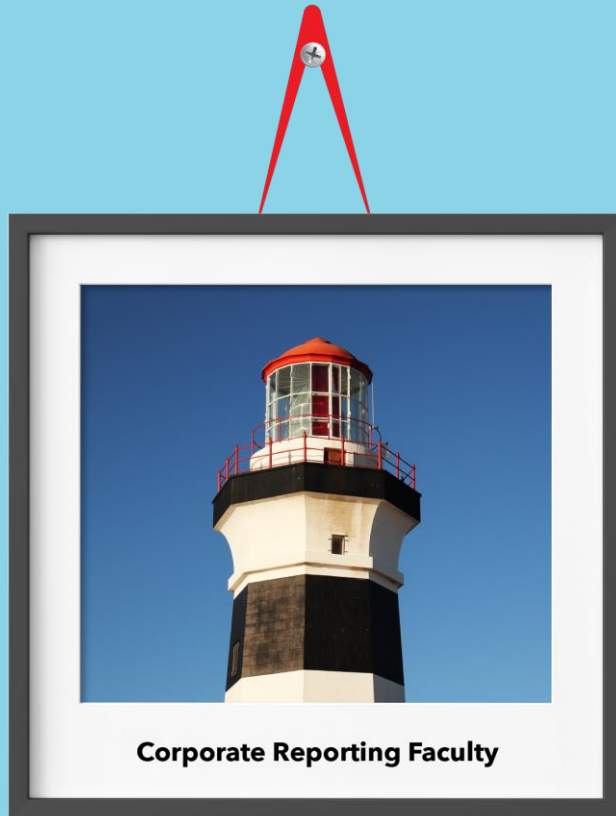




**ICAEW KNOW-HOW**  
**CORPORATE REPORTING FACULTY**



# ***Introducing IFRS S2***

**1 FEBRUARY 2024**

**THIS WEBINAR WILL  
COMMENCE SHORTLY .....**

# *Introduction*



Alison Bonathan

Technical Manager, Corporate Reporting Faculty, ICAEW

# *Today's presenters*



Ravi Abeywardana  
Director, Strategic  
Affairs and Capacity  
Building  
ISSB

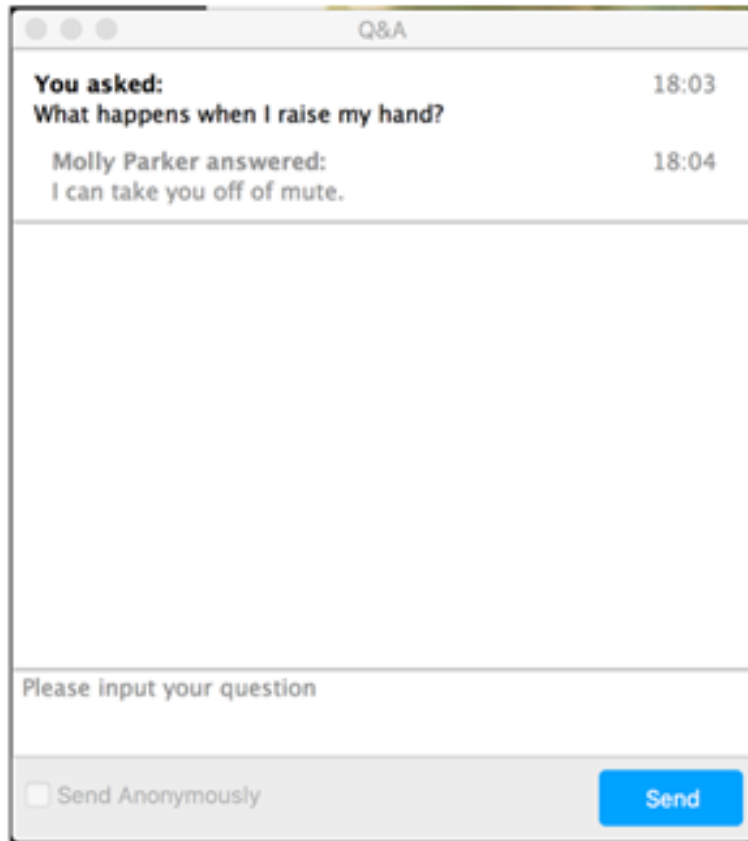


Gurpreet Kaur  
Director, Sustainability  
Reporting  
PwC



Lucas Penfold  
Senior Manager  
PwC

# Ask a question and access resources



The screenshot shows a Q&A interface with the following elements:

- Header: Q&A
- Question: **You asked:** What happens when I raise my hand? (18:03)
- Answer: **Molly Parker answered:** I can take you off of mute. (18:04)
- Input field: Please input your question
- Buttons:  Send Anonymously and a blue Send button.

An arrow points from the text 'Click on the Q&A button in the bottom toolbar to open the question box.' to the 'Send' button in the screenshot.

