

# IFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information

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## Objective

- The objective of **IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information** is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- This Standard requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flow, its access to finance or cost of capital over the short, medium or long term. For the purposes

of this Standard, these risks and opportunities are collectively referred to as '*sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects*'.

## Scope

- An entity shall apply this Standard in preparing and reporting sustainability-related financial disclosures in accordance with IFRS Sustainability Disclosure Standards.
- An entity may apply IFRS Sustainability Disclosure Standards irrespective of whether the entity's related general purpose financial statements (referred to as 'financial statements') are prepared in accordance with IFRS Accounting Standards or other Generally Accepted Accounting Principles or Practices (GAAP).

## Core Content

An entity shall provide disclosures about the following,

### Governance

**Para 26** The objective of sustainability-related financial disclosures on governance is to enable users of general-purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee sustainability-related risks and opportunities.

**Para 27** To achieve this objective, an entity shall disclose information about,

1. The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of sustainability-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about:

Aspect	Description
Responsibilities in terms of reference, mandates, role descriptions, policies	How responsibilities for sustainability-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s)
Skills and competencies	How the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to sustainability-related risks and opportunities

Information frequency	How and how often the body(s) or individual(s) is informed about sustainability-related risks and opportunities
Consideration in strategy, transactions, risk management	How the body(s) or individual(s) takes into account sustainability-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities
Oversight of targets and performance metrics	How the body(s) or individual(s) oversees the setting of targets related to sustainability-related risks and opportunities, and monitors progress towards those targets, including whether and how related performance metrics are included in remuneration policies

2. Management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related risks and opportunities, including information about,
- whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee
  - whether management uses controls and procedures to support the oversight of sustainability-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions

<b>Aspect</b>	<b>Description</b>
Role Delegation and Oversight	Whether the role is delegated to a specific management-level position or committee, and how oversight is exercised over that position or committee
Management Controls and Integration	Whether management uses controls and procedures to support oversight of sustainability-related risks and opportunities, and how these are integrated with other internal functions

# Strategy

**Para 28** The objective of sustainability-related financial disclosures on strategy is to enable users of general purpose financial reports to understand an entity's strategy for managing sustainability-related risks and opportunities.

**Para 29** Specifically, an entity shall disclose information to enable users of general-purpose financial reports to understand,

## Sustainability-related risks and opportunities

**Para 30** An entity shall disclose information that enables users of general-purpose financial reports to understand the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Specifically, the entity shall.

Aspect	Description
Sustainability-Related Risks and Opportunities	Describe sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.
Time Horizons	Specify the time horizons (short, medium, or long term) over which the effects of each risk and opportunity could occur.
Definitions and Link to Planning	Explain how the entity defines 'short term', 'medium term' and 'long term', and how these definitions are linked to the planning horizons used for strategic decision-making.

**Para 31** Short-, medium- and long- term time horizons can vary between entities and depend on many factors, including industry-specific characteristics, such as cash flow, investment and business cycles, the planning horizons typically used in an entity's industry for strategic decision-making and capital allocation plans, and the time horizons over which users of general purpose financial reports conduct their assessments of entities in that industry.

## Business model and value chain

**Para 32** An entity shall disclose information that enables users of general purpose financial reports to understand the current and anticipated effects of sustainability-related risks and opportunities on the entity's business model and value chain. Specifically, the entity shall disclose,

1. a description of the current and anticipated effects of sustainability related risks and opportunities on the entity's business model and value chain,

2. a description of where in the entity's business model and value chain sustainability-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).

## Strategy and decision-making

**Para 33** An entity shall disclose information that enables users of general purpose financial reports to understand the effects of sustainability-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose information about,

Aspects	Description
Response to sustainability-related risks and opportunities	How the entity has responded to, and plans to respond to, sustainability-related risks and opportunities in its strategy and decision-making
Progress against previous plans	The progress against plans the entity has disclosed in previous reporting periods, including quantitative and qualitative information
Trade-offs considered	Trade-offs between sustainability-related risks and opportunities that the entity considered (for example, in making a decision on the location of new operations, an entity might have considered the environmental impacts of those operations and the employment opportunities they would create in a community)

## Financial position, financial performance and cash flows

**Para 34** An entity shall disclose information that enables users of general purpose financial reports to understand,

Aspect	Description
Current Financial Effects	The effects of sustainability-related risks and opportunities on the entity's financial position, financial performance, and cash flows for the reporting period.
Anticipated Financial Effects	The anticipated effects of sustainability-related risks and opportunities on the entity's financial position, financial performance, and cash flows over the short, medium, and long term, considering how these factors are incorporated into the entity's financial planning.

**Para 35** Specifically, an entity shall disclose quantitative and qualitative information about,

<b>Aspect</b>	<b>Description</b>
Current Financial Effects	How sustainability-related risks and opportunities have affected the entity's financial position, financial performance, and cash flows for the reporting period.
Significant Risks for Material Adjustment	The sustainability-related risks and opportunities identified in <u>above</u> , for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.
Anticipated Financial Position Change	How the entity expects its financial position to change over the short, medium, and long term, given its strategy to manage sustainability-related risks and opportunities—taking into consideration its investment and disposal plans (e.g., capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements), including plans not contractually committed to, as well as planned sources of funding to implement its strategy.
Anticipated Financial Performance and Cash Flow Change	How the entity expects its financial performance and cash flows to change over the short, medium, and long term, given its strategy to manage sustainability-related risks and opportunities.

