



IFRS S1 and IFRS S2: Current and Anticipated Financial Effects

Part two of two

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Before we start...

- This webcast covers a portion of the Strategy content of IFRS S1 and IFRS S2, thus should be considered alongside the full Standards.
- The Standards and related materials can be found on our website at www.ifrs.org.
- The views expressed are those of the presenters, not necessarily those of the ISSB or the IFRS Foundation.



Session overview – current and anticipated financial effects

Overarching requirements

Current reporting period

Next annual reporting period

Part 1

Over the short, medium and long term

Mechanisms to facilitate application and
mechanisms to address proportionality

Part 2

Learning objective:

Understand current and anticipated financial effects requirements and how to provide useful information about a company's strategy for managing its sustainability-related risks and opportunities.

Anticipated financial effects

IFRS S1.35(c)(d)
IFRS S2.16(c)(d)

Qualitative and quantitative information about the effects the entity expects over the short, medium and long term on:

- its financial position, considering its investment and disposal plans and sources of funding
- Its financial performance and cash flows, given its strategy to manage sustainability-related risks and opportunities

Over the short, medium, long term (IFRS S1.35(c)(d) / IFRS S2.16(c)(d))

Current reporting period
(IFRS S1.35(a) / IFRS S2.16(a))

Next annual reporting period
(IFRS S1.35(b) / (IFRS S2.16(b))

Financial effects of sustainability-related risks and opportunities



Example 5: Requirements of IFRS S1.35(c)(d) / IFRS S2.16(c)(d)



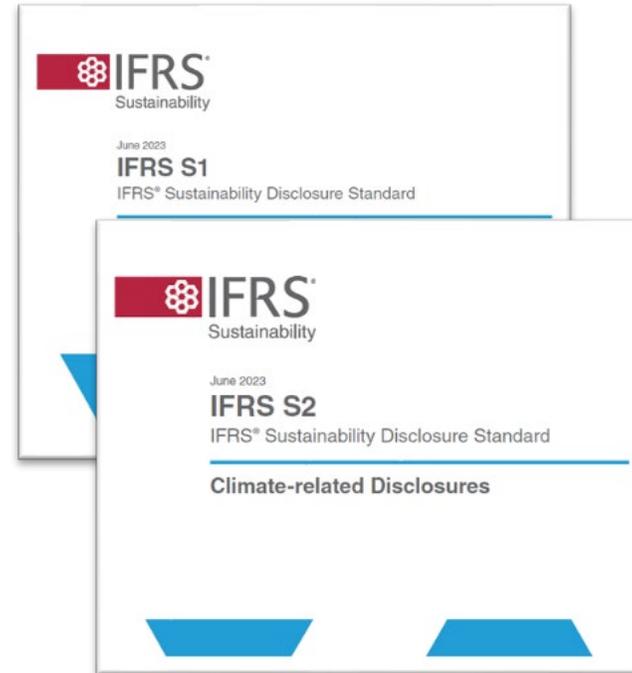
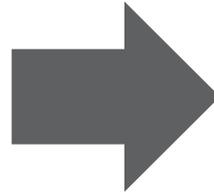
Sustainability-related financial disclosures:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Has not affected financial position, financial performance or cash flows in the reporting period | <ul style="list-style-type: none"> • Quantitative information regarding capital expenditure per year for new vehicles used in the entity’s business and charging points as well as a reduction in fuel costs • Qualitative information regarding the sustainability-related risk and opportunity and transition plan, as well as whether new sources of funding will be required to enact the plan |
|--|--|

Determining short, medium and long term

TCFD

Time horizons not defined



Time horizons not defined

Example 6: Determining short, medium and long term



Perishable goods



Software



Mining and exploration



Mechanisms to facilitate application and mechanisms to address proportionality

Mechanisms applicable to *both* current and anticipated financial effects

Proportionality mechanisms applicable to anticipated financial effects *only*

Mechanisms to facilitate application

Are you unable to separately identify the effects of a sustainability-related risk or opportunity?

IFRS S1.38
IFRS S2.19

OR

Is the level of measurement uncertainty so high that the quantitative information would not be useful?

