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

This standard addresses sustainability-related risks pertaining to the environmental, social, & governance (ESG) umbrella of topics that could affect the company's performance.

Objectives

- S1.1** Disclose sustainability-related risks & opportunities that are useful to users of financial reports
- S1.2** Information is useful because an entity's ability to generate cash flows is inextricably linked to interactions
- S1.3** Disclose all sustainability-related risks & opportunities that could affect the entity's prospects
- S1.4** How to prepare & report sustainability-related financial disclosures

Scope

- S1.5** In accordance with IFRS Sustainability Disclosure Standards
- S1.6** Only sustainability-related risks & opportunities that affect an entity's prospects
- S1.7** Other IFRS Sustainability Disclosure Standards
- S1.8** Irrespective of whether financial statements are prepared in accordance with other standards
- S1.9** This Standard uses terminology suitable for profit-oriented entities

Conceptual Foundations

S1.10 For information to be useful, it must be relevant & faithfully represented

Fair Presentation

S1.11 – S1.16 Description of how sustainability-related risks & opportunities should be presented & how to do so fairly

Materiality

S1.17 – S1.19 Definition of materiality & how to identify & disclose material information

Reporting Entity

S1.20 Disclosures shall be for the same reporting entity as the related financial statements

Connected Information

S1.21 – S1.24 Description of the types of connections between an entity's sustainability-related disclosures & items to which the information relates & connections between disclosures that should be identified

General Requirements, Judgements, Uncertainties & Errors

General Requirements

- S1.54 – S1.59** Sources of guidance
- S1.60 – S1.63** Location of disclosures
- S1.64 – S1.69** Timing of reporting
- S1.70 – S1.71** Comparative information
- S1.72 – S1.73** Statement of compliance

Judgements, Uncertainties & Errors

- S1.74 – S1.76** Judgements
- S1.77 – S1.82** Measurement uncertainty
- S1.83 – S1.86** Errors

Core Content

S1.25 Provide disclosures about governance, strategy, risk management, metrics & targets

Governance

- S1.26** Understanding the governance process for managing sustainability-related risks & opportunities
- S1.27** Information about the governance bodies & management responsible

Strategy

- S1.28** Understanding an entity's strategy for managing sustainability-related risks & opportunities
- S1.29** Information about material sustainability-related risks & opportunities, current & anticipated effects, effects on the entity's strategy & decision-making, effects on the entity's financial position & performance, & resilience of the entity's strategy

Sustainability-related risks & opportunities

S1.30 – S1.31 Understanding the sustainability-related risks & opportunities, specifically descriptions & time horizons, including how they are linked to strategic decision making

Business model & value chain

S1.32 Effects on the entity's business model & value chain, specifically current & anticipated effects, & where the risks & opportunities are concentrated

Strategy & decision-making

S1.33 Effects on strategy & decision-making, specifically response, progress, & trade-offs

Financial position, financial performance, & cash flows

- S1.34** Information that enables users to understand effects & anticipated effects
- S1.35 – S1.40** Quantitative & qualitative information about how the risks & opportunities have affected the entity's finances & any expected change to its financial position

Resilience

- S1.41** Information to understand an entity's capacity to adjust to the uncertainties arising from sustainability-related risks.
- S1.42** May specify the type of information to disclose about resilience & how to prepare those disclosures, including whether a scenario analysis is required

Risk Management

- S1.43** Understanding the process to identify, assess, prioritize & monitor sustainability-related risks & opportunities
- S1.44** Processes & policies used & integration into overall risk management process

Metrics & Targets

- S1.45** Understanding performance in relation to sustainability-related risks & opportunities
- S1.46 – S1.49** Required metrics
- S1.50** Requirements for entity developed metrics
- S1.51 – S1.53** Target requirements, including progress, definitions, & calculations

S1 – Appendices The appendix is an integral part of IFRS S1 and has the same authority as the other parts of the Standard.

A Defined terms

B Application guidance

- B1–B12** Sustainability-related risks and opportunities
- B13–B37** Materiality
- B38** Reporting entity
- B39–B44** Connected information

B45–B47 Information included by cross-reference

B48 Interim reporting

B49–B59 Comparative information

C Sources of guidance

D Qualitative characteristics of useful sustainability-related financial information

D1–D3 Introduction

D4–D15 Fundamental qualitative characteristics of useful sustainability-related financial information

D16–D33 Enhancing qualitative characteristics of useful sustainability-related financial information

E Effective date and transition

IFRS S1 & S2 General Information

Purpose

In June 2023, the International Sustainability Standards Board (ISSB) released the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards. The Standards are known as IFRS S1: General Requirements of Sustainability-related Financial Information & IFRS S2: Climate-related Disclosures. The purpose of IFRS S1 & S2 is to provide global criteria for sustainability reporting, inform investors, & facilitate disclosure of comprehensive sustainability-related information for global capital markets.

