IFRS Sustainability

Staff paper

Agenda reference: 3A&4

ISSB® Meeting

Date	**January 2025**
Project	**Biodiversity, ecosystems and ecosystem services & human capital research projects**
Topic	**IFRS Accounting Standards–Presentation or disclosure on BEES- and human capital-related matters**
Contacts	Carol Wong (carol.wong@ifrs.org)

Purpose and structure

1. This paper summarises findings of the staff's assessment of information about biodiversity, ecosystems and ecosystem services (BEES)- and human capital-related matters that might be presented or disclosed in financial statements when applying IFRS Accounting Standards.

2. The staff conducted this assessment as part of its work to assess existing standards and frameworks—a key area of research for phase 1 of the International Sustainability Standards Board (ISSB) research projects on BEES and human capital.[1]

3. This assessment also incorporates the ISSB's core activity of connectivity with the International Accounting Standards Board (IASB) in its research activities[2] by ensuring:

   (a) collaboration with the IASB technical staff on the assessment; and

   (b) consideration of opportunities for connectivity in the ISSB's future research.

4. This paper is structured as follows:

[1] Paragraphs 26–29 of Agenda paper 2B Research design and approach (July 2024).
[2] Paragraph 65 of Agenda paper 2 Strategic direction and balance of the ISSB's activities (March 2024).

(a) Background

(b) Scope of assessment

(c) Staff approach to assessment

(d) Findings

(e) Implications of findings

(f) Next step

(g) Question for the ISSB

Background

5. In July 2024, the staff presented the ISSB with its design and approach to phase 1 of the research projects on BEES and human capital. The staff identified four key areas of research including research on existing standards and frameworks. One of the key activities for this key area of research is to review and analyse currently available disclosure standards and frameworks relating to BEES and human capital to assess:

   (a) the nature of the standards or frameworks (for example, whether they are mandatory or voluntary, international or jurisdictional, focused on investors or multiple stakeholders);

   (b) the topics and sub-topics covered; and

   (c) the type of information required or recommended.

6. IFRS Accounting Standards are a set of international financial reporting standards that apply to financial statements and are required for companies in over 140 jurisdictions. The objective of financial statements is to provide financial information about the reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the reporting entity and in assessing management's stewardship of the entity's economic resources.[3]

[3] Paragraph 3.2 of the *Conceptual Framework for Financial Reporting* (Conceptual Framework).

7. The application of IFRS Accounting Standards might result in presentation or disclosure of information about BEES- or human capital-related matters to the extent it relates to recognised and unrecognised assets[4], liabilities, equity, income and expenses.

8. The staff has reviewed IFRS Accounting Standards the application of which might result in information on BEES- or human capital-related matters presented or disclosed in the financial statements. The review is intended to inform the ISSB of information already being presented or disclosed in the financial statements as the ISSB advances its research (see paragraph 17). For entities applying both IFRS Accounting Standards and ISSB Standards the information in the financial statements will be provided with the information provided applying ISSB Standards as part of general purpose financial reporting.

Scope of assessment

9. The staff's assessment considers IFRS Accounting Standards effective for annual reporting periods beginning on 1 January 2024.

10. The assessment does not consider:

    (a) IFRS Accounting Standards that were issued but not mandatorily effective for annual reporting periods beginning on 1 January 2024;[5]

    (b) materials issued by the IASB that are non-binding;[6]

    (c) IFRS for SMEs Accounting Standard; or

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[4] The staff notes that in October 2024 the International Public Sector Accounting Standards Board (IPSASB) published an exposure draft *92 Tangible Natural Resources* that proposes guidance on the recognition, measurement, display and disclosure of tangible natural resources. Tangible natural resources are an example of BEES-related assets that are generally unrecognised.

[5] A number of recently issued IFRS Accounting Standards and amendments to IFRS Accounting Standards might result in presentation or disclosure of information on BEES- or human capital-related matters. For example, the disaggregation requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* might result in presentation or disclosure of material information on BEES and human capital. In addition, amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to nature-dependent electricity contracts and requirements on assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features might also result in presentation or disclosure of information on BEES- or human capital-related matters.