IFRS S1.40
IFRS S2.21

Yes



Need not provide quantitative information in which case:

- Explain why quantitative disclosure not provided
- Provide qualitative information
- Provide quantitative information about the combined financial effects

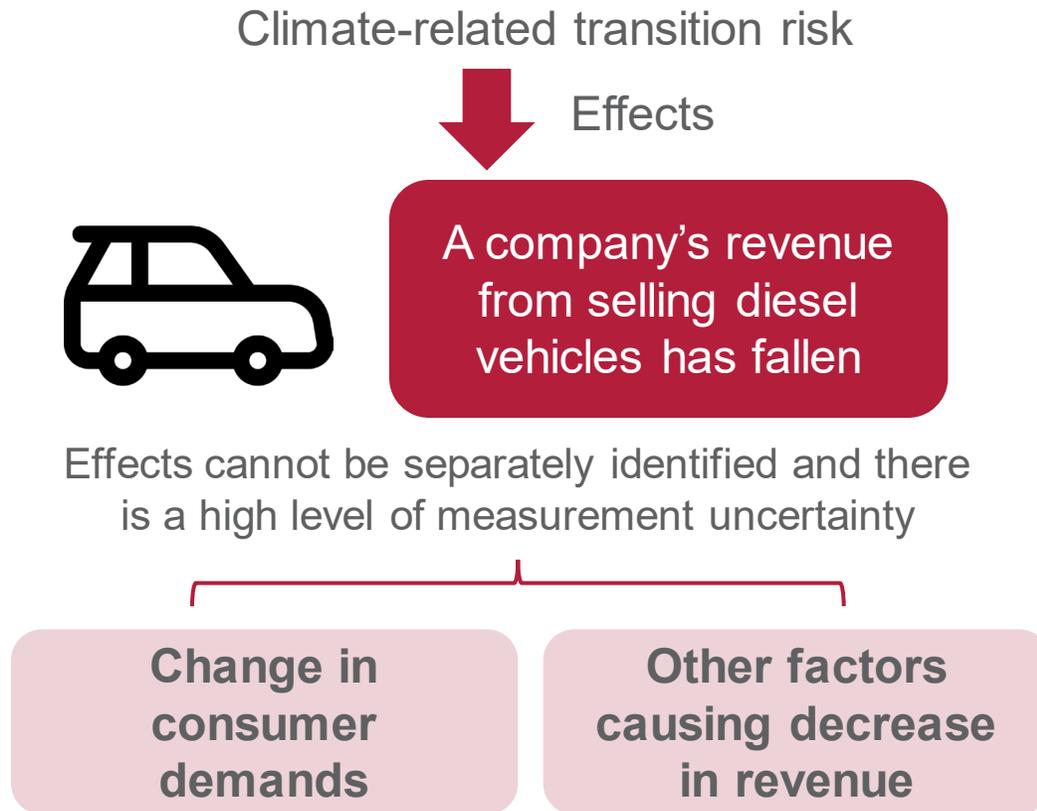
No



IFRS S1.36
IFRS S2.17

Provide qualitative information and quantitative information about current or anticipated financial effects of a sustainability-related risk or opportunity using a single amount or range.

