IFRS Sustainability

Staff paper

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ISSB meeting

Date	**July 2024**
Project	**Supporting Implementation of IFRS S1 and IFRS S2**
Topic	**Summary of Transition Implementation Group on IFRS S1 and IFRS S2 meeting held on 13 June 2024**
Contacts	**Dianora Aria De Marco** (dianora.demarco@ifrs.org) **David Bolderston** (david.bolderston@ifrs.org)

Introduction

1. This paper provides a summary of the June 2024 Transition Implementation Group on IFRS S1 and IFRS S2 (TIG) meeting. This paper sets out:

   (a) background and staff observations about the meeting; and

   (b) next steps.

2. The summary of the meeting that has been posted on our website has been included as an appendix to this paper. This appendix includes a reference to the TIG Submissions Log as at 28 May 2024.

3. No decisions are requested from the Board.

Background and staff observations

4. The TIG discusses, in a public forum, implementation questions that arise when companies implement IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (the Standards).

5. The purpose of the TIG is to:

   (a) solicit, analyse and discuss stakeholder questions arising from implementation of the Standards;

   (b) inform the ISSB about those implementation questions, which will help the ISSB determine what, if any, action will be needed to address those questions; and

   (c) provide a public forum for stakeholders to learn about the Standards from others involved with implementation.

6. The TIG considers implementation questions that meet the following criteria:

   (a) the question is related to the implementation of IFRS S1 or IFRS S2;

   (b) the question indicates that IFRS S1 or IFRS S2 can be applied in different ways resulting in diversity in practice; and

   (c) the potential implementation question is expected to be pervasive, ie the question is expected to be relevant to a wide group of stakeholders.

7. During the meeting held on 13 June 2024, TIG members discussed two agenda papers, which included the following questions:

   (a) how a reporting entity should apply the requirement in paragraph B50 of IFRS S1 to revise preceding period estimated amounts when estimates of current period information are based on prior period information from an entity in its value chain; and

   (b) how the requirements of paragraph 70 of IFRS S1 on disclosing comparative information apply when there has been a change in the composition of the reporting entity (assuming the information is provided on a consolidated basis), such as the acquisition or disposal of a subsidiary.

8. The discussion at the meeting was helpful and many TIG members expressed agreement with the analysis provided in the agenda paper.

9. The Appendix of this paper provides a summary of TIG member feedback in response to the submission questions. The staff note also that TIG members shared practical insights and challenges related to the application of the requirements to the fact patterns provided as part of the TIG submission.

Next steps

10. The next meeting of the TIG is scheduled to be held on 19-20 September 2024. Submissions of implementation questions received after 9 August 2024 are unlikely to be discussed at the meeting.

Question for the ISSB

11. The staff presents the following question for the ISSB.

Question for TIG members
1. Do you have any comments or questions related to the June 2024 TIG meeting?

Appendix: Summary of the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG) meeting held on 13 June 2024

1. The TIG held its third meeting on 13 June 2024. These notes summarise the discussions.

2. Agenda Paper 9 for the July 2024 meeting of the International Sustainability Standards Board (ISSB) provides the ISSB with a copy of this summary.

3. The discussions at the TIG meetings are based on agenda papers that provide an analysis of implementation questions received. These agenda papers provide a basis for TIG members, as industry experts involved in the implementation of IFRS S1 and IFRS S2, to understand the implementation questions and share their views on the analysis.

4. TIG members discussed topics in staff papers Agenda Paper 1 *Revision of preceding period estimated amounts when estimating information from an entity in the value chain* and Agenda Paper 2 *Application of the requirements on comparative information when acquiring or disposing of a subsidiary*.

5. TIG members also received a copy of the submissions log, which includes all questions submitted to the TIG.[1]

Agenda Paper 1 *Revision of preceding period estimated amounts when estimating information from an entity in the value chain*

6. Agenda Paper 1 addresses a submission that raised a question about how a reporting entity should apply the requirement in paragraph B50 of IFRS S1 to revise preceding period estimated amounts when estimates of current period information are based on prior period information from an entity in its value chain.

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[1] TIG Agenda Papers and the submissions log can be found on the IFRS Foundation website: IFRS - [Transition Implementation Group on IFRS S1 and IFRS S2.]