[6] For example, Practice Statements, Implementation Guidance and Illustrative Examples.

(d) IASB active projects.[7]

11. The staff scoped out the items listed above to focus the assessment on requirements that are currently applicable for companies applying IFRS Accounting Standards. Focusing on requirements that are applied today will enable the staff to assess the current state of disclosure under the requirements as a next step (see paragraph 18).

Staff approach to assessment

12. The staff reviewed IFRS Accounting Standards focusing on:

(a) scope of requirements;

(b) defined terms; and

(c) presentation and disclosure requirements.

13. The objective of the assessment is to highlight IFRS Accounting Standards the application of which might result in information on BEES- or human capital-related matters being presented or disclosed in financial statements. The assessment is not intended to comprehensively identify all requirements in IFRS Accounting Standards that might result in presentation or disclosure of information about BEES- or human capital-related matters.

Findings

14. There are limited IFRS Accounting Standards the application of which might result in information directly relating to BEES- or human capital-related matters being presented or disclosed in financial statements.

15. The staff's findings fall into two categories:

[7] IASB active projects such as those on Intangible Assets, Climate-related and Other Uncertainties in the Financial Statements and Management Commentary might result in presentation or disclosure of information on BEES- or human capital-related matters in future. The exposure draft on Management Commentary, for example, requires information in management commentary to enable investors and creditors to understand the environmental and social impacts of the entity's activities if those impacts have affected or could affect the entity's ability to create value and generate cash flows, including in the long term. However, this exposure draft does not specify particular disclosures on these topics.

(a) IFRS Accounting Standards that require presentation or disclosure of information directly relating to BEES- or human capital-related matters (Appendix A); and

(b) IFRS Accounting Standards that might require companies to consider the effects of BEES- or human capital-related matters in applying the requirements in IFRS Accounting Standards to recognise and measure assets, liabilities, equity, income and expenses and consequently might result in presentation or disclosure of information about BEES- or human capital-related matters (Appendix B).

16. Appendix A sets out examples of presentation or disclosure requirements that directly address BEES and human capital-related matters. Appendix B sets out examples illustrating information that may be presented or disclosed when applying the requirements in certain IFRS Accounting Standards. The information presented or disclosed might provide insights on BEES- or human capital-related matters to the extent the matters affect recognition and measurement of assets, liabilities, equity, income and expenses.

Implications of findings

17. The staff thinks these findings help inform future phases of the research projects as well as other areas of the ISSB's work plan. For example, these findings can be further considered when developing:

(a) Enhancements to SASB Standards—IFRS *6 Exploration for and Evaluation of Mineral Resources*, IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* and IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* apply to extractive activities. The ISSB decided to enhance all eight SASB Standards in the Extractives & Minerals Processing sector. IAS 41 *Agriculture* applies to agricultural activity. The ISSB decided to enhance three SASB Standards in the Food & Beverage sector (subject to assessing whether the ISSB and its stakeholders have the capacity to do so).

(b) The BEES research project—Appendix A sets out examples of information already required for presentation or disclosure on BEES-related matters in IFRS financial statements. Since information is already being disclosed, there are opportunities to facilitate connections in information. In addition, IFRS Accounting Standards contain defined terms relevant to BEES-related matters, for example, 'biological assets'[8] and 'biological transformation'[9]. Existing defined terms could be considered in developing ISSB requirements (or guidance) to align use of language and terminology.

(c) The human capital research project—Appendix A sets out examples of information already required for presentation or disclosure on human capital-related matters in IFRS financial statements. Since information is already being disclosed, there are opportunities to facilitate connections in information. In addition, IFRS Accounting Standards contain defined terms relevant to human capital-related matters, for example, 'employees and others providing similar services'[10], 'employee benefits'[11] and 'key management personnel'[12]. Existing defined terms could be considered in developing ISSB requirements (or guidance) to align use of language and terminology.

