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# 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](http://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.

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# 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))

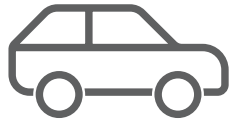
Next annual reporting period  
(IFRS S1.35(b) / (IFRS S2.16(b))

Financial effects of sustainability-related risks and opportunities



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



Sustainability-related financial disclosures:

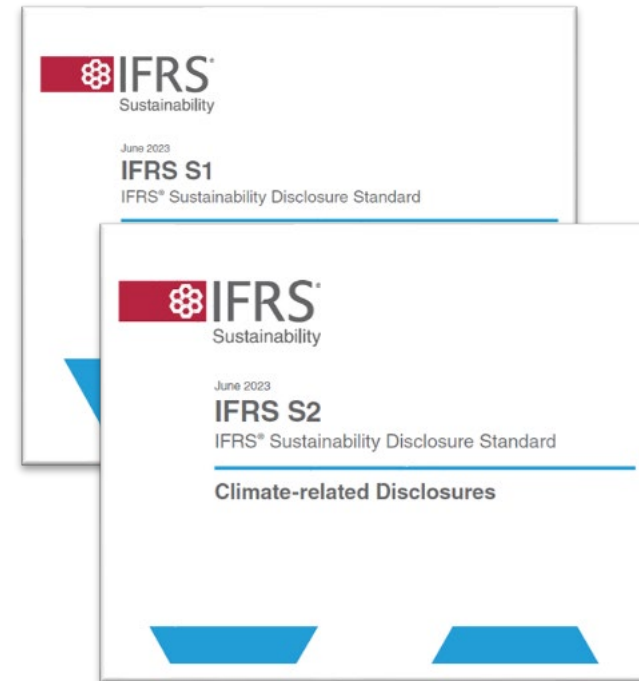
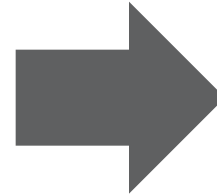
- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Has not affected financial position, financial performance or cash flows in the reporting period</li> </ul> | <ul style="list-style-type: none"> <li>• Quantitative information regarding capital expenditure per year for new vehicles used in the entity's business and charging points as well as a reduction in fuel costs</li> <li>• 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</li> </ul> |
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# Determining short, medium and long term

**TCFD**

Time horizons not defined



Time horizons not defined

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## Example 6: Determining short, medium and long term



*Perishable goods*



*Software*



*Mining and  
exploration*



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## 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*

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# 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

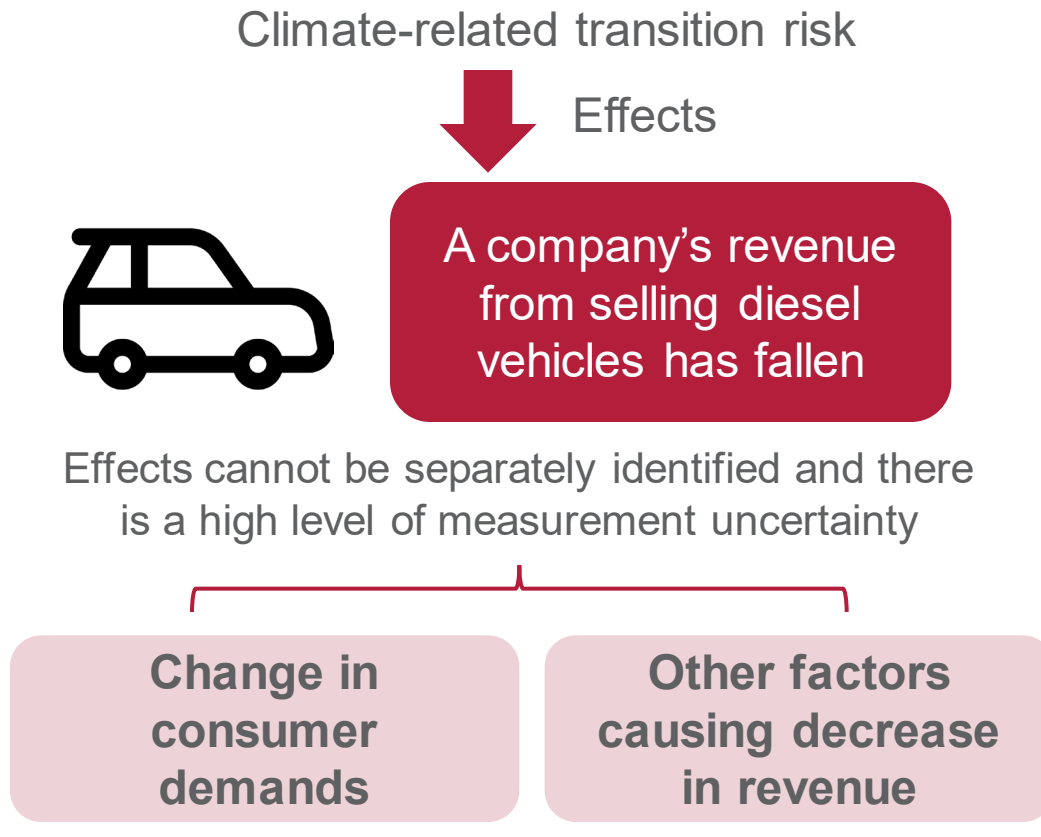
No



*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:

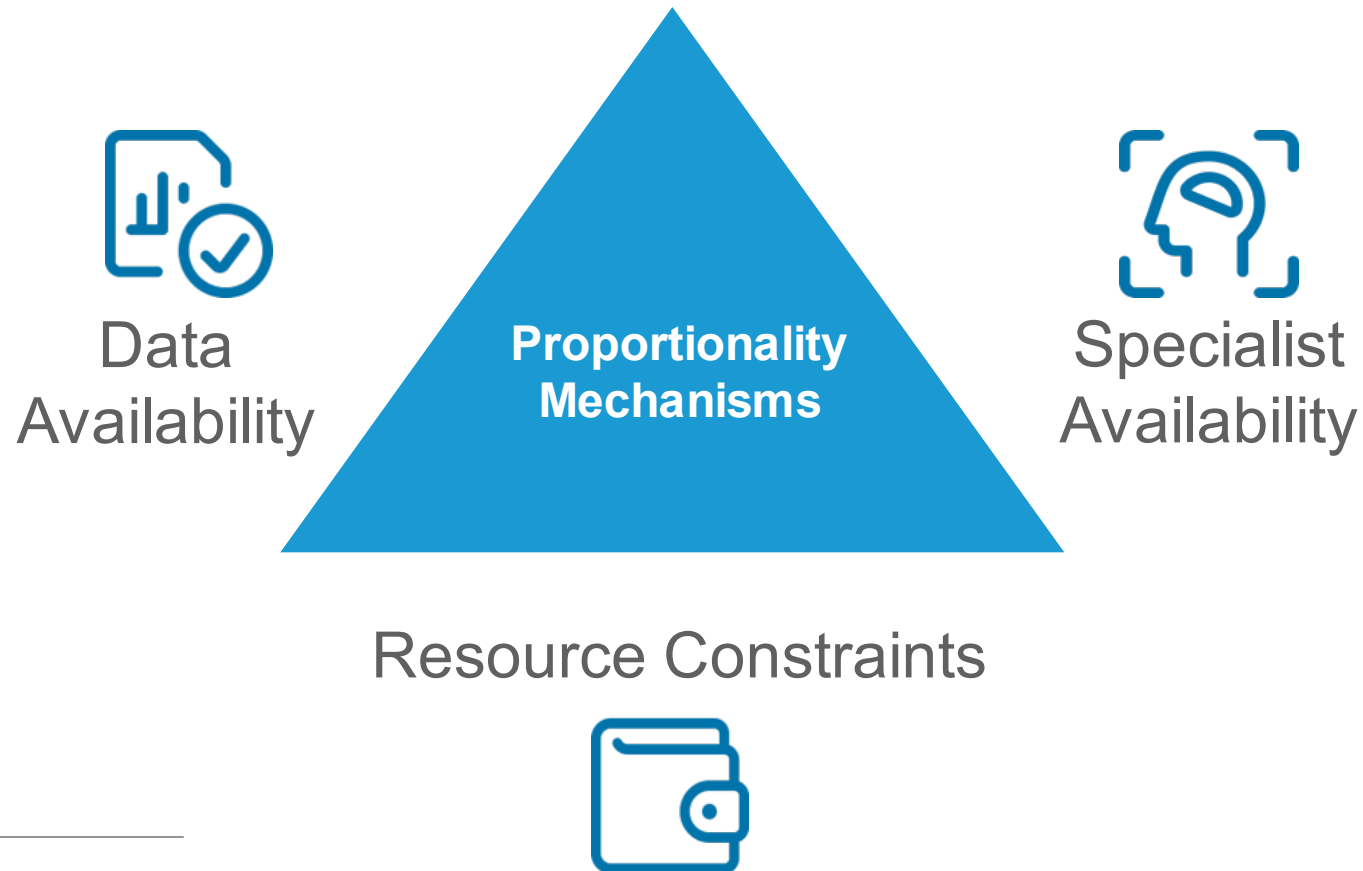
- Decrease in revenue in the current reporting period but no quantitative or qualitative disclosure

### 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

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# Reporting challenges – proportionality mechanisms



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## 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)**