## **Download resources**

Link to slides in event reminder email

Access related resources, including the presentation slides at [icaew.com/crfwebinars](https://icaew.com/crfwebinars)

## **To ask a question**

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

# ***Contents***

ISSB relevance in the UK

ISSB relevance internationally

IFRS S2 - Summary

Practical implementation tips

## ***Poll question (1)***

Which of the following best describes your current role?

- a) Preparer of financial statements
- b) Preparer of sustainability disclosures / reports (e.g. UN SDGs, GRI, TCFD, SASB)
- c) User of disclosures (e.g. investor / financial analyst)
- d) Auditor
- e) Regulatory Body Representative
- f) Academic

## ***Poll question (2)***

How would you describe your knowledge of the sustainability-related disclosures?

- a) I am an expert
- b) I am confident, but there are some areas I need help with
- c) I have some knowledge, but need support
- d) I have little knowledge
- e) I have no knowledge

# Sustainability Disclosure Standards in the UK

IFRS S2: Climate-related disclosures

February 2024







# Will the ISSB standards be relevant to you?

UK Government has set up two advisory bodies to input into the process for endorsing the ISSB standards (S1 and S2) for UK adoption by July 2024. This will form the basis of formal regulatory requirements which will apply according to company type.

**Technical Advisory Committee**



Technical assessment and independent recommendations

**Policy Implementation Committee**



Consider interactions between the ISSB Standards and existing UK regulation


If endorsed the PIC will coordinate implementation across relevant components of UK Sustainability Disclosure Requirements

**Department for Business & Trade**



Business and Trade Secretary expected to make final endorsement decision by **July 2024**

**Financial Conduct Authority**



If endorsed, the FCA will introduce formal rules for listed companies

Consultation in H1 2024, with final rules by end 2024 and first reports for accounting periods from **1 January 2025**

---

# IFRS Sustainability Disclosure Standards: IFRS S2 Climate-related Disclosures

Presenter: Ravi Abeywardana ACA,  
Director of Strategic Affairs and Capacity Building  
[rabeywardana@ifrs.org](mailto:rabeywardana@ifrs.org)

# Jurisdictional journey and adopting ISSB Standards

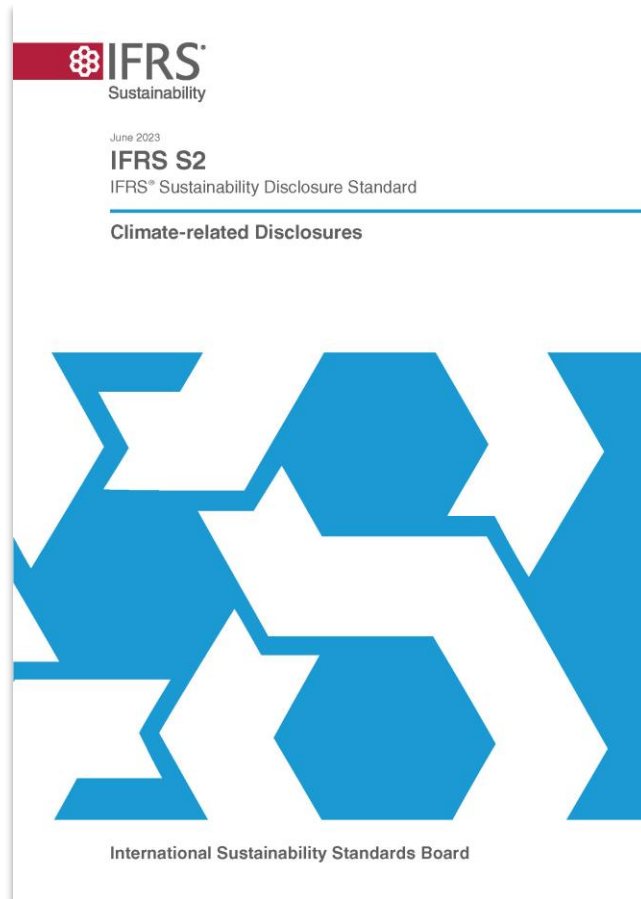
- Supporting regulators adopt the Standards in a timely, consistent and comprehensive manner
- Adoption Guide to be published - supporting jurisdictional regulatory pathways to adoption
- IFRS Foundation [High-level roadmap](#) (a precursor to the Adoption Guide) outlines approach to adoption considerations

Jurisdictions on the adoption journey include:



- Australia
- Brazil
- Canada
- Hong Kong
- Japan
- Kenya
- Nigeria
- Mexico
- Philippines
- Singapore
- Turkey
- UK
- BCBS

# IFRS S2: Climate-related Disclosures



- Incorporates the **TCFD recommendations**
- To meet investor information needs, IFRS S2:
  - is used in accordance with **IFRS S1**
  - requires disclosure of **material information about climate-related risks and opportunities**, including physical and transition risks
  - requires **industry-specific disclosures**, which are supported by accompanying guidance built on SASB Standards