Background

- + Both IFRS S1 & IFRS S2 include requirements structured around the core content of governance, strategy, risk management, & metrics & targets
- + U.S. companies can choose to voluntarily report in accordance with IFRS S1 & S2
- + A company could report on S1 without reporting on S2, but the S2 standard should be used only in conjunction with the IFRS S1 framework

Key Requirements

- + IFRS requires companies to prepare their sustainability-related financial disclosures as part of their general-purpose financial reports (either integrated or as a cross-referenced standalone document) & must be published alongside financial disclosure for the same reporting period (first-year exception)
- + It is essential to provide comparative information for all metrics in order to compare changes over time (first-year exception)
- + The company shall disclose the judgments it has made in preparing the disclosure, as well as significant uncertainties that affect the amount reported in its sustainability-related disclosures

For more background on the standards, download our resource paper [here](#).

IFRS S2: Climate-related Disclosures

This standard emphasizes climate-related risks & opportunities & closely mirrors the disclosures called for by the TCFD.

Objectives

- S2.1** Disclose climate-related risks & opportunities that are useful to users of financial reports
- S2.2** Disclose all climate-related risks & opportunities that could affect the entity's prospects

Scope

- S2.3** This Standard applies to climate related risks to which the entity is exposed & opportunities available to the entity
- S2.4** Only climate-related disclosures that affect an entity's prospects

Core Content

Governance

- S2.5** Understanding the governance process for managing climate-related risks & opportunities
- S2.6** Information about the governance bodies & management responsible
- S2.7** Avoiding unnecessary duplication with IFRS S1

Strategy

- S2.8** Understanding an entity's strategy for managing climate-related risks & opportunities
- S2.9** Information about material climate-related risks & opportunities, current & anticipated effects, effects on the entity's strategy & decision-making, effects on the entity's financial position & performance, & resilience of the entity's strategy

Climate-related risks & opportunities

- S2.10 – S2.12** Understanding the climate-related risks & opportunities, specifically descriptions, including whether they are a physical or transitional risks, & time horizons, including how they are linked to strategic decision making

Business model & value chain

- S2.13** Effects on the entity's business model & value chain, specifically current & anticipated effects, & where the risks & opportunities are concentrated

Strategy & decision-making

- S2.14** Effects on strategy & decision-making, specifically response, resourcing, & progress

Financial position, financial performance, & cash flows

- S2.15** Information that enables users to understand effects & anticipated effects
- S2.16 – S2.21** Quantitative & qualitative information about how the risks & opportunities have affected the entity's finances & any expected change to its financial position

Climate Resilience

- S2.22** Information to understand the resilience of an entity's strategy & business model to climate-related changes & uncertainties, including any assessments or scenario analyses conducted
- S2.23** Refer to & consider the applicability of cross-industry metric categories & industry-based metrics associated with disclosure topics

Risk Management

- S2.24** Understanding the process to identify, assess, prioritize & monitor sustainability-related risks & opportunities
- S2.25** Processes & policies used & integration into overall risk management process
- S2.26** Avoiding unnecessary duplication with IFRS S1

Metrics & Targets

- S2.27** Understanding performance in relation to climate-related risks & opportunities
- S2.28** Required metrics
- S2.29 – S2.32** Relevant climate-related metrics
- S2.33 – S2.35** Target requirements, including the approach to setting the targets, progress, & performance
- S2.36** GHG specific target requirements
- S2.37** Applicability of cross-industry, industry-based metrics, or metrics that otherwise satisfy the requirements in IFRS S1

S2 – Appendices The appendix is an integral part of IFRS S2 and has the same authority as the other parts of the Standard.

- A** Defined terms
- B** Application guidance
 - B1–B18** Climate resilience
 - B19–B63** Greenhouse gases
 - B64–B65** Cross-industry metric categories
 - B66–B71** Climate-related targets
- C** Effective date & transition

So whats next?

Preparing to Report with IFRS S1 & S2

Understand the Standards

- + Review the IFRS S1 & S2 standards
- + Identify material risks & opportunities relating to sustainability & climate change
- + Educate leadership & key representatives to organize priorities & ensure alignment on reporting

Educational material on sustainability-related risks & opportunities & the disclosure of material information can be found [here](#).

Integrate & Align

- + Compare existing sustainability reporting to the IFRS standards by conducting a gap analysis
- + Examine how your current reporting frameworks align with the ISSB considerations & ways to integrate sustainability reporting into financial reporting
- + Assess data collection & management systems for gaps & areas of improvement

Guidance on voluntary application of the standards can be found [here](#).

Mapping to Other Standards

- + [TCFD](#)
- + [SASB](#)
- + [GRI](#)
- + [ESRS](#)

Find out how G&A can help.