(d) Approaches to disclosing information—In the staff's preliminary engagement with investors, investors indicated that BEES-related risks and opportunities are inherently localised.[13] Similarly, investors indicated geography as highly influential on what human capital-related information is available and how that information is assessed.[14] The staff notes that IFRS Accounting Standards set out requirements to consider geography when disclosing information, for example, IAS 19 *Employee Benefits* requires entities to assess whether all or

[8] Appendix A to IAS 41 *Agriculture*.
[9] Appendix A to IAS 41 *Agriculture*.
[10] Appendix A to IFRS 2 *Share-based Payment.*
[11] Paragraph 8 of IAS 19 *Employee Benefits.*
[12] Paragraph 9 of IAS 24 *Related Party Disclosures.*
[13] Slide 18 Agenda paper 3B Preliminary assessment of evidence of investor interest (November 2024).
[14] Slide 11 Agenda paper 4A Preliminary assessment of evidence of investor interest (December 2024).

some disclosures should be disaggregated to distinguish plans or groups of plans with materially different risks including by different geographical locations, regulatory environments or reporting segments.[15] In addition, IFRS 8 *Operating Segments* requires disclosure of information about geographical areas.[16]

(e) Disclosures on current and anticipated financial effects—Both IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* require an entity to provide information that enables users of general purpose financial reports to understand the effects of sustainability- or climate-related risks and opportunities on the entity's financial position, financial performance and cash flows.[17] The staff is considering the effects of BEES- or human capital-related risks and opportunities on an entity's financial position, financial performance and cash flows in a key area of research for phase 1—effects on an entities' prospects.[18] This assessment highlights areas where financial effects could be expected and further explored. (For example, Appendix A and B provide examples of situations in which the financial statements could be affected by BEES or human capital-related risks and opportunities).

Next step

18. The staff will provide an analysis of the current state of disclosure of BEES- and human capital-related matters in IFRS financial statements. This analysis will draw upon findings in another key area of research for phase 1—current state of disclosure.[19] The staff will include examples of company disclosure in accordance with the IFRS Accounting Standards identified in Appendix A in that analysis.

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[15] Paragraph 138 of IAS 19 *Employee Benefits*.

[16] Paragraph 33 of IFRS 8 *Operating Segments*.

[17] Paragraph 34 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and paragraph 15 of IFRS S2 *Climate-related Disclosures*.

[18] Paragraphs 22 –25 of Agenda paper 2B Research design and approach (July 2024).

[19] Paragraphs 30–32 of Agenda paper 2B Research design and approach (July 2024).

Question for the ISSB

Question for the ISSB
1. Do ISSB members have any comments or clarifying questions on this paper?

Appendix A

IFRS Accounting Standards that require presentation or disclosure of information directly relating to BEES-related matters. This list is non-exhaustive. Terms and requirements directly relating to BEES-related matters are underlined for emphasis.

Standard	Objective and scope	Examples of disclosure requirements
IAS 1 *Presentation of Financial Statements*	This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. (IAS 1.1) Other IFRSs set out the recognition, measurement and disclosure requirements for specific transactions and other events. (IAS 1.3)	Some IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. (IAS 1.31)

Standard	Objective and scope	Examples of disclosure requirements
		The statement of financial position shall include line items that present the following amounts: a. […] f. biological assets within the scope of IAS 41 *Agriculture*; (IAS 1.54(f)) An entity shall present additional line items (including by disaggregating the line items listed in paragraph 54), headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position. (IAS 1.55) An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an

Standard	Objective and scope	Examples of disclosure requirements
		understanding of the entity's financial performance. (IAS 1.85)
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* Legal or constructive obligations arise from BEES-related matters, for example, statutory environmental rehabilitation obligations, waste management obligations, or obligations from nature-related regulations and commitments. Levies are imposed when companies	The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount. A number of IFRIC Interpretations that address BEES-related matters relate to IAS 37. • IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* This Interpretation provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities. (IFRIC 1.1)	IFRIC 1, IFRIC 6 and IFRIC 21 do not contain disclosure requirements. Disclosure requirements of IAS 37 and other Standards would apply if applicable. IFRIC 5 contains additional disclosure requirements: • A contributor shall disclose the nature of its interest in a fund and any restrictions on access to the assets in the fund. (IFRIC 5.11) • When a contributor has an obligation to make potential additional contributions that is not recognised as a liability (see paragraph 10), it shall make the disclosures required by paragraph 86 of IAS 37. (IFRIC 5.12)