---

## Material climate-related information enables investors to:

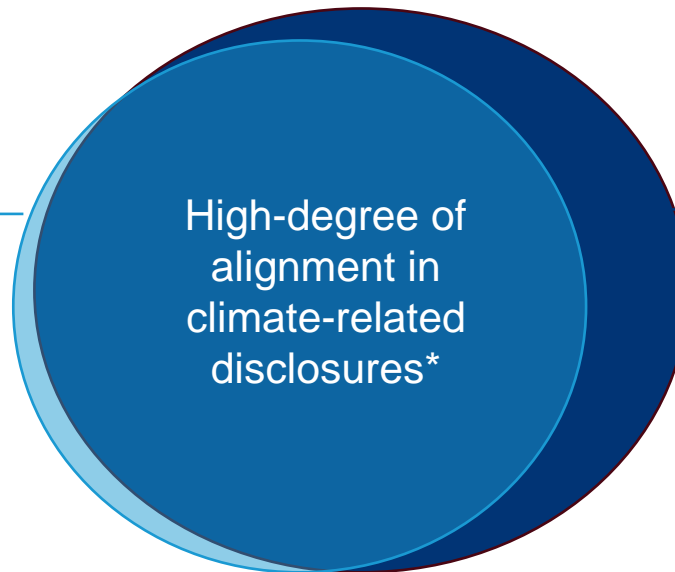
- Determine the effects of climate-related risks and opportunities on the company's performance and prospects
- Understand the company's response to, and strategy for, managing its climate-related risks and opportunities, including its climate-related transition planning
- Evaluate the ability of the company to adapt its planning, business model and operations to climate-related risks and opportunities
- Understand climate-related risks and opportunities in a company's value chain



# High degree of climate-disclosure alignment between ISSB Standards and European standards (ESRS)



**ISSB Standards:**  
additional requirements  
(eg financed emissions)



High-degree of  
alignment in  
climate-related  
disclosures\*

**ESRS:** additional requirements for stakeholders interested in impacts (that do not create risks or opportunities for a company's prospects) and information that if missing or obscured is not reasonably expected to affect investor decisions

High-degree of alignment around disclosures to provide decision-useful information for investors on risk management and how dependencies and impacts create risks and opportunities for a company's financial position and prospects

\* The ISSB, the European Commission and EFRAG are discussing how to explain the alignment and interoperability between the respective standards, including the choices a company needs to make to enhance alignment and where the standards have specific requirements.

---

# IFRS S2 needs to be applied with IFRS S1

## IFRS S1:

- establishes **key concepts** such as connected information, value chains, and which sustainability- and climate-related risks and opportunities to report on
- provides vital guidance on the **assessment of materiality**
- sets out the **qualitative characteristics** of the information to be provided, eg that it needs to be relevant and represented faithfully
- sets out **requirements** for reporting, such as:
  - the reporting entity
  - timing and location of reporting
  - connections and comparatives in reporting
- sets out how to deal with changes in estimates and errors, disclosures on judgements, assumptions and estimates, requirements on when to aggregate and disaggregate information, focussed exemptions from disclosing commercially sensitive opportunities, and the interaction with law and regulation

---

Applies TCFD structure to set out core content areas for climate-related disclosures



**Governance**



**Strategy**



**Risk management**



**Metrics and targets**



# Key disclosures



## Strategy

Strategy and decision-making

Current and anticipated financial effects

Climate resilience



## Metrics and targets

Scope 1-3 greenhouse gas emissions

Industry-based disclosures

Climate-related targets

---

# Strategy and decision-making



The effects of climate-related risks and opportunities on a company's strategy and decision-making

**How the company has responded to, and plans to respond to, climate-related risks and opportunities**

Includes disclosures on any transition plan the company has and plans to achieve its targets

**How the company is resourcing, and planning to resource, these plans and activities**

**The company's progress against previously reported plans**

---

# Current and anticipated financial effects



The effects of climate-related risks and opportunities on a company's current and anticipated financial performance, financial position and cash flows

- A company is required to disclose **both quantitative and qualitative** information. The quantitative information may be a single amount or a range
- A company can provide qualitative rather than quantitative information when:
  - Not **separately identifiable**;
  - There is a **high level of measurement uncertainty**; or
  - For anticipated effects, this is **not commensurate** with the company's skills, expertise and resources

---

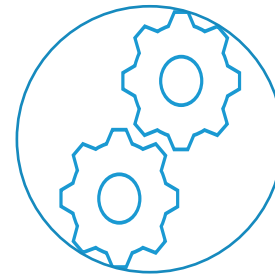
# Climate resilience



The resilience of a company's strategy and business model to climate-related changes, developments and uncertainties