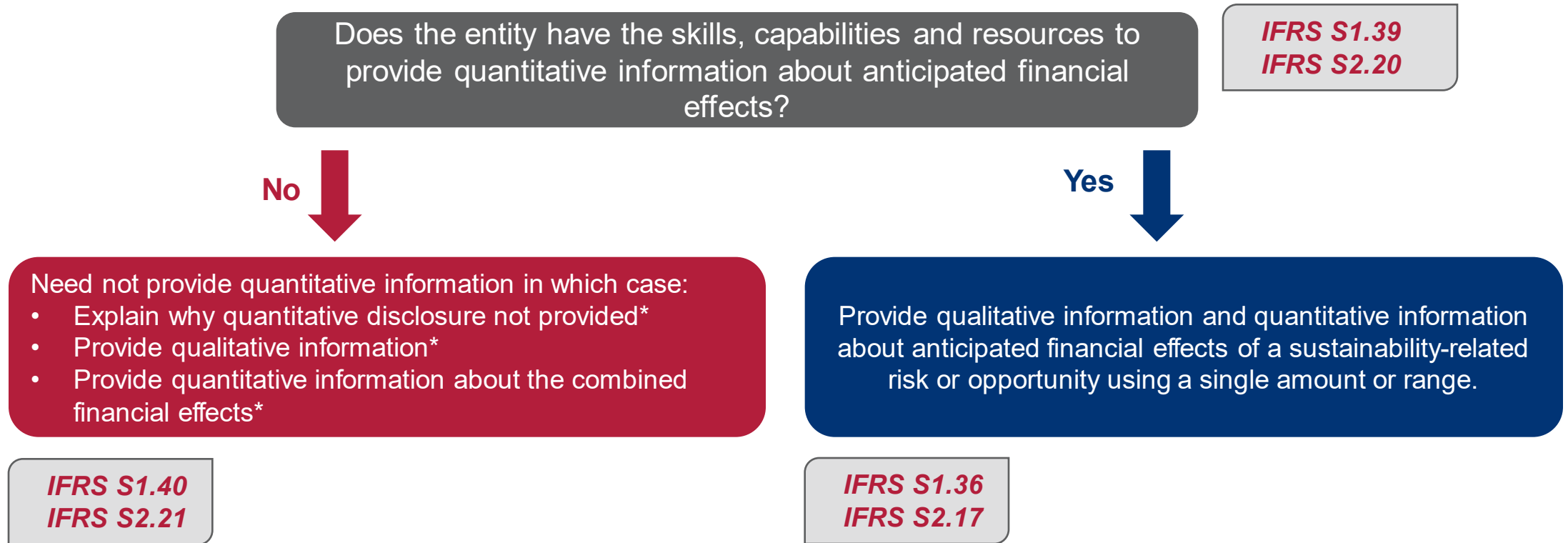
- Consider all information reasonably available, has an appropriate basis for using and is available at reporting date
- Exhaustive effort is unnecessary / However cannot argue that no effort is necessary

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

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

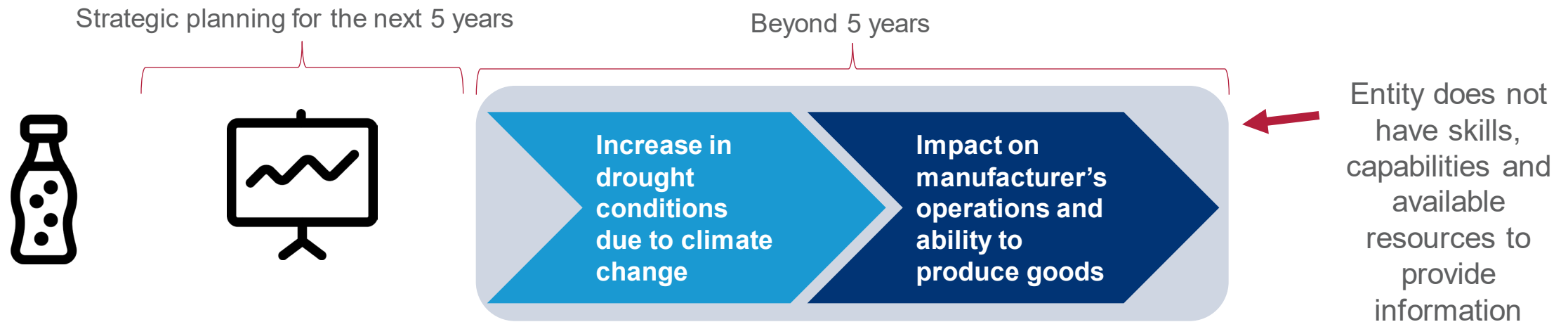
- Use both internal and external skills, capabilities and resources
  - If resources are available, then able to invest in obtaining or developing the necessary skills and capabilities
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## Proportionality mechanisms considerations – quantitative information 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.

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## 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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