Standard	Objective and scope	Examples of disclosure requirements
pollute the environment and fail to comply with regulations.	For example, a decommissioning, restoration or similar liability may exist for decommissioning a plant, rehabilitating environmental damage in extractive industries, or removing equipment. (IFRIC 1.2) • IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* This Interpretation applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features: a. the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and b. a contributor's right to access the assets is restricted. (IFRIC 5.4)	

Standard	Objective and scope	Examples of disclosure requirements
	The purpose of decommissioning, restoration and environmental rehabilitation funds, hereafter referred to as 'decommissioning funds' or 'funds', is to segregate assets to fund some or all of the costs of decommissioning plant (such as a nuclear plant) or certain equipment (such as cars), or in undertaking environmental rehabilitation (such as rectifying pollution of water or restoring mined land), together referred to as 'decommissioning'. (IFRIC 5.1) • IFRIC *6 Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* This Interpretation provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the EU Directive on WE&EE in respect of sales of historical household equipment. (IFRIC 6.6)	

Standard	Objective and scope	Examples of disclosure requirements
	• IFRIC 21 *Levies* This Interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. (IFRIC 21.2)	
IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* Government grants and assistance are provided to conserve and restore ecosystems, and incentivise companies	This Standard shall be applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance. (IAS 20.1) Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be	The following matters shall be disclosed: a. […] b. the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and c. unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. (IAS 20.39(b)&(c))

Standard	Objective and scope	Examples of disclosure requirements
to operate more sustainably.	distinguished from the normal trading transactions of the entity. (IAS 20.3)	
IAS 41 *Agriculture* Biological assets create biodiversity. Agricultural activity also directly impacts nature.	The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity. This Standard shall be applied to account for the following when they relate to agricultural activity: a. biological assets, except for bearer plants; b. agricultural produce at the point of harvest; and c. government grants covered by paragraphs 34 and 35. (IAS 41.1) Agricultural activity is defined as: the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets. (IAS 41.5)	An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets. (IAS 41.40) An entity shall provide a description of each group of biological assets. (IAS 41.41) An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and

Standard	Objective and scope	Examples of disclosure requirements
		immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions. (IAS 41.43) An entity shall disclose: a. […] b. the amount of commitments for the development or acquisition of biological assets; and c. financial risk management strategies related to agricultural activity. (IAS 41.49(b)&(c)) Biological transformation results in a number of types of physical change—growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a biological

Standard	Objective and scope	Examples of disclosure requirements
		asset due to harvesting is also a physical change. (IAS 41.52) Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with IAS 1 *Presentation of Financial Statements*. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects. (IAS 41.53) An entity shall disclose the following related to agricultural activity covered by this Standard: a. the nature and extent of government grants recognised in financial statements; b. […] (IAS 41.57(a))

Standard	Objective and scope	Examples of disclosure requirements
IFRS 6 *Exploration for and Evaluation of Mineral Resources* Exploration for and evaluation of mineral resources directly impacts nature and can cause environmental damage.	The objective of this IFRS is to specify the financial reporting for the *exploration for and evaluation of mineral resources*. (IFRS 6.1) An entity shall apply the IFRS to <u>exploration and evaluation</u> expenditures that it incurs. (IFRS 6.3) <u>Exploration for and evaluation of mineral resources is defined as: The search for mineral resources, including minerals, oil, natural gas and similar nonregenerative resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource</u>. (IFRS 6. Appendix A)	An entity shall disclose <u>information that identifies and explains the amounts recognised in its financial statements arising from the exploration for and evaluation of mineral resources</u>. (IFRS 6.23) To comply with paragraph 23, an entity shall disclose: a. its <u>accounting policies for exploration and evaluation expenditures</u> including the recognition of exploration and evaluation assets. b. <u>the amounts of assets, liabilities, income and expense and operating and investing cash flows arising from the exploration for and evaluation of mineral resources</u>. (IFRS 6.24(a)&(b)) <u>An entity shall treat exploration and evaluation assets as a separate class of assets and make the disclosures required by</u>