7. If an entity identifies new information in relation to an estimated amount disclosed in the preceding period, and the new information provides evidence of circumstances that existed in that preceding period, paragraph B50 of IFRS S1 requires an entity to:

   (a) disclose a revised comparative amount that reflects that new information;

   (b) disclose the difference between the amount disclosed in the preceding period and the revised comparative amount; and

   (c) explain the reasons for revising the comparative amount.

8. Agenda Paper 1 uses a fact pattern to describe a specific scenario which involves the measurement of Scope 3 Greenhouse Gas (GHG) emissions included in Category 15 Investments, as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) (Scope 3 Category 15 GHG emissions). The implementation question received, including the fact pattern, is set out in paragraphs 14–18 of Agenda Paper 1. In summary, the fact pattern states:

   (a) the reporting entity has the same reporting period as the entity in its value chain—herein referred to as the underlying issuer—and measures its Scope 3 Category 15 GHG emissions associated with its loan portfolio.[2]

   (b) GHG emissions information for the underlying issuer is not available in time for the reporting entity's year end reporting. The reporting entity therefore uses prior period information from the underlying issuer's annual reporting to estimate its Scope 3 Category 15 GHG emissions for the current reporting period.

9. The implementation question highlights that, as a result of the application of paragraph B50 of IFRS S1 in this specific fact pattern, the emissions information disclosed in the current period is the same as the comparative information disclosed for the preceding period, as illustrated in Table A of this paper. Further, the

[2] A different scenario might involve a reporting entity that estimates current period information using information from an entity in its value chain from the prior period, where the reporting entity and the entity in its value chain have different reporting. periods. In such a scenario, the relief provided in paragraph B19 of IFRS S2 could be utilised. This scenario is not discussed as part of the staff paper for the TIG meeting.

submission notes that as a result this information does not reflect any actual changes in emissions between periods.

10. Table A of this paper illustrates this fact pattern using a hypothetical metric related to one loan. It is noted that this example highlights a very granular case. In reality, it is most likely that the metric will include the relevant Scope 3 GHG emissions at an aggregated level and thus reflect information from multiple issuers. Furthermore, it would only be in a scenario in which the information about the GHG emissions for the single issuer and the single loan were material that this standalone information would be provided applying the disaggregation requirements in IFRS S1.

Table A—Revising a preceding period estimated amount for comparatives, when a reporting entity estimates current period information using prior period information from an entity in its value chain, and the resulting comparability of information reported.

Summary of activity	Reporting Entity’s Reporting Period	
	FY22	FY21
	In thousands, metric tonnes CO_2e	
Emissions for the underlying issuer were 100 tonnes of CO2 equivalent (CO2e) in FY20. The reporting entity attributes 20% the GHG emissions data to its Scope 3 Category 15 GHG emissions. It reports 20 tonnes of CO2e for its Scope 3 Category 15 GHG emissions as an estimate for FY21		20
Emissions for the underlying issuer were 180 tonnes of CO2e in FY21. The reporting entity attributes 20% of the GHG emissions data to its Scope 3 Category 15 GHG emissions as an estimate for FY22. The reporting entity determines that information about the is change from its preceding period estimated amount is material. Therefore, the reporting entity revises its FY21 data in accordance with paragraph B50 of IFRS S1.	36	36

11. Agenda Paper 1 provides the staff’s analysis and view that when an entity estimates current period information using prior period information from an entity in its value chain, the entity must apply the requirements in paragraph B50 of IFRS S1 and must do so in the context of the other related requirements in IFRS S1. This means:

(a) paragraph B50(b)–(c) of IFRS S1 would provide primary users with information about what was changed, how much it changed by and why it was changed. Furthermore, the entity would apply these requirements in the context of the overall disclosure objective and specific disclosure objective in IFRS S2;

(b) consistent with all disclosures required by the ISSB Standards, paragraph B50 of IFRS S1 is subject to materiality and therefore revisions of previously reported amounts would only need to be made if such information is material; and

(c) the entity need not revise preceding period estimated amounts when presenting comparative information if impracticable to do so.

TIG members discussion

12. TIG members discussed the analysis in Agenda Paper 1. Many TIG members expressed agreement with the staff view that an entity must still apply the requirements in paragraph B50 of IFRS S1 when the entity estimates current period information using prior period information from an entity in its value chain.