Example 7: Mechanisms to facilitate application



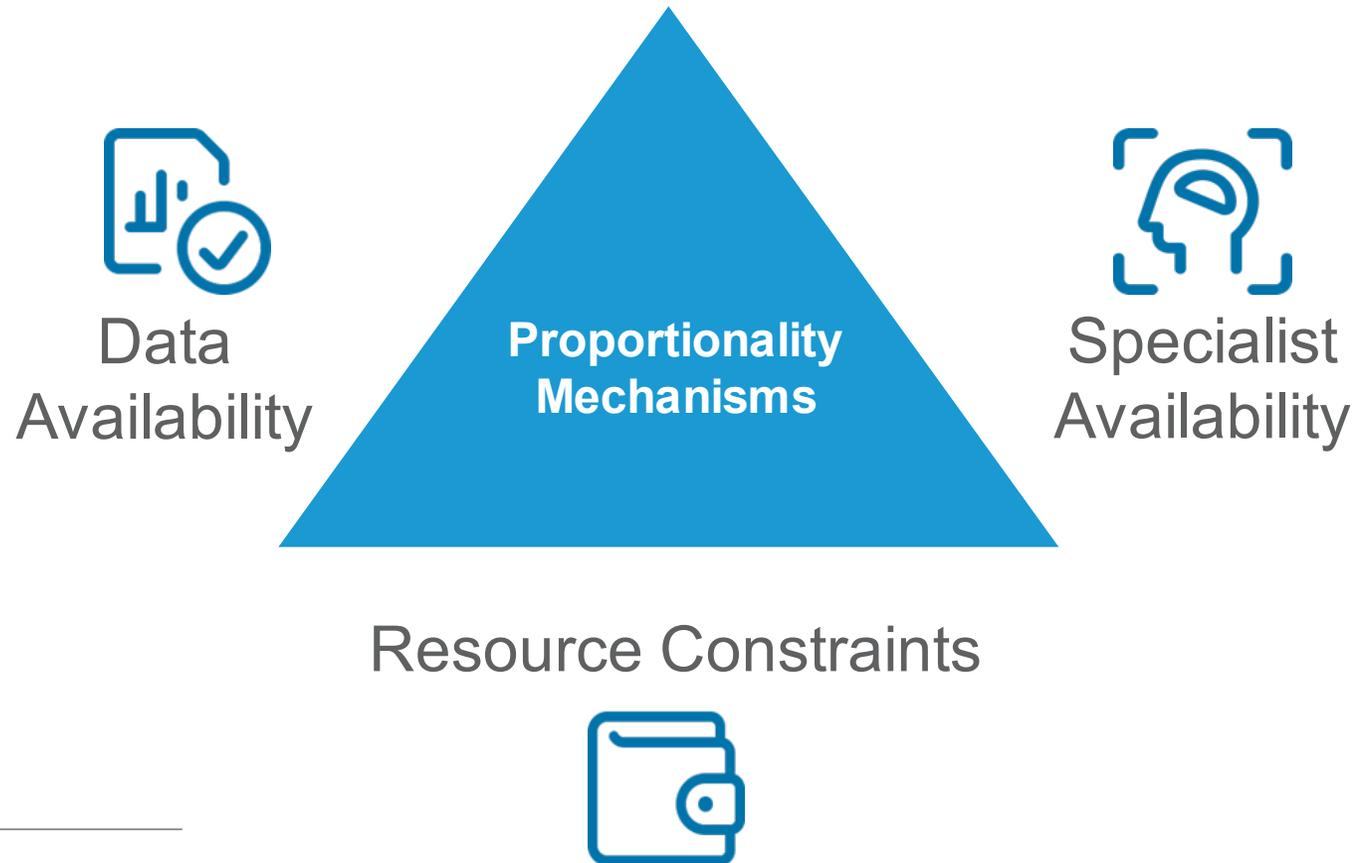
Financial effects:

- Decrease in revenue in the current reporting period but no quantitative or qualitative disclosure

Sustainability-related financial disclosures:

- Qualitative information, including why quantitative information was not provided
- Qualitative information about the line items, totals and subtotals affected
- Quantitative information about the combined financial effects, unless determined not useful

Reporting challenges – proportionality mechanisms



Proportionality mechanisms considerations – preparing disclosures about anticipated financial effects

Use all reasonable and supportable information available at the reporting date without undue cost or effort

IFRS S1.37(a)
IFRS S2.18(a)

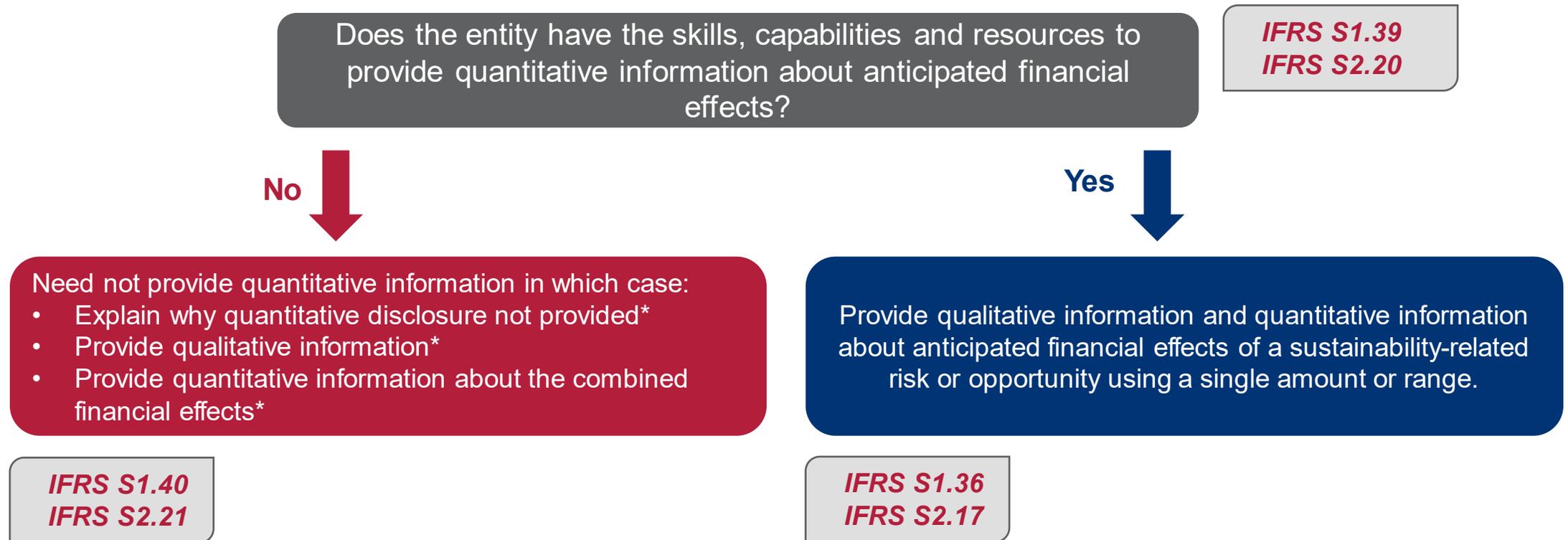
- Consider all information reasonably available, has an appropriate basis for using and is available at reporting date
- Exhaustive effort is unnecessary / However cannot argue that no effort is necessary