Standard	Objective and scope	Examples of disclosure requirements
		either IAS 16 or IAS 38 consistent with how the assets are classified. (IFRS 6.25)
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* Mining activity directly impacts nature.	This Interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (‘production stripping costs’). (IFRIC 20.6) This interpretation addresses the following issues: a. recognition of production stripping costs as an asset; b. initial measurement of the stripping activity asset; and c. subsequent measurement of the stripping activity asset. (IFRIC 20.7)	IFRIC 20 does not contain disclosure requirements. Disclosure requirements of other IFRS Accounting Standards would apply to assets recognised where applicable.

IFRS Accounting Standards that require presentation or disclosure of information directly relating to human capital-related matters. This list is non-exhaustive. Terms and requirements directly relating to human capital-related matters are underlined for emphasis.

Standard	Objective and scope	Examples of disclosure requirements
IAS 1 *Presentation of Financial Statements*	This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. (IAS 1.1) Other IFRSs set out the recognition, measurement and disclosure requirements for specific transactions and other events. (IAS 1.3)	Some IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. (IAS 1.31) An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented,

Standard	Objective and scope	Examples of disclosure requirements
		classified in a manner appropriate to the entity's operations. (IAS 1.77) The detail provided in subclassifications depends on the requirements of IFRSs and on the size, nature and function of the amounts involved. An entity also uses the factors set out in paragraph 58 to decide the basis of subclassification. The disclosures vary for each item, for example: a. […] d. provisions are disaggregated into provisions for employee benefits and other items; and (IAS 1.78(d)) An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an

Standard	Objective and scope	Examples of disclosure requirements
		understanding of the entity's financial performance. (IAS 1.85) Circumstances that would give rise to the separate disclosure of items of income and expense include: a. […] b. restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring; (IAS 1.98(b)) An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense. (IAS 1.104)
IAS 19 *Employee Benefits*	The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:	Although this Standard does not require specific disclosures about short-term employee benefits, other IFRSs may require disclosures. For

Standard	Objective and scope	Examples of disclosure requirements
Workers' health and wellbeing is linked to employee benefits provided by employers.	a. a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and b. an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits. (IAS 19.1) This Standard shall be applied by an employer in accounting for <u>all employee benefits</u>, except those to which IFRS 2 *Share-based Payment* applies. (IAS 19.2) <u>Employee benefits are defined as: all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment</u>. (IAS 19.8)	example, IAS 24 requires disclosures about <u>employee benefits for key management personnel</u>. IAS 1 *Presentation of Financial Statements* requires <u>disclosure of employee benefits expense</u>. (IAS 19.25) An entity shall disclose the amount recognised as an <u>expense for defined contribution plans</u>. (IAS 19.53) Where required by IAS 24 an entity discloses information about <u>contributions to defined contribution plans for key management personnel</u>. (IAS 19.54) An entity shall disclose information that: a. <u>explains the characteristics of its defined benefit plans and risks</u> associated with them (see paragraph 139);

Standard	Objective and scope	Examples of disclosure requirements
		b. identifies and explains the amounts in its financial statements arising from its defined benefit plans (see paragraphs 140–144); and c. describes how its defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows (see paragraphs 145–147). (IAS 19.135) An entity shall assess whether all or some disclosures should be disaggregated to distinguish plans or groups of plans with materially different risks. For example, an entity may disaggregate disclosure about plans showing one or more of the following features: a. different geographical locations. b. different characteristics such as flat salary pension plans, final salary pension plans or post-employment medical plans. c. different regulatory environments.

