Sustainability Standards Advisory Forum meeting

Date       July 2023
Project    S1/S2 Implementation
Topic      Implementation of IFRS S1 and IFRS S2
Contacts  Caroline Clark-Maxwell

This paper has been prepared for discussion at a public meeting of the Sustainability Standards Advisory Forum (SSAF). This paper does not represent the views of the International Sustainability Standards Board (ISSB) or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Sustainability Disclosure Standards. The ISSB’s technical decisions are made in public and are reported in the ISSB Update.
Purpose of this session

To discuss the International Sustainability Standards Board’s (ISSB) plans to support stakeholders in the implementation of IFRS S1 and IFRS S2

Question for SSAF members

- What implementation support will stakeholders in your jurisdiction require in the implementation of IFRS S1 and IFRS S2?
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
Mechanisms that support application

- Use of well-known terminology and concepts
- Proportionate:
  - the instruction to use reasonable and supportable information available without undue cost or effort
  - consideration of skills, capabilities and resources
- Help through:
  - guidance within the Standards and educational materials
  - sources of guidance to identify sustainability-related risks and opportunities, and metrics
  - other clarifications, such as permitting qualitative scenario analysis and qualitative information on financial effects
- Transitional reliefs
Supporting materials

Application Guidance
Guidance, sometimes presented as an appendix to a Standard. This is just a question of location – this material is still a required piece of the standard.

Accompanying Guidance
Guidance issued alongside a Standard to assist companies, demonstrating how the requirements in the Standard could be applied often using examples (non mandatory).

Educational materials
Separate materials developed to help companies apply the Standards.

Published with the Standards.

Published over time to meet preparer needs.
IFRS S1 guidance

Application Guidance

- Identifying sustainability-related risks and opportunities and disclosing material information about such risks and opportunities
- Material information
- Connected information

Accompanying Guidance

- Guidance on who 'primary users' are and how companies should apply sources of guidance
- Examples of considering and applying the SASB Standards
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
Implementation support and education

Capacity building initiative

- Development of general educational materials for all stakeholders (including investors)
- Development of specific educational materials for stakeholders in emerging and developing economies as well as smaller companies

Support implementation by companies

- Transition Implementation Group - a public forum for stakeholders to follow the discussion of questions raised on implementation by those applying the Standards
How and why to prepare
The ISSB Standards can deliver

• **For investors:** access to more consistent, comparable, verifiable and comprehensive disclosures.

• **For companies:** positive effects on areas such as governance, strategy, access to capital, cost of capital, reputation, and employee and stakeholder engagement.

• **For financial markets:** improved transparency about sustainability-related risks is expected to contribute to long-term financial stability.
How to get started

• Evaluate internal systems and processes for collecting, aggregating, validating sustainability-related information across the company and its value chain

• Consider the sustainability-related risks and opportunities that affect the business

• Get familiar with the fundamental concepts within IFRS S1
Resources

- **Basis for Conclusions** on IFRS S1
- **Basis for Conclusions** on IFRS S2
- **Accompanying Guidance** for IFRS S1
- **Accompanying Guidance** for IFRS S2
- **Effects Analysis** on IFRS S1 and IFRS S2
- **Project Summary** of IFRS S1 and IFRS S2
- **Feedback Statement** for IFRS S1 and IFRS S2
Visit ifrs.org to find out more

- Access the Standards and supporting materials
- Listen to the monthly podcast
- Respond to live consultations
- Sign up for news alerts
- Discover services that can support you
- Observe ISSB meetings
- Join the team