Climate resilience  
assessment



Inputs and key  
assumptions used in  
the scenario analysis

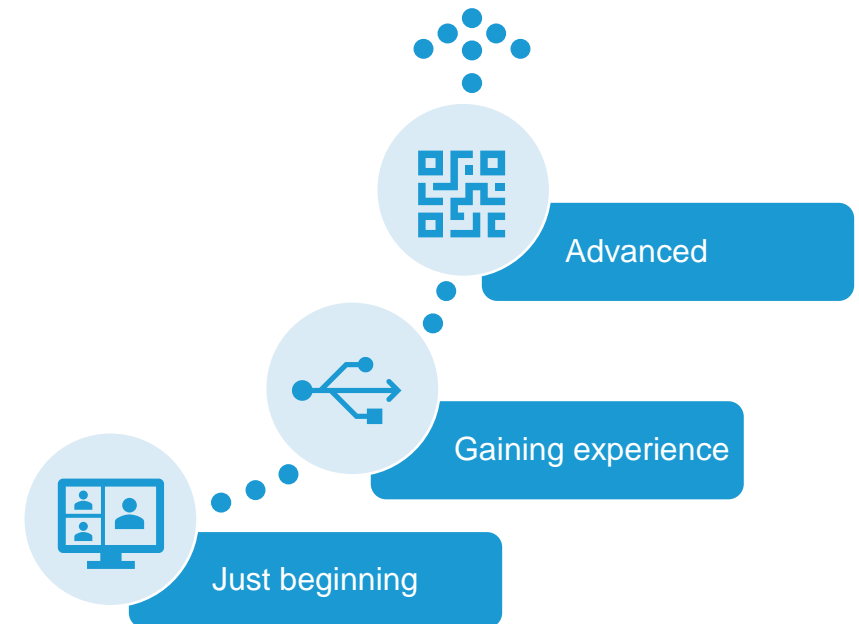
# Commensurate approach to scenario analysis

The ISSB's application guidance draws on the range of practice outlined in documents published by the TCFD

Designed to help companies:

- ✓ identify the appropriate stage to use
- ✓ navigate toward a more robust resilience assessment and related disclosures over time

## TCFD's stages of progression



# Greenhouse gas emissions



Disclose a company's absolute gross Scope 1, Scope 2 and Scope 3 GHG emissions

- **Scope 1:** direct emissions
- **Scope 2:** indirect emissions from the generation of purchased energy consumed by the company
- **Scope 3:** other indirect emissions that occur in the company's value chain

**Measured in accordance with the GHG  
Protocol Corporate Standard**

Disclosure of how and why a company has used specific inputs, assumptions and estimation techniques to measure its GHG emissions, including any changes to these

# Climate-related targets



Disclose the climate-related targets a company has set, as well as those it is required to meet by law or regulation



**The characteristics** of each target



How the company **sets and reviews** each target



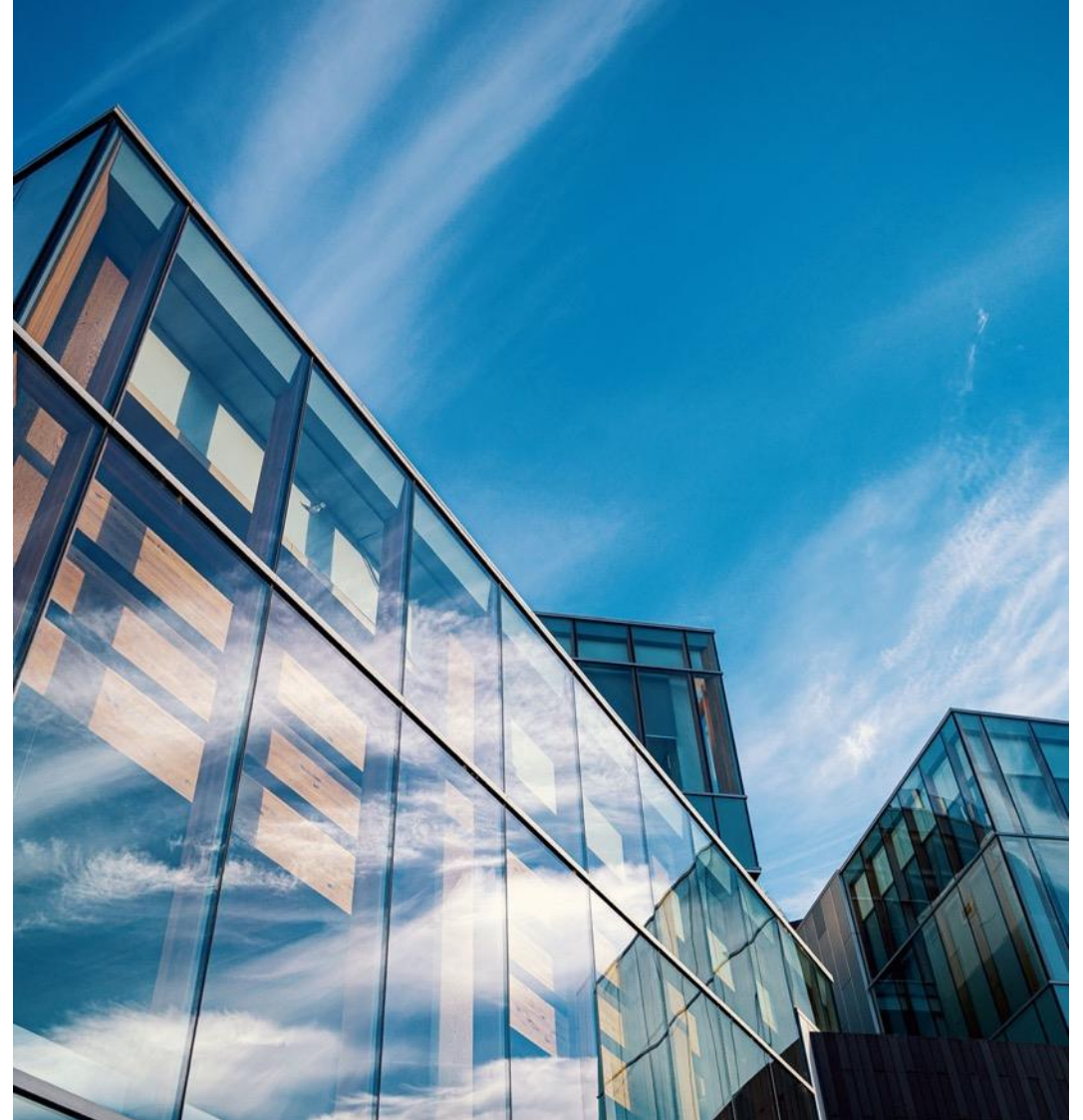
The company's **performance against** each target

