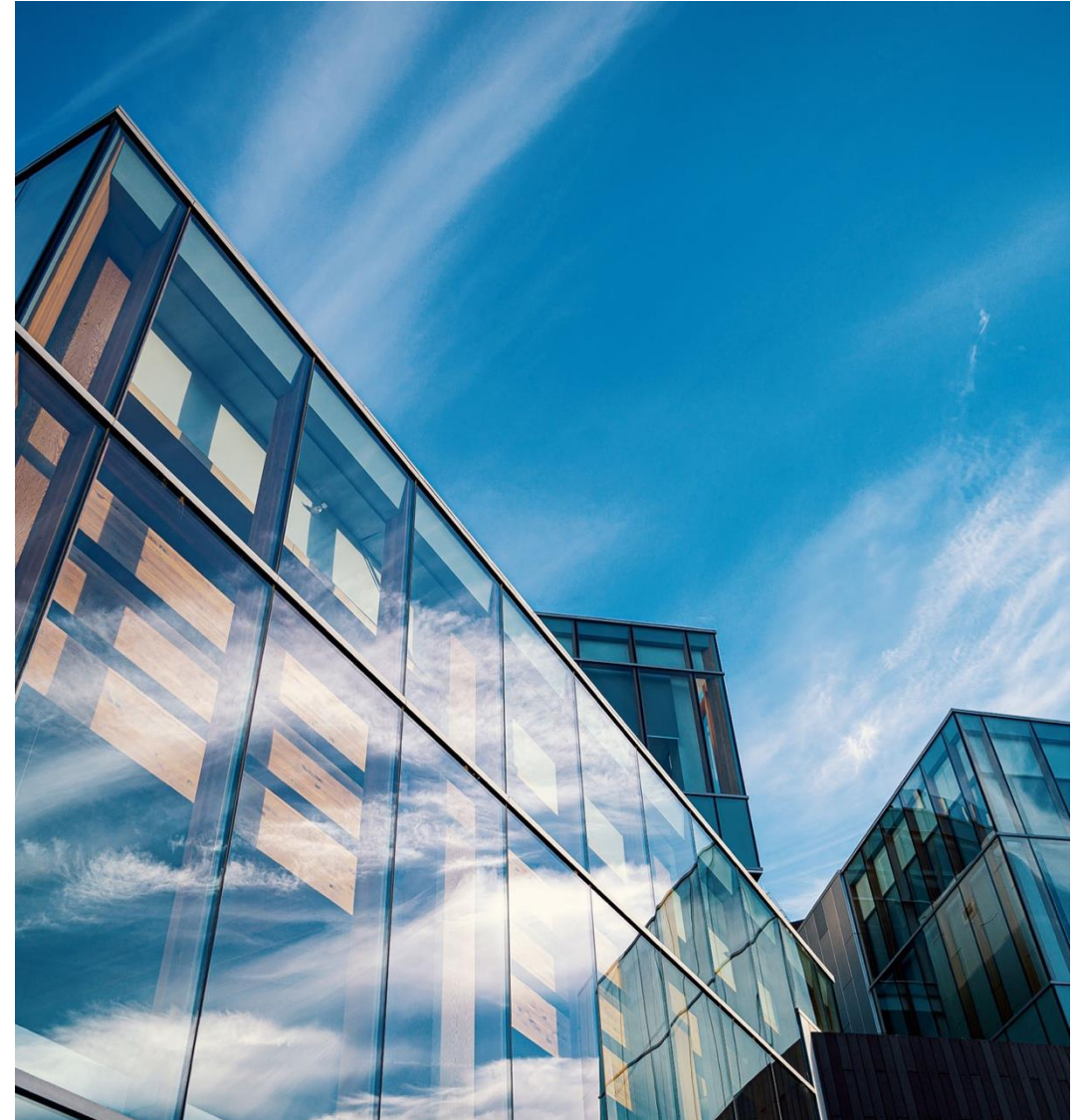
A company **may also consider**, to the extent it meets investor information needs:

- CDSB Framework Application Guidance
- industry practice
- materials of investor-focused standard setters
- GRI Standards
- European Sustainability Reporting Standards

Reliefs for first year of application

- can limit disclosures to climate-related information
- later reporting allowed - annual information can be provided with half year reporting
- Scope 3 disclosure not required
- do not need to apply Greenhouse Gas Protocol if already using a different measurement approach
- do not need to provide comparative information*

**companies that limit disclosures to climate-related information in the first year do not need to provide comparative information about their sustainability-related risks and opportunities beyond climate in their second year.*



When to start to apply IFRS S1 and IFRS S2?

