

Navigating the Green Frontier:

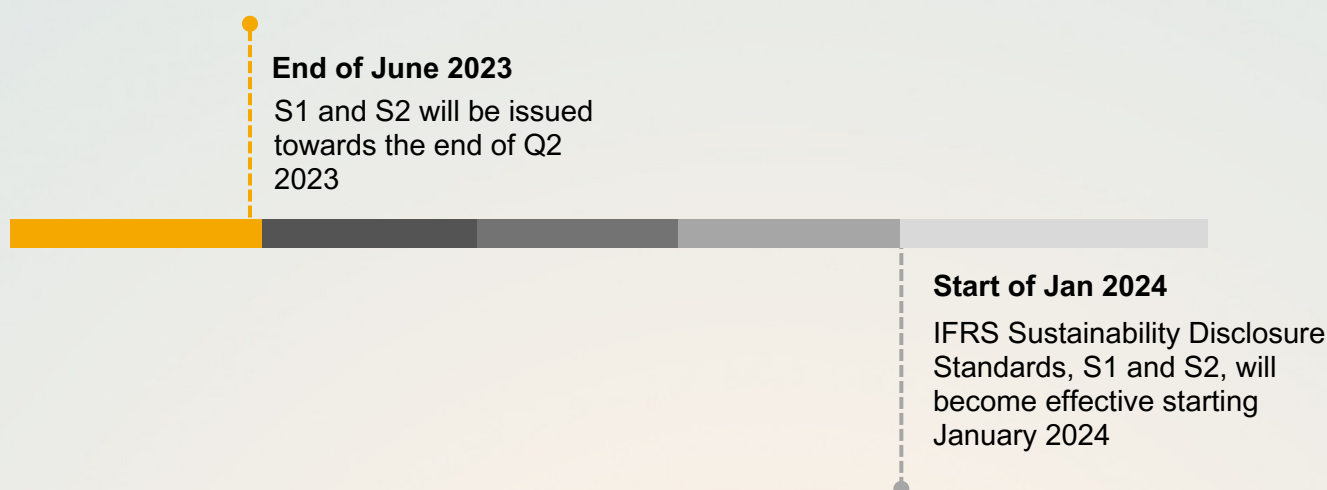
Unveiling Sustainability Risks and Opportunities through IFRS S1 and S2



In November 2021, the IFRS Foundation established the International Sustainability Standards Board (ISSB) with the objective of developing comprehensive global standards for disclosing sustainability-related information. ISSB aims to develop standards for global baseline of sustainability disclosures and meet the information needs of investors whilst enabling companies to provide comprehensive sustainability information to global capital markets. ISSB recognizes the importance of addressing the needs of various stakeholders beyond investors, such as regulators, consumers, employees, and communities.

- IFRS S1, which outlines general requirements for disclosure of sustainability-related financial information, emphasizes the disclosure of material information about sustainability-related risks and opportunities. It also highlights the need for consistency and connections between financial statements and sustainability disclosures.
- IFRS S2 focuses specifically on climate-related disclosures. It incorporates the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and includes industry-based disclosure requirements, such as financed emissions. This standard requires the disclosure of information about physical risks, transition risks, and climate-related opportunities.

Current timeline of ISSB's sustainability standards



IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information

- Related to disclosure of material information about sustainability-related risks and opportunities.
- Sets out general reporting requirements for ESG
- Highlights the importance of maintaining consistency and establishing strong links between financial statements and sustainability disclosures
- Sustainability-related financial information pertaining to the same reporting entity as the financial statements, must be disclosed as part of the general-purpose financial reporting and occur concurrently with the publication of the financial statements

S1: Sustainability-Related Information

The *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* requires entities to disclose material information about all of the significant sustainability-related risks and opportunities it is exposed to.



Reporting Entity

An entity's sustainability-related financial disclosures should be of the same reporting entity as the related general purpose financial statements



Connected Information

The information provided by the entity should enable the users to assess the connections between various sustainability-related risks and opportunities



Fair Representation

Faithful representation of sustainability-related risks and opportunities in accordance with the set principles of this standard



Materiality

If omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make in the basis of that reporting



Comparative Information

All comparative information in respect of the previous period for all metrics disclosed in the current period



Frequency of Reporting

All sustainability-related reports should be disclosed at the same time as its related financial statements for the same reporting period



Location of Information

Disclose as a part of its general purpose financial reporting, however, it does not specify a location for disclosure within general purpose financial reporting.



Statement of Compliance

The entity should comply with all of the relevant requirements of IFRS Sustainability Disclosure Standards and include an explicit and unqualified statement of compliance

IFRS S2 – Climate-related Disclosures

- Focused on disclosures of material information about climate-related risks and opportunities
- Incorporates Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations and Industry-specific metrics taken from Sustainability Accounting Standards Board (SASB) Standards as illustrative guidance
- Requires disclosure of information about:
 - Physical risks (eg flood risk)
 - Transition risks (eg regulatory change)
 - Climate-related opportunities (eg new technology)

S2 – Climate-related Disclosures

The *IFRS S2 Climate-related Disclosures* requires an entity to disclose information about its exposure to significant climate-related risks and opportunities.



Governance

The governance processes, controls and procedures a company uses to monitor sustainability related risks and opportunities



Strategy

The strategy used for addressing significant climate-related risks and opportunities



Risk Management

The process by which climate-related risks and opportunities are identified, assessed and managed



Metrics & Targets

Information used to measure, manage and monitor climate-related related risks and opportunities; and metrics required through IFRS Sustainability Disclosure Standards

How to prepare for the implementation of IFRS Sustainability Related Standards?

01

Understand the systems, processes and procedures within the entity to gather and verify sustainability-related data

02

Identify the sustainability-related risks and opportunities that affect the entity

03

Familiarize with the sustainability related standards such as:

- S1- General Requirements for Disclosure of Sustainability-related Financial Information
- S2 - Climate-related Disclosures
- Industry specific standards issued by Sustainability Accounting Standards Board (SASB) relevant to your entity
- Climate Disclosure Standards Board (CDSB) Framework
- Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations

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David Mellor, Chief Executive Officer, Crowe Global

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