13. TIG members shared feedback that could be useful in applying these requirements in such circumstances. Specifically, TIG members noted:

(a) the importance of materiality judgements as it relates to revising preceding period estimated amounts. An entity must assess whether such disclosure is material, including whether information about the difference between a preceding period estimated amount and a current period revised amount is material, and therefore whether the amount is required to be revised. Revisions of previously reported amounts should be made only if material. This assessment of materiality of information should consider both qualitative and quantitative factors.

(b) the revision of estimated amounts, in isolation, may not be sufficient to enable an understanding of performance and trends for users of general purpose financial reports. Related to this point, it was noted:

  (i) information may need to be provided to complement the revised estimates to enable a user's understanding of the information disclosed. That is, while there is a requirement in IFRS S1 to revise preceding period estimated amounts, there is also the requirement that the information is understandable (in accordance with paragraph 15 of IFRS S1).

  (ii) current period disclosure that indicates the likelihood of revision of estimates in future periods could be useful information. For example, if an entity anticipates that it will receive updated information about a current period estimated amount but not until a future period, and therefore a revision is likely, it could be useful for the entity to disclose information about this circumstance alongside its estimated amounts. This type of information might also be disclosed as a result of applying paragraphs 77 and 78 of IFRS S1 and paragraph 29(a)(iii) of IFRS S2.

(c) the paper includes a simplified fact pattern about Scope 3 Category 15 GHG emissions for an entity in the financial services industry, however the requirement to revise preceding period estimated amounts is applicable to all metrics that are estimates—in specific circumstances— and to entities across different industries. Said differently, this requirement does not apply only to the measurement of Scope 3 Category 15 GHG emissions, nor only to entities in the financial services industry.

(d) paragraph B19 of IFRS S2 does not apply to the example set out in Agenda Paper 1. Paragraph B19 of IFRS S2 is applicable in circumstances in which the reporting entity has a different reporting period from an entity in its value chain, which was not the case in the fact pattern considered.

14. As it relates to the measurement of Scope 3 GHG emissions in the fact pattern in Agenda Paper 1, that is, the approach to use prior period information from an entity in the value chain as the basis to estimate current period information, TIG members noted that the discussion was founded on the assumption that it was appropriate in the circumstances of the entity to measure GHG emissions in the manner described, in accordance with IFRS S2. Specifically, they noted:

(a) entities are required to use the Scope 3 measurement framework, as set out in paragraphs B38–B57 of IFRS S2, to measure Scope 3 GHG emissions. This includes the requirement to measure Scope 3 GHG emissions using:

(i) a measurement approach, inputs and assumptions that result in a faithful representation of this measurement, in accordance with paragraph B38 of IFRS S2; and

(ii) all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort, in accordance with paragraph B39 of IFRS S2.

(b) IFRS S1 includes requirements related to measurement uncertainty, faithful representation and understandability that must be applied and considered when preparing disclosures that involve estimation. These requirements include:

(i) paragraphs 77 and 78 of IFRS S1: to disclose information to enable users of general purpose financial reports to understand the most significant uncertainties affecting the amounts reported in its sustainability-related financial disclosures;

(ii) paragraph 13 of IFRS S1: to provide a complete, neutral and accurate depiction of those sustainability-related risks and opportunities;

(iii) paragraph D15(e) of IFRS S1: that assertions and inputs used in developing estimates are reasonable and based on information of sufficient quality and quantity; and

(iv) paragraph D26 of IFRS S1: that sustainability-related financial information shall be clear and concise.

Agenda Paper 2 *Application of the requirements on comparative information when acquiring or disposing of a subsidiary*

15. Agenda Paper 2 addresses a submission that raised a question about how the requirements of paragraph 70 of IFRS S1 on disclosing comparative information apply when there has been a change in the composition of the reporting entity (assuming the information is provided on a consolidated basis), such as the acquisition or disposal of a subsidiary.

16. Using examples of an acquisition and a disposal of a subsidiary, the first question in the paper addresses the application of the requirements in paragraph 70 of IFRS S1 to disclose comparative information. The second question in the paper addresses the application of those requirements in the context of IFRS S2, and specifically whether IFRS S2 would require a different approach for presenting comparative information than that required by IFRS S1, including as a result of the requirement to measure GHG emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard).

