IFRS S1 & S2 Implementation Playbook

A Practical Step-by-Step Guide to Implementing IFRS Sustainability Disclosure Standards — for organizations reporting under IFRS S1 & S2.

IFRS HUB BY EARTH ACADEMY

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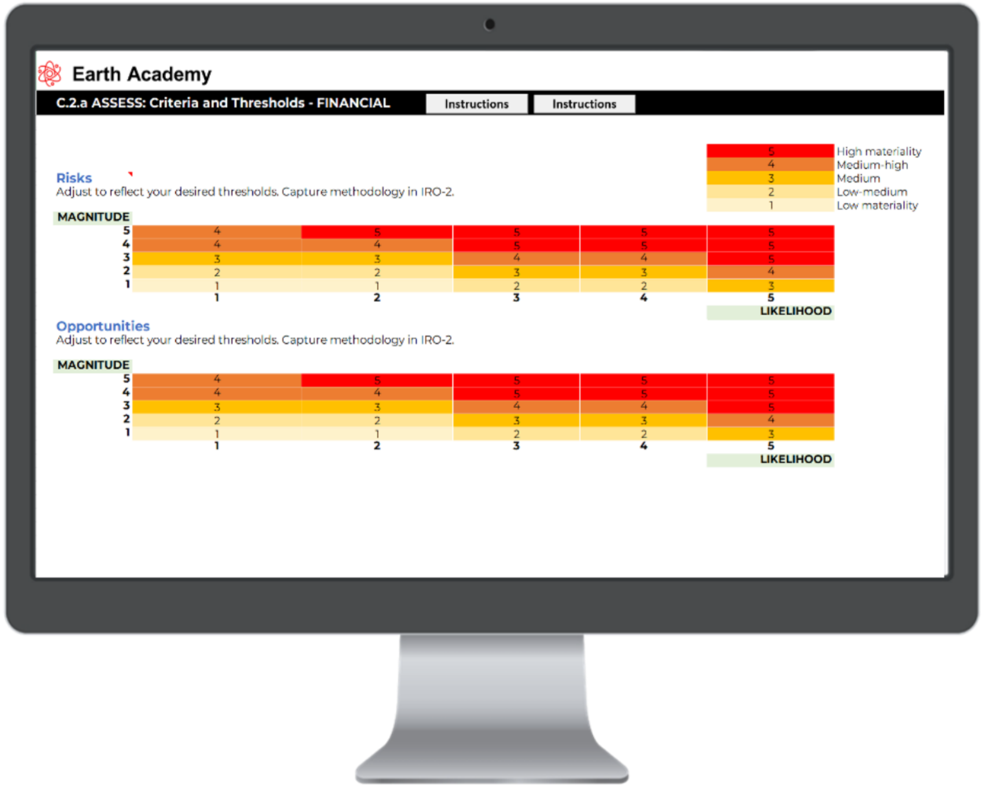

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Introduction & Overview

This playbook provides a structured, step-by-step approach to implementing IFRS S1 & S2, translating the standards into actionable tasks with clear ownership, timelines, and deliverables.

IFRS S1 — General Requirements

Establishes the overall framework for disclosing sustainability-related financial information — governance, strategy, risk management, and metrics/targets across all sustainability topics.

IFRS S2 — Climate Disclosures

Provides climate-specific requirements building on the TCFD framework, requiring disclosure of climate governance, strategy, risk management, and metrics aligned with scenario analysis.

36+

Countries Adopted

Covering 60%+ of global GDP

6

Mandatory Markets

UK, Australia, Japan, Singapore, Hong Kong, Mexico

4

Core Pillars

Governance, Strategy, Risk Management, Metrics & Targets

Setting Up Your Governance Structure

IFRS S1 requires disclosure of how governance processes address sustainability-related risks and opportunities — starting with clear board and management oversight.

1

Define Board Responsibility

Assign a Board committee (Audit, Risk, or ESG) formal responsibility. **Deliverable:** Board resolution. **Timeline:** Weeks 1–2

2

Establish Reporting Cadence

Define how frequently the Board receives sustainability updates (minimum quarterly). **Deliverable:** Board meeting calendar. **Timeline:** Weeks 2–3

3

Appoint Sustainability Leadership

Define who owns sustainability strategy and implementation. **Deliverable:** Written role description and reporting lines. **Timeline:** Weeks 1–2

4

Form Cross-Functional Team

Establish sustainability steering committee with representatives from all key functions. **Deliverable:** Committee charter. **Timeline:** Weeks 2–3

Key Takeaway: Strong governance is the foundation of credible IFRS S1 & S2 disclosure. Your structure must clearly show how the Board and management identify, assess, and manage sustainability-related risks and opportunities.