- **Effective** for annual reporting periods beginning on or after **1 January 2024**
- **Available for use before** that date to the extent a company applies both Standards at the same time
- If a company applies before 2024 it will **disclose that fact**

Considerations

- Responding to investor demand
- Built on well-established standards and frameworks
- Transition reliefs
- Use of information that is reasonable and supportable and is available without undue cost or effort
- Committed to capacity building and providing guidance
- 18,000+ companies will collect data required by IFRS S2 to disclose on the CDP platform in 2024



IFRS S2: Climate-related Disclosures

IFRS S2: Climate-related Disclosures



- Incorporates the **TCFD recommendations**
- To meet investor information needs, IFRS S2:
 - is used in accordance with **IFRS S1**
 - requires disclosure of **material information about climate-related risks and opportunities**, including physical and transition risks
 - requires **industry-specific disclosures**, which are supported by accompanying guidance built on SASB Standards

Material climate-related information enables investors to:

- Determine the effects of climate-related risks and opportunities on the company's performance and prospects
- Understand the company's response to, and strategy for, managing its climate-related risks and opportunities, including its climate-related transition planning
- Evaluate the ability of the company to adapt its planning, business model and operations to climate-related risks and opportunities
- Understand climate-related risks and opportunities in a company's value chain



IFRS S2 needs to be applied with IFRS S1

IFRS S1:

- establishes **key concepts** such as connected information, value chains, and which sustainability- and climate-related risks and opportunities to report on
- provides vital guidance on the **assessment of materiality**
- sets out the **qualitative characteristics** of the information to be provided, eg that it needs to be relevant and represented faithfully
- sets out **requirements** for reporting, such as:
 - the reporting entity
 - timing and location of reporting
 - connections and comparatives in reporting
- sets out how to deal with changes in estimates and errors, disclosures on judgements, assumptions and estimates, requirements on when to aggregate and disaggregate information, focussed exemptions from disclosing commercially sensitive opportunities, and the interaction with law and regulation

Key disclosures



Strategy

Strategy and decision-making

Current and anticipated financial effects

Climate resilience



Metrics and targets

Scope 1-3 GHG emissions

Industry-based disclosures

Climate-related targets

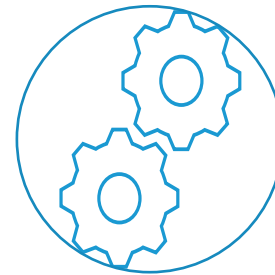
Climate resilience



The resilience of a company's strategy and business model to climate-related changes, developments and uncertainties



Climate resilience
assessment



Inputs and key
assumptions used in
the scenario analysis

Climate resilience: scenario analysis

Companies need to use climate-related scenario analysis when reporting on climate resilience



IFRS S2 includes application guidance on how to apply scenario analysis

Building on TCFD materials

The guidance requires:

- a method of climate-related scenario analysis **commensurate** with a company's circumstances
- the use of **all reasonable and supportable information** that is available to a company at the reporting date without **undue cost or effort**

GHG emissions



Disclose a company's absolute gross Scope 1, Scope 2 and Scope 3 GHG emissions

- **Scope 1:** direct emissions
- **Scope 2:** indirect emissions from the generation of purchased energy consumed by the company
- **Scope 3:** all other indirect emissions that occur in the company's value chain

**Measured in accordance with the GHG
Protocol Corporate Standard**

Disclosure of how and why a company has used specific inputs, assumptions and estimation techniques to measure its GHG emissions, including any changes to these