17. Paragraph 70 of IFRS S1 requires disclosure of comparative information in respect of the preceding period for all amounts disclosed in the reporting period. If such information would be useful for an understanding of the sustainability-related financial disclosures for the reporting period, comparative information for narrative and descriptive sustainability-related financial information is also required to be disclosed.

18. Paragraph 20 of IFRS S1 requires that the sustainability-related financial disclosures be for the same reporting entity as the related financial statements. The definition of sustainability-related financial disclosures, as defined in Appendix A of IFRS S1, highlights that the information presented is about the reporting entity.

19. Paragraph 29(a)(ii) requires the use of the GHG Protocol Corporate Standard to measure GHG emissions and paragraph B23 of IFRS S2 requires entities to apply the requirements in the GHG Protocol Corporate Standard only to the extent they do not conflict with the requirements of IFRS S2.

20. Agenda Paper 2 provides the staff analysis and views on the two questions raised by the submission:

    (a) question 1: what is included in the comparative information is that which relates to the reporting entity, that is the reporting entity reflecting its composition in the related financial statements in the comparative period. On this basis:

        (i) if the entity acquires a subsidiary during the (current) reporting period in which it previously did not hold an interest, and the subsidiary is only part of the group for the purposes of the consolidated financial statements from the date of acquisition based on the applicable Generally Accepted Accounting Principles (GAAP), the comparative information will not include amounts related to the newly acquired subsidiary as part of the reporting entity; and

        (ii) if the entity disposes of its entire interest in a subsidiary during the (current) reporting period and the subsidiary is only part of the group for the purposes of the consolidated financial statements up until the date of disposal based on the applicable GAAP, the comparative information will include amounts related to the subsidiary as part of the reporting entity. However, in the extreme, if the entity does not disclose an amount in the reporting period that was disclosed in the preceding reporting period, and that amount related to a subsidiary that was disposed of and thus is no longer part of the group in the current reporting period —for example, because that amount related solely to the disposed subsidiary—the entity is not required to disclose comparative information for that amount in the reporting period because the requirement in IFRS S1 is to present comparative information for all amounts disclosed in the reporting period.

(b) question 2: when applying IFRS S2, comparative information is disclosed as required by paragraph 70 of IFRS S1. There are no additional requirements in IFRS S2 related to the disclosure of comparative information, including as it relates to the use of the GHG Protocol Corporate Standard to measure GHG emissions, that would change the requirements in IFRS S1.

TIG members discussion

21. TIG members discussed the analysis in Agenda Paper 2. Overall, TIG members expressed agreement with the analysis and the staff views.

22. The TIG members discussed the examples provided in Agenda Paper 2, and with regard to the examples in paragraph 35(b) of Agenda Paper 2, discussed:

(a) if an entity had a subsidiary throughout the entire preceding period but disposes of that subsidiary three months after the beginning of the (current) reporting period, and the subsidiary is part of the group for the purposes of consolidated financial statements based on the applicable GAAP up until the date of disposal (three months into the reporting period), the comparative information will include amounts related to the subsidiary as part of the reporting entity for the entire preceding period (ie twelve months).

(b) an example of the extreme case described in paragraph 20(a)(ii) of this paper as one in which an entity disposes of a subsidiary that represents the entity's entire operations in a specific industry (Industry X) on the first day of the current reporting period. In this situation, in the comparative period some industry-specific metrics were disclosed that were only applicable to Industry X. As the entity no longer has any of the activities undertaken in Industry X, those industry-specific metrics are not disclosed in the (current) reporting period, so the entity is not required to provide comparative information for those Industry X metrics, because the metrics are not disclosed in the (current) reporting period by the entity. However, for the avoidance of doubt, if amounts are disclosed in the (current) reporting period and amounts related to the disposed subsidiary contributed to the corresponding comparative information, for example as it relates to Scope 2 GHG emissions, the comparative information would not be adjusted as a result of the disposal of the subsidiary in the current reporting period. This example of application of the requirements in paragraph 70 of IFRS S1 is based on the example in the submission, it does not mean this is the only scenario when this applies.