Standard	Objective and scope	Examples of disclosure requirements
		d. different reporting segments. e. different funding arrangements (eg wholly unfunded, wholly or partly funded). (IAS 19.138) Although this Standard does not require specific disclosures about other long-term employee benefits, other IFRSs may require disclosures. For example, IAS 24 requires disclosures about employee benefits for key management personnel. IAS 1 requires disclosure of employee benefits expense. (IAS 19.158) Although this Standard does not require specific disclosures about termination benefits, other IFRSs may require disclosures. For example, IAS 24 requires disclosures about employee benefits for key management personnel. IAS 1 requires disclosure of employee benefits expense. (IAS 19.171)

Standard	Objective and scope	Examples of disclosure requirements
IAS 24 *Related Party Disclosures* Key management personnel are an integral part of the workforce with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.	The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties. (IAS 24.1) This Standard shall be applied in: a. identifying related party relationships and transactions; b. identifying outstanding balances, including commitments, between an entity and its related parties; c. identifying the circumstances in which disclosure of the items in (a) and (b) is required; and d. determining the disclosures to be made about those items. (IAS 24.2)	An entity shall disclose key management personnel compensation in total and for each of the following categories: a. short-term employee benefits; b. post-employment benefits; c. other long-term benefits; d. termination benefits; and e. share-based payment. (IAS 24.17)

Standard	Objective and scope	Examples of disclosure requirements
	Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. (IAS 24.9)	
IFRS 2 *Share-based Payment* Share-based payment is sometimes granted to an entity's workforce for their services.	The objective of this IFRS is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees. (IFRS 2.1) Employees and others providing similar services are defined as: Individuals who render personal services to the entity and either (a) the individuals are regarded as employees for legal or tax purposes, (b) the individuals work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes, or (c) the services rendered are similar to those rendered by employees. For example, the term	An entity shall disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period. (IFRS 2.44) To give effect to the principle in paragraph 44, the entity shall disclose at least the following: a. a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (eg whether in cash or equity). An entity with

Standard	Objective and scope	Examples of disclosure requirements
	encompasses all management personnel, ie those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including non-executive directors. (IFRS 2. Appendix A)	substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in paragraph 44. b. […] (IFRS 2.45(a)) An entity shall disclose information that enables users of the financial statements to understand the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position. (IFRS 2.50)
IFRS 3 *Business Combinations* Companies may acquire an assembled	The objective of this IFRS is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. (IFRS 3.1)	To meet the objective in paragraph 59, the acquirer shall disclose the following information for each business combination that occurs during the reporting period: a. […]

Standard	Objective and scope	Examples of disclosure requirements
workforce in a business combination.	The acquirer subsumes into goodwill the value of an acquired intangible asset that is not identifiable as of the acquisition date. For example, an acquirer may attribute value to the existence of <u>an assembled workforce, which is an existing collection of employees that permits the acquirer to continue to operate an acquired business from the acquisition date</u>. <u>An assembled workforce does not represent the intellectual capital of the skilled workforce—the (often specialised) knowledge and experience that employees of an acquiree bring to their jobs</u>. Because the assembled workforce is not an identifiable asset to be recognised separately from goodwill, any value attributed to it is subsumed into goodwill. (IFRS 3.B37)	e. <u>a qualitative description of the factors that make up the goodwill recognised</u>, such as expected synergies from combining operations of the acquiree and the acquirer, <u>intangible assets that do not qualify for separate recognition</u> or other factors. (IFRS 3.B64(e))

Appendix B

IFRS Accounting Standards that might require companies to consider the effects of BEES-related matters in applying the requirements in a number of Standards and consequently might result in presentation or disclosure of information about BEES-related matters.[A] This list is non-exhaustive. Key considerations are underlined for emphasis.