Including additional disclosures related to a company's gross and net GHG emissions targets

# Reliefs for first year of application

- can limit disclosures to climate-related information
- later reporting allowed - annual information can be provided with half year reporting
- Scope 3 disclosure not required
- do not need to apply Greenhouse Gas Protocol if already using a different measurement approach
- do not need to provide comparative information\*

*\*companies that limit disclosures to climate-related information in the first year do not need to provide comparative information about their sustainability-related risks and opportunities beyond climate in their second year.*

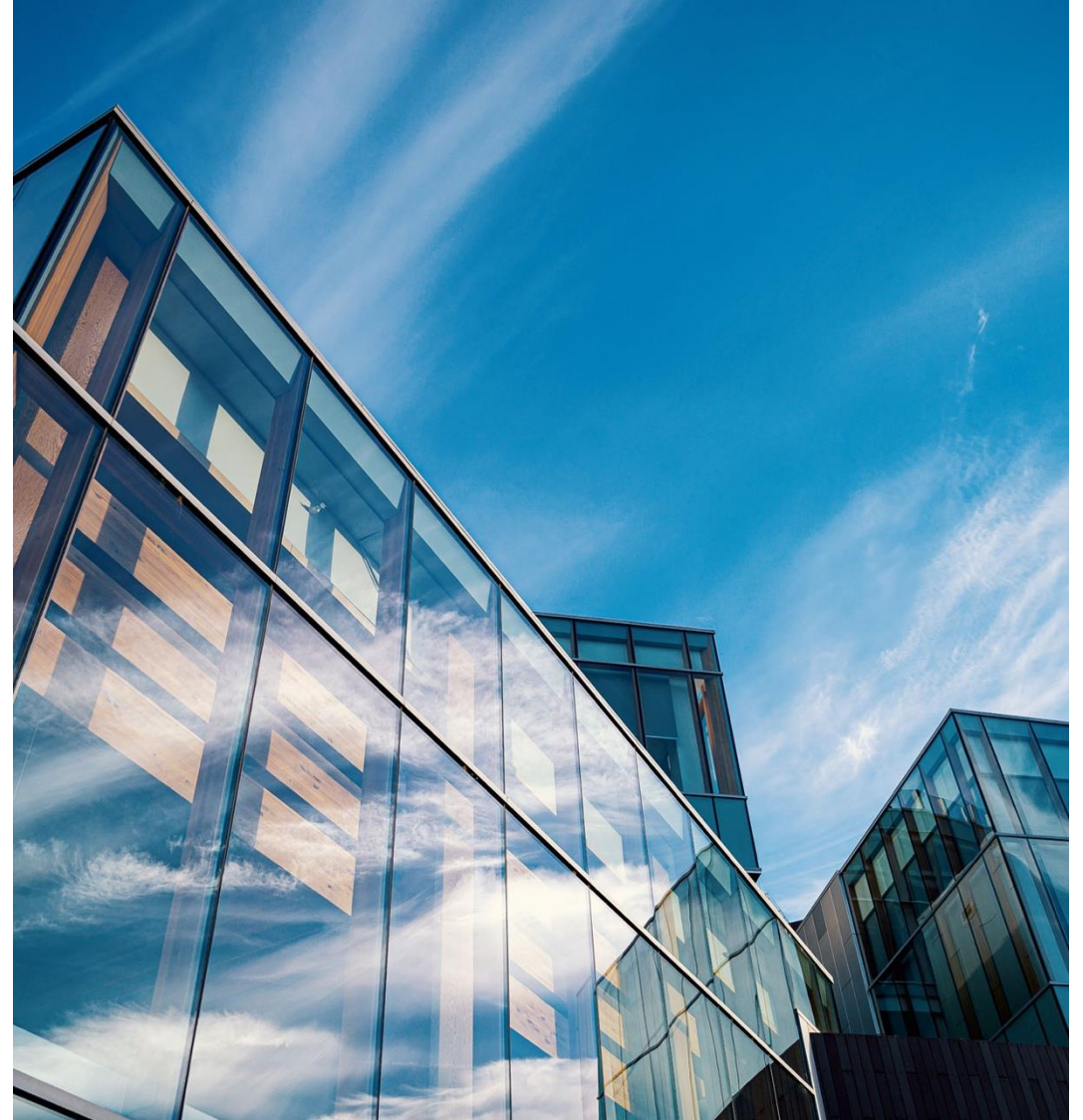




---

## Summary: 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.



# Knowledge hub

Supporting the application of **IFRS Sustainability Disclosure Standards**

FAQs, guides and resources curated by the IFRS Foundation and third-party organisations in support of global drive to build capacity, including making the [transition from the TCFD to ISSB](#)

[IFRS - IFRS Sustainability knowledge hub](#)



# Practical implementation tips for UK businesses

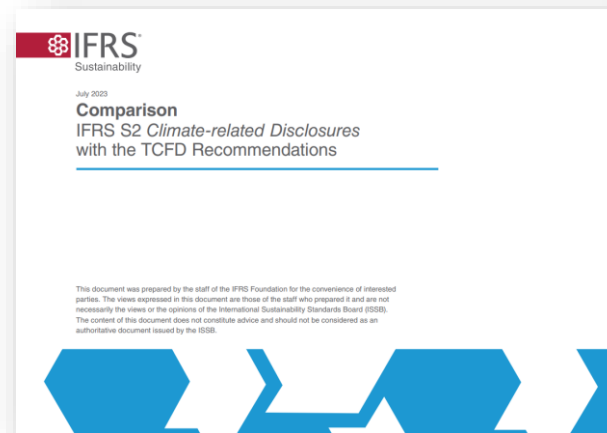
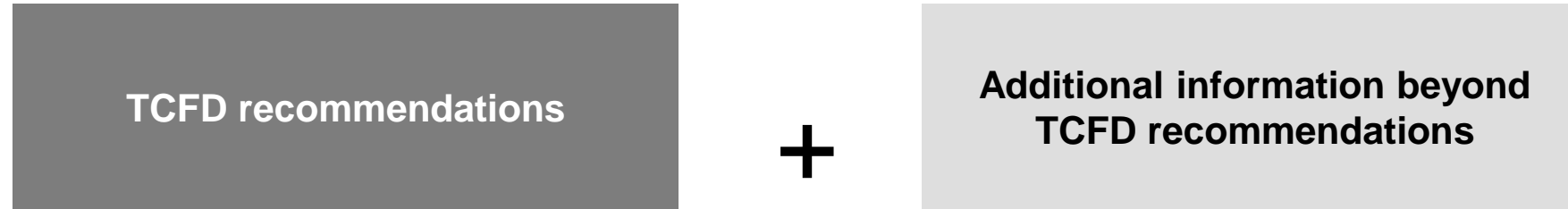
IFRS S2: Climate-related disclosures

February 2024





# IFRS S2 – builds on TCFD recommendations



IFRS Foundation has published a [comparison of IFRS S2 with the TCFD recommendations](#).



# IFRS S2 – key learnings from TCFD & key additional requirements

## Governance

*Implementing changes to governance processes*

- More detailed disclosures
- If oversight of sustainability-related risks and opportunities is managed **integrated basis**, then can provide integrated governance disclosures.

## Strategy

*Scenario analysis quantification*

- **Industry-based guidance**
- Additional information on **climate resilience**
- Criteria for when quantitative and qualitative information is required on around **current and anticipated effects on financial performance, position and cashflows**

## Risk Management

*Identification of climate risks and opportunities*

- More detail expected around inputs into risk management (e.g. **data and assumptions**)
- Additional disclosures on the processes used to identify, assess, prioritise and monitor **opportunities**.

## Metrics & Targets

*Metrics and targets Scope 3*

- **Cross-industry and industry-based metrics**
- More detail on **targets** including the role of **carbon offsets** to meet targets & **third-party validation**
- More detail on greenhouse gas emissions – including Scope 3

