

IFRS S1 and IFRS S2

IFRS Sustainability Disclosure Standards

Q&A



Технологии
Доверия

Contents

01.

General



- Are the standards mandatory?
- Do the standards replace the existing sustainability reports?
- When do the standards come into force?
- When to publish the reporting?
- Where to disclose information according to the standards?
- Is partial disclosure allowed?

02.

First-year disclosures



- Which information about risks and opportunities should be disclosed?
- Which information about greenhouse gas emissions should be disclosed?
- To what extent should comparative information be disclosed?

03.

Overlap with other standards and guidelines



- Should TCFD disclosures be made at the same time?
- Should SASB disclosures be made along with IFRS S1 and IFRS S2 reports?
- Should GRI disclosures be made at the same time?

04.

Russian regulatory landscape



01.

General

Are the standards mandatory?



- **IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) are voluntary.**
To become mandatory, they must be integrated into the legal framework.
- Currently, no jurisdiction has legislated the standards. However, Brazil, Canada, Japan, Singapore, RSA and a number of other countries have announced that they are considering adoption of the standards.

Do the standards replace the existing sustainability reports?



- **Only to the extent of their purpose, i.e. to disclose sustainability-related financial information.**
- Entity's sustainability efforts as well as environmental, economic and social impact management measures can be reported separately in accordance with other standards, such as GRI.

When do the standards come into force?



- **2024 is the first reporting year.** Reporting entities should apply the standards from the reporting period beginning on or after 1 January 2024.
- Early application of the standards is only permitted when both standards are applied at the same time.

When to publish the reporting?



- **Along with IFRS financial statements.**
- **There are some transition reliefs for the first adoption in terms of disclosure deadlines.** IFRS S1 and IFRS S2 reports for 2024 can be disclosed along with financial statements for the first six months of 2025.
If no six-month financial statements are prepared, IFRS S1 and IFRS S2 reports should be disclosed within the first nine months of 2025.

Where to disclose information according to the standards?



- **A reporting entity may choose where to disclose the information, e.g. in the annual report, sustainability report, etc.**
- Entities may also refer to other published documents disclosing information in line with the standard requirements.
Location of such information should be clearly identified, e.g. by specifying the document and relevant pages thereof.

Is partial disclosure allowed?



- **Compliance statement is only possible in case of full compliance with all IFRS S1 and IFRS S2 requirements.**
- Entities may follow the standards when preparing IFRS S1 and IFRS S2 reports. However, partial disclosures will not be considered as full compliance with IFRS S1 and IFRS S2.

02.

First-year disclosures

Which information about risks and opportunities should be disclosed?



- Under IFRS S1, in the first annual reporting period entities may disclose information only about **climate-related risks and opportunities** (according to IFRS S2). Starting from the second year of applying IFRS S1, entities will have to disclose information about **other sustainability-related risks and opportunities** as well.

Which information about greenhouse gas emissions should be disclosed?



- For the first year of applying IFRS S2, entities are **relieved** from disclosing **Scope 3** greenhouse gas emissions.
- IFRS S2 requires using the **GHG Protocol** to measure GHG emissions. However, a **different approach** may be used for the first year of application if the entity has already been using it before.

To what extent should comparative information be disclosed?



- Comparative disclosures are not required for the first year of applying IFRS S1 and IFRS S2.
- For the second year, entities must provide comparative information about sustainability-related risks and opportunities, including climate-related risks and opportunities.
- However, if an entity chooses to apply reliefs and disclose only climate-related risks and opportunities in the first annual reporting period, such an entity will not have to provide comparative information about sustainability-related risks and opportunities (other than those related to climate) in the second annual reporting period.

03.

Overlap with other standards and guidelines

Should TCFD disclosures be made at the same time?



- The ISSB took over the responsibility of the TCFD for monitoring climate-related risk disclosures in 2024. The entire TCFD framework has been integrated in IFRS S2. The Task-Force on Climate-Related Financial Disclosures was officially disbanded in November 2023.
- **IFRS S2 is broader than TCFD** in terms of approaches to identifying risks and opportunities, carrying out scenario analysis, as well as requirements for disclosing industry-specific indicators and financed emissions, information about including low-carbon strategies into general strategies and information about amounts used to address climate issues.
- **Entities applying IFRS S1 and IFRS S2 already comply with TCFD recommendations so they do not need to prepare additional TCFD reports.**

Should SASB disclosures be made along with IFRS S1 and IFRS S2 reports?



- As for the risks and opportunities that are not related to climate, IFRS S1 refers entities to using industry-specific SASB standards.
- While entities that follow IFRS S1 and IFRS S2 to prepare reports may disclose significant SASB indicators, they should assess how useful such disclosures will be for the users of financial reporting in making decisions and to which extent such disclosures will reflect entity's risks and opportunities.
- **An entity may continue disclosing information in accordance with SASB standards in non-financial statements if this information is useful for stakeholders.**

Should GRI disclosures be made at the same time?



- GRI standards provide for the most complete reporting on sustainability efforts of an entity for the purpose of communication with its stakeholders, including management of the biggest economic, environmental and social impacts, specifically its impact on human rights.
- As for IFRS S1 and IFRS S2, these standards focus on disclosing sustainability-related financial information and sustainability factors that could impact an entity's ability to create value in the long term.
- **These standards complement each other. Therefore, entities are recommended to disclose information about compliance with both the new IFRS standards and GRI if this information is useful for stakeholders.**

04.

Russian regulatory landscape

- While Russian regulations and IFRS S1 / IFRS S2 standards overlap in terms of some requirements for disclosed information, they are not fully interchangeable.
- The Central Bank of the Russian Federation focuses on applying scenario analysis, future-oriented outlook (strategic documents, targets) and objective disclosures. This is reflected in the Recommendations on Sustainability Disclosures by Financial Organisations issued by the Bank of Russia in November 2023. It is recommended that entities disclose information that is largely consistent with the requirements set out by IFRS S1, IFRS S2, GRI, SASB.
- The Guidelines issued by the Russian Ministry of Economic Development, the new Sustainability Reporting Standard issued by the Russian Ministry of Economic Development, IFRS S1 and IFRS S2 require entities to disclose information about key sustainability-related and climate-related risks and opportunities.
- In terms of emissions, the Guidelines and the new Reporting Standard set out requirements for accounting and reporting of data, including approaches to emissions measurement and reduction, which is consistent with IFRS S2. Federal Law No. 296 “On Limiting Greenhouse Gas Emissions” mandates that large Russian companies keep account of and publish reports on greenhouse gas emissions. The key difference between the Russian requirements and the new IFRS standards lies in the approaches to calculating greenhouse gas emissions – while Russian regulations require entities to follow Order 371 and Order 330 issued by the Russian Ministry of Natural Resources and Environment, IFRS recommends using the GHG Protocol.
- The Guidelines provide for accounting of damage to entity’s economic activities caused by occurrence of projected sustainability and climate risks. Similar requirements are set out by IFRS S1 and IFRS S2.



We are always ready to help and answer your questions



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