Standard	Examples illustrating information that may be disclosed
IAS 1 *Presentation of Financial Statements*	**Sources of estimation uncertainty and significant judgements** If assumptions a company makes about the future have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, IAS 1 requires disclosure of information about those assumptions and the nature and carrying amount of those assets and liabilities. <u>This means disclosure of assumptions about nature-related matters may be required</u>. Companies must present that disclosure in a manner that helps investors understand the judgements that management makes about the future. <u>IAS 1 also requires disclosure of the judgements (apart from those involving estimations) that management has made that have the most significant effect on the amounts recognised in the financial statements</u>. For example, a company operating in an industry particularly affected by nature-related matters might test an asset for impairment applying IAS 36 *Impairment of Assets* but recognise no impairment loss. That company would be required to disclose judgements management has made. **Going concern**

[A] There are parallels between climate- and nature-related matters. Many sustainability matters are at the nexus of climate and nature. Hence, presentation or disclosure of climate-related matters in financial statements today could provide insights on nature-related matters. The examples draw from IASB Educational material—Effects of climate-related matters on financial statements (July 2023).

Standard	Examples illustrating information that may be disclosed
	IAS 1 requires management to assess a company's ability to continue as a going concern when preparing financial statements. If nature-related matters create material uncertainties related to events or conditions that cast significant doubt upon a company's ability to continue as a going concern, IAS 1 would require disclosure of those uncertainties. When management has concluded that there are no material uncertainties related to the going concern assumption that require disclosure but reaching that conclusion involved significant judgement (for example, about the feasibility and effectiveness of any planned mitigation), IAS 1 requires disclosure of that judgement.
IAS 2 *Inventories*	Nature-related matters may cause a company's inventories to become obsolete, their selling prices to decline or their costs of completion to increase. If, as a result, the cost of inventories is not recoverable, IAS 2 requires the company to write down those inventories to their net realisable value. Disclosure requirements of IAS 2 would apply where applicable.
IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*	Nature-related matters may prompt expenditure to change or adapt business activities and operations, including research and development. IAS 16 and IAS 38 specify requirements for the recognition of costs as assets (as an item of property, plant and equipment or as an intangible asset). IAS 38 also requires disclosure of the amount of research and development expenditure recognised as an expense during a reporting period. IAS 16 and IAS 38 require companies to review the estimated residual values and expected useful lives of assets at least annually, and to reflect changes—such as those that might arise from nature-related matters—in the amount of depreciation or amortisation recognised in the current and subsequent periods.

Standard	Examples illustrating information that may be disclosed
	Nature-related matters may affect the estimated residual value and expected useful lives of assets, for example, because of obsolescence, legal restrictions or inaccessibility of the assets. Companies are also required to disclose the expected useful lives for each class of asset and the nature and amount of any change in estimated residual values or expected useful lives.
IAS 36 *Impairment of Assets*	IAS 36 sets out requirements for when companies need to estimate recoverable amounts to assess impairment of goodwill and impairment of assets such as property, plant and equipment, right-of-use assets and intangible assets. A company is required to assess whether there is any indication of impairment at the end of each reporting period. Nature-related matters may give rise to indications that an asset (or a group of assets) is impaired. For example, a decline in demand for products that are non-biodegradable could indicate that the manufacturing plant used to produce that product may be impaired, requiring the asset to be tested for impairment. IAS 36 requires disclosure of the events and circumstances that led to the recognition of an impairment loss, for example, the introduction of deforestation legislation that increased manufacturing costs. Disclosure of key assumptions used to estimate the asset's recoverable amount, as well as information related to reasonably possible changes in those assumptions, is also required in specified circumstances.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	Nature-related matters may affect the recognition, measurement and disclosure of liabilities in the financial statements applying IAS 37, for example, related to: • regulatory requirements to remediate environmental damage; • contracts that may become onerous (for example, due to potential loss of revenue or increased costs as a result of nature-related changes in legislation); or

