



## Most Frequently Asked Questions (FAQs) on IFRS S1 & IFRS S2

The **International Sustainability Standards Board (ISSB)** issued **IFRS S1** (General Sustainability Disclosures) and **IFRS S2** (Climate-related Disclosures) to standardize sustainability reporting for investors. Below are the **top FAQs** for both standards.

### Q1. What are IFRS S1 and IFRS S2?

- **IFRS S1:** Requires disclosures about **all sustainability-related risks & opportunities** that could affect financial performance.
- **IFRS S2:** Focuses specifically on **climate-related risks & opportunities** (aligned with TCFD).

### Q2. Who must apply these standards?

- Companies using **IFRS Accounting Standards** (if adopted locally).
- Entities in jurisdictions that mandate them (e.g., UK, Canada, Japan, Singapore).
- Voluntary adoption is also permitted.

### Q3. Are IFRS S1 and S2 mandatory?

- **No global mandate**, but many countries are adopting them (e.g., Brazil, Australia). The EU uses **ESRS**, while the US may align SEC rules with ISSB.

### Q4. When do they take effect?

- **Effective from January 1, 2024**, but adoption depends on local regulators.

## Q5. How do they differ from GRI, TCFD, or ESRS?

Framework	Focus	Scope	Materiality
IFRS S1/S2	Investor-focused	Financial materiality	Single (financial impact)
GRI	Multi-stakeholder	Broad ESG impacts	Double (impact + financial)
TCFD	Climate-only	Climate risks/opportunities	Financial materiality
ESRS (EU CSRD)	Double materiality	Broad ESG + strict EU rules	Impact + financial

## Q6. What must companies disclose under IFRS S1?

Four core areas (similar to TCFD):

1. **Governance:** Oversight of sustainability risks.
2. **Strategy:** Business model impacts from sustainability.
3. **Risk Management:** Processes to manage risks.
4. **Metrics & Targets:** Quantitative/qualitative performance data.

## Q7. Does IFRS S1 cover only climate issues?

- **No**, it covers **all sustainability topics** (e.g., biodiversity, human rights, water scarcity) if material.

## Q8. What is the "materiality" threshold?

- Information is material if omitting it could **influence investors' decisions** (same as financial reporting).

**Q9. Can companies use existing frameworks (e.g., SASB)?**

- **Yes**, ISSB encourages using **SASB Standards** for industry-specific metrics.

**Q10. What must companies disclose under IFRS S2?**

- Climate-related risks (physical & transition risks).
- GHG emissions (Scope 1, 2, and **Scope 3 if material**).
- Climate resilience & transition plans.

**Q11. Are Scope 3 emissions mandatory?**

- **Only if material** or required by local laws (e.g., EU CSRD mandates them).

**Q12. How does IFRS S2 align with TCFD?**

- **Fully aligned**, as ISSB incorporated TCFD recommendations.

**Q13. Must companies set climate targets?**

- **Yes**, if they have climate-related goals (e.g., net-zero pledges).

**Q14. How should companies prepare?**

1. **Conduct a materiality assessment** (identify key sustainability risks).
2. **Align with SASB/TCFD** for industry-specific metrics.
3. **Integrate sustainability reporting with financial reporting.**
4. **Prepare for assurance** (likely future requirement).

**Q15. Do these standards require third-party assurance?**

- **Not yet**, but regulators (e.g., EU, UK) may mandate it soon.

**Q16. Can companies report separately from financial statements?**

- **Yes**,

## ACRONYM

- **ISSB** stands for **International Sustainability Standards Board**. ISSB is a global standard-setter for **sustainability and climate-related financial disclosures**, established in **November 2021** at COP26 and its operating under the **IFRS Foundation**, its role is to create a unified, investor-focused sustainability reporting framework worldwide.
- **SASB** stands for **Sustainability Accounting Standards Board**. SASB is an industry-specific framework for **identifying and reporting financially material ESG information** to investors.

Now consolidated into the **IFRS Foundation's** Value Reporting Foundation (VRF), SASB provides **77 industry-specific standards** to help companies disclose sustainability factors that impact financial performance.

- **ESRS** stands for **European Sustainability Reporting Standards**
- **GRI** stands for **(Global Reporting Initiative)** is the world's most widely used **sustainability reporting framework**
- **TCFD** stands for **Task Force on Climate-related Financial Disclosures** was established in 2015 by the **Financial Stability Board (FSB)**, it provides standardized recommendations for climate risk disclosure, focusing on **investor decision-making** and **financial stability**.
- **CSRD** stands for **Corporate Sustainability Reporting Directive (CSRD)** is the **EU's flagship sustainability disclosure regulation**