*Material, granular and specific, balanced, consistent*



# IFRS S2 – key implementation considerations

---

**Policies and charters**

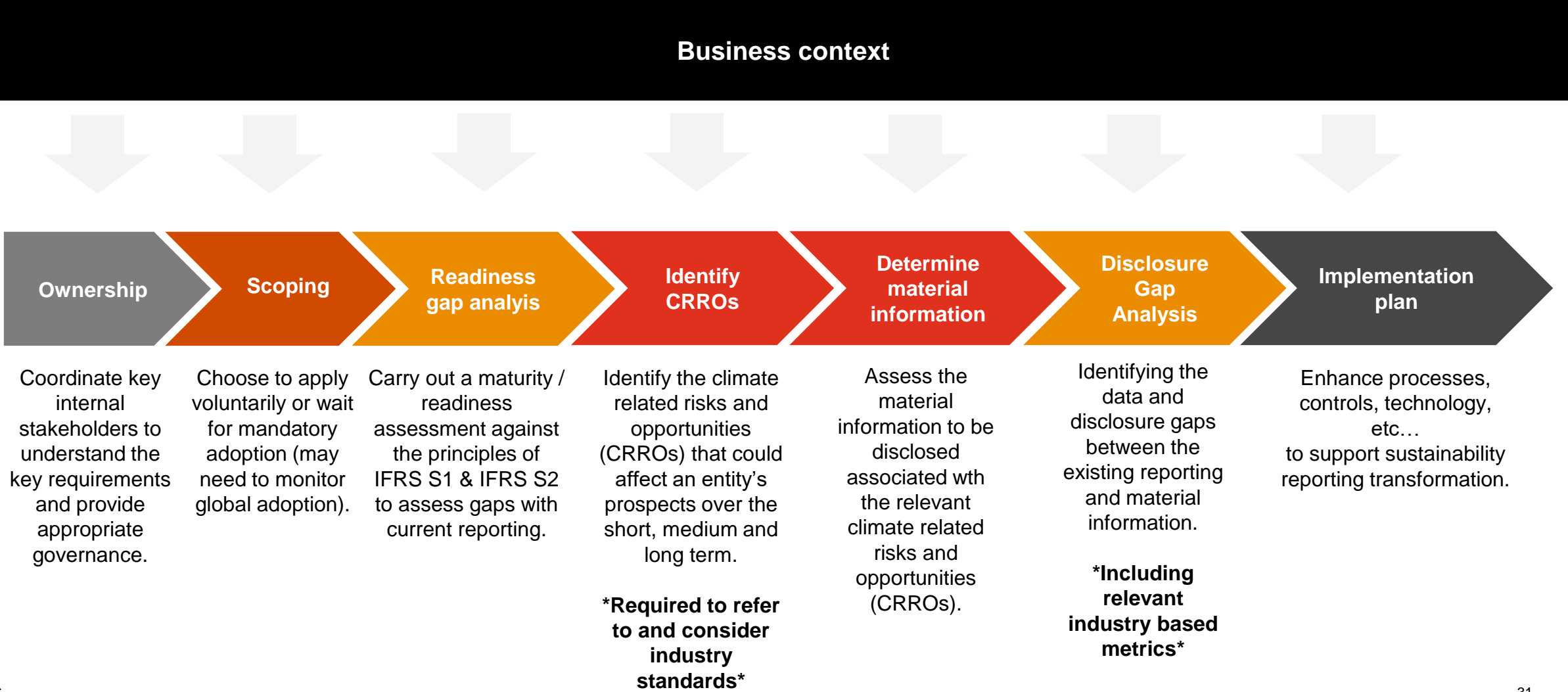
**Processes and controls**

**Modelling**

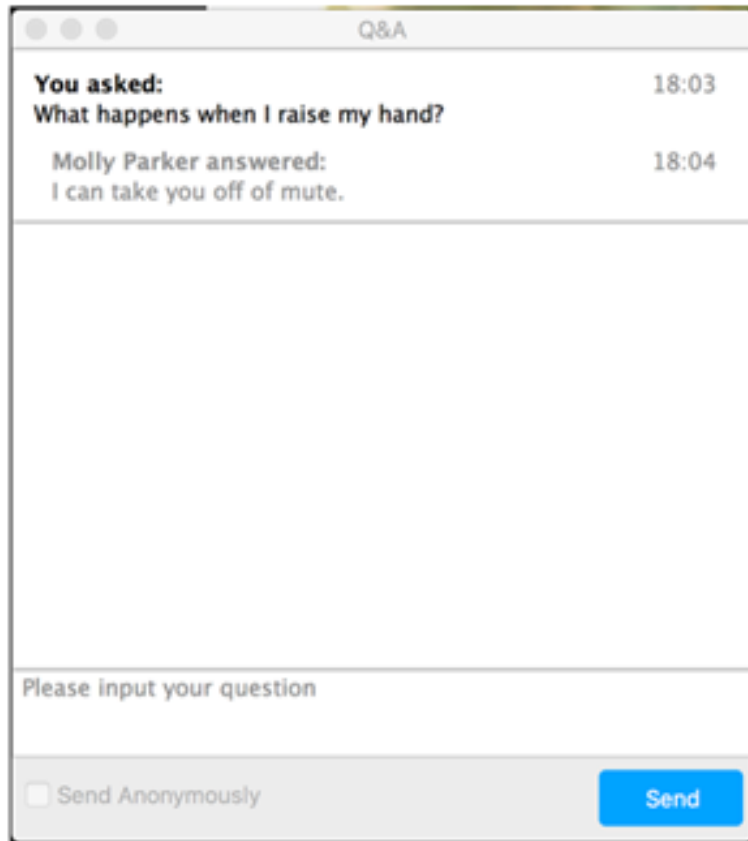
**Systems**



# IFRS S2 - Key initial steps for implementation



# Ask a question and access resources



The screenshot shows a Q&A interface with the following elements:

- Header: Q&A
- Question: **You asked:** What happens when I raise my hand? (18:03)
- Answer: **Molly Parker answered:** I can take you off of mute. (18:04)
- Input field: Please input your question
- Buttons:  Send Anonymously and a blue Send button.