IFRS S1.37(b)
IFRS S2.18(b)

Use an approach that is commensurate with the skills, capabilities and resources that are available

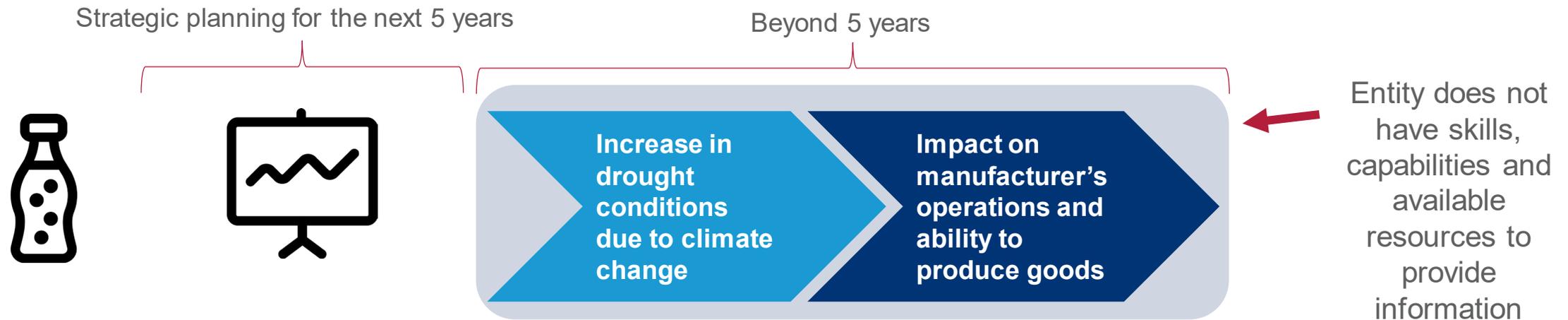
- Use both internal and external skills, capabilities and resources
 - If resources are available, then able to invest in obtaining or developing the necessary skills and capabilities
-

Proportionality mechanisms considerations – quantitative information about anticipated financial effects



*Note these requirements are the same as on the slide for Mechanisms to facilitate application.

Example 8: Proportionality mechanism considerations



Sustainability-related financial disclosures:

- Qualitative information, including why quantitative information was not provided
- Quantitative information about the combined financial effects unless deemed to not be useful.

Key takeaways

- 1) Current and anticipated financial effects disclosure requirements are designed to elicit information that connects, complements or expands upon information provided in the related financial statements, avoiding unnecessary duplication.
 - 2) A combination of both qualitative and quantitative information about current and anticipated financial effects is most useful for making investment decisions.
 - 3) Understanding what information is required when applying mechanisms to facilitate application and mechanisms to address proportionality:
 - a. These mechanisms are designed to strike a balance between the need for decision-useful information and the costs and complexity of providing that information.
 - b. Companies will need to apply judgement in determining whether they meet the specified conditions for when they need not provide quantitative information about current and anticipated financial effects.
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