**Para 36** In providing quantitative information, an entity may disclose a single amount or a range.

**Para 37** In preparing disclosures about the anticipated financial effects of a sustainability-related risk or opportunity, an entity shall,

1. use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort (refer Appendix B, B8–B10)
2. use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures.

**Para 38** An entity need not provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity if the entity determines that,

1. those effects are not separately identifiable; or
2. the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful (*refer General Guidance section, Measurement Uncertainty subsection, paragraphs 77–82*)

**Para 39** In addition, an entity need not provide quantitative information about the anticipated financial effects of a sustainability-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.

**Para 40** If an entity determines that it need not provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity applying the criteria set out in paragraphs [38–39](#), the entity shall,

Aspect	Description
Explanation for Absence of Quantitative Information	Explain why quantitative information about the financial effects of a sustainability-related risk or opportunity has not been provided.
Qualitative Information	Provide qualitative details regarding the financial effects, including identification of line items, totals, and subtotals within the related financial statements that are likely to be affected, or have been affected, by the sustainability-related risk or opportunity.
Combined Quantitative Information	Provide quantitative information about the combined financial effects of the sustainability-related risk or opportunity together with other sustainability-related risks or opportunities and other factors, unless such information would not be useful.

## Resilience

**Para 41** An entity shall disclose information that enables users of general purpose financial reports to understand its capacity to adjust to the uncertainties arising from sustainability-related risks. An entity shall disclose a qualitative and, if applicable, quantitative assessment of the resilience of its strategy and business model in relation to its sustainability-related risks, including information about how the assessment was carried out and its time horizon. When providing quantitative information, an entity may disclose a single amount or a range.

**Para 42** Other IFRS Sustainability Disclosure Standards may specify the type of information an entity is required to disclose about its resilience to specific sustainability-related risks and how to prepare those disclosures, including whether a scenario analysis is required.

## Risk management

**Para 43** The objective of sustainability-related financial disclosures on risk management is to enable users of general purpose financial reports,

1. to understand an entity's processes to identify, assess, prioritise and monitor sustainability-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process
2. to assess the entity's overall risk profile and its overall risk management process

**Para 44** To achieve this objective, an entity shall disclose information about,

1. the processes and related policies the entity uses to identify, assess, prioritise and monitor sustainability-related risks, including information about,
  - i) the inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes)
  - ii) whether and how the entity uses scenario analysis to inform its identification of sustainability-related risks
  - iii) how the entity assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the entity considers qualitative factors, quantitative thresholds or other criteria)
  - iv) whether and how the entity prioritises sustainability-related risks relative to other types of risk
  - v) how the entity monitors sustainability-related risks
  - vi) whether and how the entity has changed the processes it uses compared with the previous reporting period
2. the processes the entity uses to identify, assess, prioritise and monitor sustainability-related opportunities
3. the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring sustainability-related risks and opportunities are integrated into and inform the entity's overall risk management process

## Metrics & targets

**Para 45** The objective of sustainability-related financial disclosures on metrics and targets is to enable users of general purpose financial reports to understand an entity's performance in relation to its sustainability-related risks and opportunities, including progress towards any targets the entity has set, and any targets it is required to meet by law or regulation.

**Para 46** An entity shall disclose, for each sustainability-related risk and opportunity that could reasonably be expected to affect the entity's prospects,

1. metrics required by an applicable IFRS Sustainability Disclosure Standard

2. metrics the entity uses to measure and monitor
  - i) that sustainability-related risk or opportunity
  - ii) its performance in relation to that sustainability-related risk or opportunity, including progress towards any targets the entity has set, and any targets it is required to meet by law or regulation

**Para 47** In the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, an entity shall apply paragraphs 57–58 to identify applicable metrics.

**Para 48** Metrics disclosed by an entity applying paragraphs 45–46 shall include metrics associated with particular business models, activities or other common features that characterise participation in an industry.

**Para 49** If an entity discloses a metric taken from a source other than IFRS Sustainability Disclosure Standards, the entity shall identify the source and the metric taken.

**Para 50** If a metric has been developed by an entity, the entity shall disclose information about:

Aspect	Description
Metric Definition	How the metric is defined, including whether it is derived by adjusting a metric from a source other than IFRS Sustainability Disclosure Standards, identifying the source, and explaining how the entity's metric differs from that source.
Metric Type	Whether the metric is an absolute measure, a measure expressed in relation to another metric, or a qualitative measure (such as a red, amber, green—or RAG—status).
Third-Party Validation	Whether the metric is validated by a third party, and if so, identifying the party.
Calculation Method	The method used to calculate the metric and the inputs to the calculation, including limitations of the method and significant assumptions made.

**Para 51** An entity shall disclose information about the targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation. For each target, the entity shall disclose:

1. the metric used to set the target and to monitor progress towards reaching the target
2. the specific quantitative or qualitative target the entity has set or is required to meet
3. the period over which the target applies
4. the base period from which progress is measured

5. any milestones and interim targets
6. performance against each target and an analysis of trends or changes in the entity's performance
7. any revisions to the target and an explanation for those revisions

**Para 52** The definition and calculation of metrics, including metrics used to set the entity's targets and monitor progress towards reaching them, shall be consistent over time. If a metric is redefined or replaced, an entity shall apply *Appendix B Comparative Information section paragraph B52*

**Para 53** An entity shall label and define metrics and targets using meaningful, clear and precise names and descriptions.

Refer IFRS S1 official documents for detailed description,

Section	Paragraphs
<b>General requirements</b>	
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