## ***To ask a question***

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

## ***Download resources***

Access related resources, including the presentation slides at [icaew.com/crfwebinars](https://icaew.com/crfwebinars)

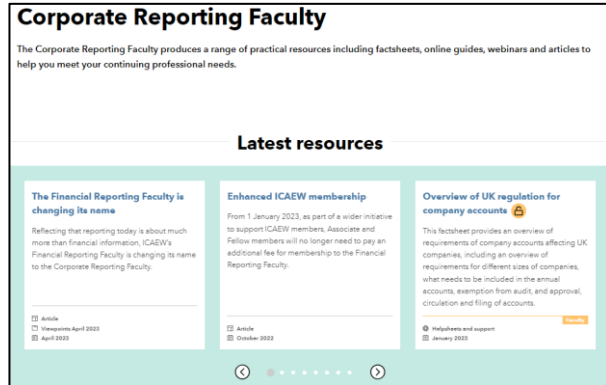


# Faculty and other resources

- Non-financial reporting hub
  - [icaew.com/nfr](https://icaew.com/nfr)
- ICAEW webpages
  - [ICAEW guide to IFRS S2](#)
  - [IFRS S1 and IFRS S2 in the UK](#)
- Webinar recordings
  - [icaew.com/crfwebinars](https://icaew.com/crfwebinars)
- Factsheets
  - [Climate-related Financial Disclosure \(UK\) Regulations](#)
- Other
  - [IFRS Foundation – supporting materials for IFRS S2](#)

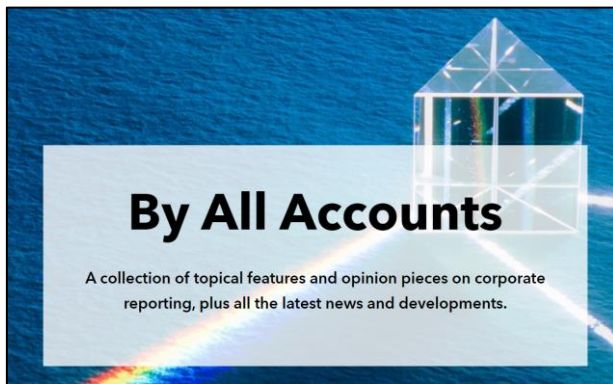


# Corporate reporting at your fingertips



We are committed to providing members with practical help in today's complex world of corporate reporting.

Visit [icaew.com/corporatereporting](https://icaew.com/corporatereporting) for a range of practical resources on UK GAAP, IFRS and UK regulations.



Visit [icaew.com/crfevents](https://icaew.com/crfevents) for details of upcoming events from the faculty and others that may be of interest.

Discover the latest news and insights in corporate reporting at [icaew.com/byallaccounts](https://icaew.com/byallaccounts)

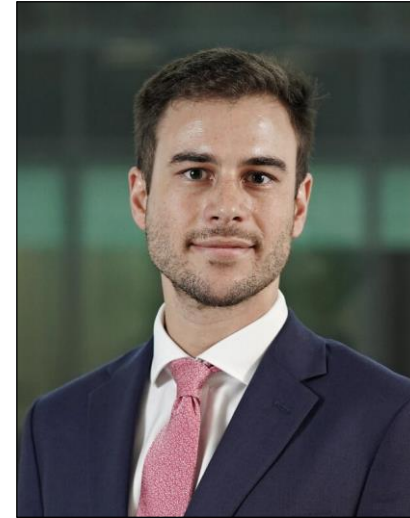
# Questions



Ravi Abeywardana  
Director, Strategic  
Affairs and Capacity  
Building  
ISSB



Gurpreet Kaur  
Director, Sustainability  
Reporting  
PwC



Lucas Penfold  
Senior Manager  
PwC

# *Thank you for attending*



Please take the time to fill out our short survey.



- Contact the Corporate Reporting Faculty.
- Tel: +44 (0)20 7920 8533
- Email: [crf@icaew.com](mailto:crf@icaew.com)
- Web: [icaew.com/crfac](https://www.icaew.com/crfac)

This webinar is presented by the Corporate Reporting Faculty.

The faculty produces a wide range of resources including factsheets and online guidance to help you stay up-to-date and meet your continuing professional development needs. It also hosts webinars and other events throughout the year, providing an opportunity to network with like-minded professionals.

ICAEW members can join the Corporate Reporting Faculty at no additional cost. Charges apply for non-ICAEW members.

ICAEW will not be liable for any reliance you place on the information in this presentation. You should seek independent advice.