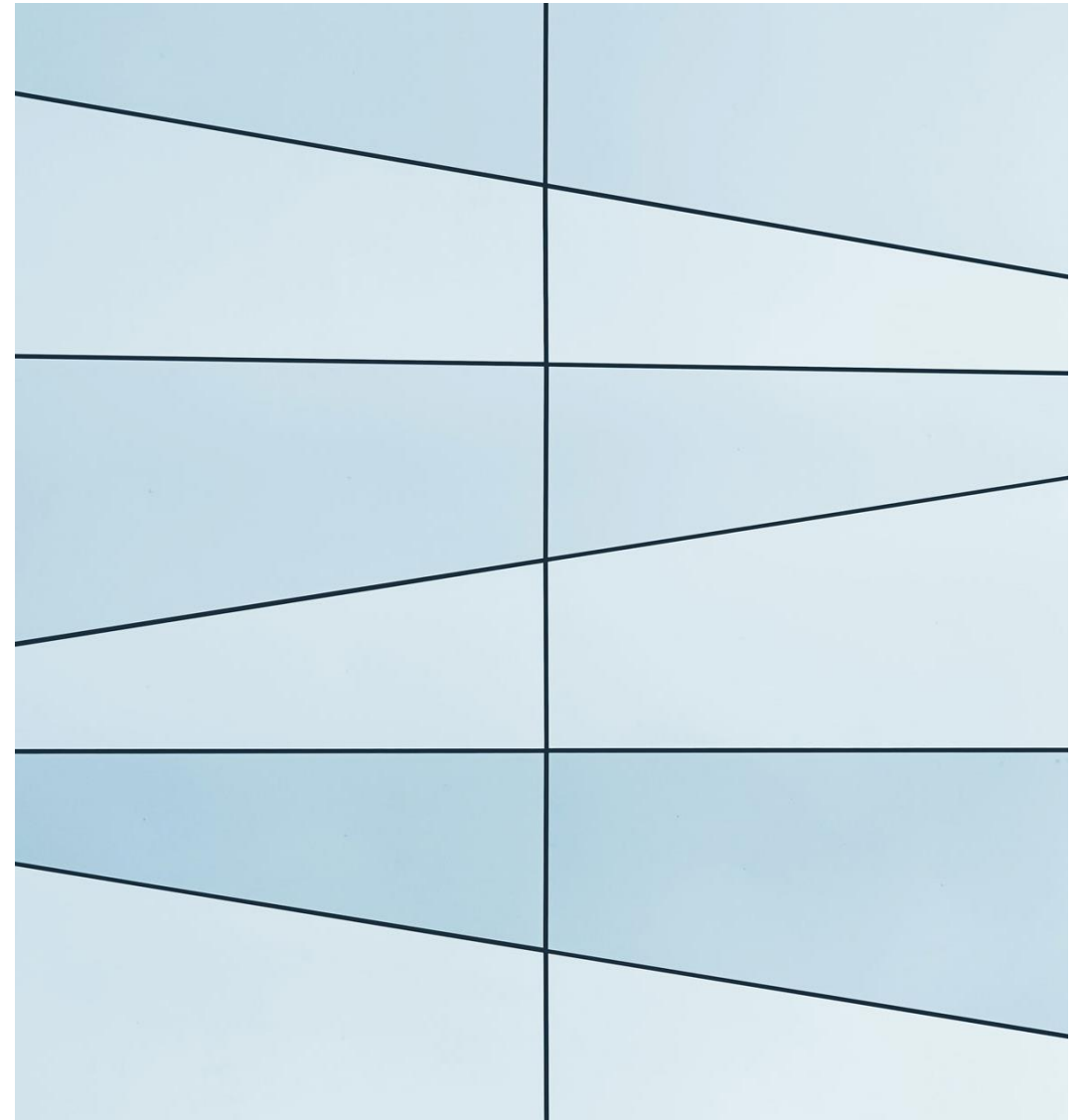
Scope 3 GHG emissions: Financed emissions



Companies with emissions associated with investments (or other forms of financing) are required to report financed emissions.

Applies to companies with activities associated with:

- Asset Management
- Commercial Banks
- Insurance



Industry-specific requirements



Industry-specific disclosure is useful because:

- relevant sustainability-related issues vary by industry
- investors analyse companies and portfolios by industry and sector
- companies can focus on reporting that more closely fits their business
- it reduces costs and minimise noise by focusing on the most relevant information

In response to feedback, IFRS S2:

- requires that industry-specific disclosures be provided but the industry-based metrics provided are illustrative guidance rather than requirements
- an exception to this is information about financed emissions which is required to be provided

The ISSB has indicated an intention to make the industry-based metrics mandatory in the future, subject to consultation

IFRS S2 guidance



Application Guidance

- Applying scenario analysis to assess climate resilience
- Measuring Scope 1-3, plus a framework for measuring Scope 3
- Disclosing information:
 - relevant to financed emissions
 - relevant to cross-industry metric categories
 - about climate-related targets



Accompanying Guidance

- Metrics that could be disclosed relevant to cross-industry metric categories
- Examples of disclosing GHG emissions information applying the principles in IFRS S1 for aggregation and disaggregation
- Industry-based guidance on identifying appropriate disclosures associated with common business models and activities in a particular industry

Access the ISSB Standards today