Standard	Examples illustrating information that may be disclosed
	• restructurings to redesign products or services to achieve nature-related targets. IAS 37 requires disclosure of the nature of a provision or contingent liability and an indication of the uncertainties about the amount or timing of any related outflows of economic benefits. Where necessary to provide adequate information, IAS 37 also requires disclosure of the major assumptions made about future events reflected in the amount of a provision.
IFRS 7 *Financial Instruments: Disclosures*	IFRS 7 requires disclosure of information about a company's financial instruments, including information about the nature and extent of risks arising from financial instruments and how the company manages those risks. <u>Nature-related matters may expose a company to risks in relation to financial instruments</u>. For example, for lenders, it may be necessary to provide information about the effect of nature-related matters on the measurement of expected credit losses or on concentrations of credit risk. For holders of equity investments, it may be necessary to provide information about investments by industry or sector, this could include identifying sectors exposed to nature-related risks, when disclosing concentrations of market risk.
IFRS 9 *Financial Instruments*	<u>Nature-related matters may affect the accounting for financial instruments in a number of ways</u>. For example, loan contracts might include terms linking contractual cash flows to a company's achievement of nature-related targets. Those targets may affect how the loan is classified and measured (ie the lender would need to consider those terms in assessing whether the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and thus whether the loan can be measured

Standard	Examples illustrating information that may be disclosed
	at amortised cost). For the borrower, those targets may affect whether there are embedded derivatives that need to be separated from the host contract. Nature-related matters may also affect a lender's exposure to credit losses. For example, pests, pollution or policy and regulatory changes could negatively affect a borrower's ability to meet its debt obligations to the lender.
IFRS 13 *Fair Value Measurement*	Nature-related matters may affect the fair value measurement of assets and liabilities in the financial statements. For example, market participants' views of potential nature-related legislation could affect the fair value of an asset or liability. Nature-related matters may also affect disclosures about fair value measurements. Specifically, for fair value measurements categorised within Level 3 of the fair value hierarchy, IFRS 13 requires disclosure of the inputs used in those fair value measurements and, for recurring fair value measurements, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement.
IFRS 17 *Insurance Contracts*[B]	Nature-related matters may increase the frequency or magnitude of insured events or may accelerate the timing of their occurrence. Examples of insured events that could be affected by nature-related matters include business interruption, property damage, illness and death. Nature-related matters may, therefore, affect the assumptions used to measure insurance contract liabilities applying IFRS 17 and thus the amounts recognised. Nature-related

[B] This Standard applies to the accounting for insurance contracts from the perspective of the issuer of the contract (or the holder of a reinsurance contract). The Standard does not apply, for example, to the accounting for an insurance contract purchased by an entity.

Standard	Examples illustrating information that may be disclosed
	matters may also affect required disclosures about (a) the significant judgements and changes in judgements made in applying IFRS 17, and (b) a company's exposure to risks, concentrations of risk, how it manages risks and sensitivity analysis showing the effect of changes in risk variables.

IFRS Accounting Standards that might require companies to consider the effects of human capital-related matters in applying the requirements in a number of Standards and consequently might result in presentation or disclosure of information about human capital-related matters. This list is non-exhaustive. Key considerations are underlined for emphasis.

Standard	Examples illustrating Information that may be disclosed
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	Human capital-related matters may affect the recognition, measurement and disclosure of liabilities in the financial statements applying IAS 37, for example, related to: • Legal proceedings initiated by employees for wrongful treatment; or • Severance payments to employees when restructuring. IAS 37 requires disclosure of the nature of a provision or contingent liability and an indication of the uncertainties about the amount or timing of any related outflows of economic benefits. Where necessary to provide adequate information, IAS 37 also requires disclosure of the major assumptions made about future events reflected in the amount of a provision.
IAS 38 *Intangible Assets*	Human capital is an intangible item that is usually not recognised as an intangible asset. For example, a company may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits from training. The company may also expect that the staff will continue to make their skills available to the entity. However, a company usually has insufficient control over the expected future economic benefits arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. For a similar reason, specific management or technical talent is unlikely to meet the definition of an intangible asset, unless it is

Standard	Examples illustrating Information that may be disclosed
	protected by legal rights to use it and to obtain the future economic benefits expected from it, and it also meets the other parts of the definition. If an intangible asset is recognised, IAS 38 requires disclosure of information for each class of intangible assets distinguishing between internally generated intangible assets and other intangible assets.