23. TIG members shared general observations that could be useful in applying the comparative information requirements in the context of the implementation question received. Specifically, TIG members noted:

(a) the requirement that the reporting entity be the same for both financial statements and sustainability-related financial disclosures (which was designed to enable information disclosed to be connected). Therefore, (current) reporting period and comparative information for the preceding reporting period, should reflect the reporting entity at that time based on the applicable GAAP used by the entity in the related financial statements.

(b) that the key focus of the analysis is when a subsidiary begins to be consolidated or ceases to be consolidated based on the applicable GAAP that the reporting entity applies in the related financial statements. The entity should refer to the applicable GAAP in determining what causes these changes and the timing of changes in the composition of the reporting entity. The comparative information disclosures required in IFRS S1 follows the composition of the reporting entity based on the applicable GAAP.

(c) the need to consider the interaction of the comparative information requirements in IFRS S1 and use of the GHG Protocol Corporate Standard to measure GHG emissions, that is:

(i) IFRS S2 requires that the GHG Protocol Corporate Standard be used to *measure* GHG emissions.[3] For example, in providing disclosures about an entity's Scope 1, Scope 2 and Scope 3 GHG emissions as required by paragraph 29(a)(i) of IFRS S2, the GHG Protocol Corporate Standard is required to be used to measure those emissions (paragraph 29(a)(ii) of IFRS S2). The analysis in Agenda Paper 2 focuses on the comparative information required to be provided by IFRS S1 about these amounts. Agenda Paper 2 did not address other disclosures such as disclosures about targets or progress against targets where an entity may make references to the GHG Protocol Corporate Standard;

(ii) following the analysis above, applying IFRS S1 and IFRS S2, information is required to be provided about GHG emissions for the current period and comparative period for the reporting entity (as it was comprised in each of those periods); and

(iii) while information about GHG emissions is required to be provided for the consolidated group (ie when the sustainability-related financial disclosures are accompanying the consolidated financial statements), the composition of the group does not limit the choice of approach about how the emissions are measured. That is, the entity is allowed to select any of the alternative GHG emissions measurement approaches available in accordance with the GHG Protocol as permitted by IFRS S2.[4]

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[3] Paragraph B24 of IFRS S2 states that an entity is required to use the GHG Protocol Corporate Standard unless the entity is required by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its greenhouse gas emissions. In addition, paragraph C4(a) of IFRS S2 includes a relief for the first annual reporting period an entity applies IFRS S2 that allows an entity to continue to use their existing measurement method (the methodology used in the annual reporting period immediately preceding the date of initial application of IFRS S2) for measuring GHG emissions.

[4] This difference between what is included as the reporting entity and the approach to measurement means that there will not necessarily be a direct relationship between changes in the reporting entity and changes in the measurement of GHG emissions. For example, if a reporting entity newly acquires a subsidiary in the current period but had operational control over that entity's operations in the comparative period, despite the change in the reporting entity in the current period, the measurement of the GHG emissions for the reporting entity would be unchanged relative to the comparative period as a result of the acquisition of the subsidiary when the operational control approach is applied using the GHG Protocol Corporate Standard.

(d) that the staff analysis uses simplified examples to facilitate the TIG discussion regarding the requirements in IFRS S1 and IFRS S2. However, in reality, there might be more complex scenarios such as step acquisitions, step disposals or scenarios in which the reporting entity had a business relationship with the acquired entity prior to acquisition and thus formed part of its value chain, or where the entity is still part of the value chain by virtue of a business relationship after disposal. In these more complex scenarios, relevant information about sustainability-related risks and opportunities related to that entity arising from the reporting entity's value chain, would still be included in current and comparative information. This means that the composition of the reporting entity might not be the only relevant factor in explaining changes in comparative information between periods.

(e) the importance of connectivity, and ensuring that the information provided as part of the sustainability-related financial disclosures is understandable and connected in the context of other information provided elsewhere in the entity's general purpose financial reports. Reference was made to the information disclosed as part of the financial statements (for example, information required by IFRS 3 *Business Combinations* for entities using IFRS Accounting Standards) and explanations provided in other general purpose financial reports about strategic acquisitions or disposals.

Next steps

24. The next meeting of the TIG is scheduled to be held on 19-20 September 2024. Submissions of implementation questions received after 9 August 2024 are unlikely to be discussed at the meeting. The TIG submissions log, included in the June TIG meeting materials, summarises implementation questions received as at 28 May 2024, including those planned for discussion at the September TIG meeting.