Documenting Your Sustainability Strategy

IFRS S1 requires disclosure of sustainability-related strategies used to manage identified risks and opportunities — connecting sustainability to business strategy and financial impact.

Strategy Must Answer

- What are the key sustainability risks and opportunities we face?
- How do these affect our business model and financial position?
- What strategies are we implementing to address these risks?
- How do we track progress?

Strategic Initiatives by Topic

- **Climate Change:** GHG reduction targets, clean energy transition, resilience planning
- **Water & Waste:** Efficiency targets, circular economy initiatives
- **Human Capital:** Skills development, diversity programs, fair compensation

Key Point: Don't create sustainability strategy separate from business strategy. Show clearly how sustainability-related risks and opportunities influence corporate strategy and financial planning.

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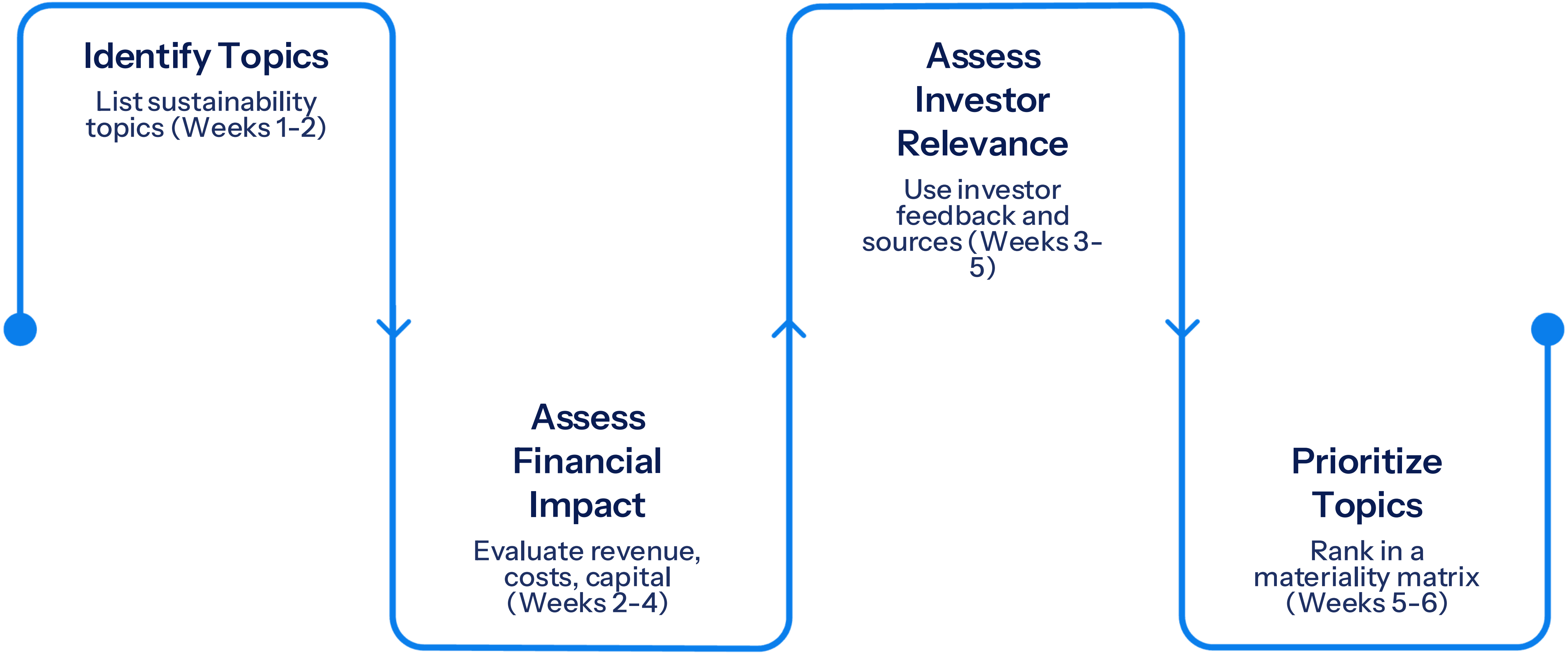
Conducting Materiality Assessment

IFRS S1 is built on **financial materiality** — disclosing only information that could reasonably influence the economic decisions of investors. IFRS S1 requires transparency about your materiality assessment process. Investors want to understand not just **which** topics are material, but **why** and **how** you determined that materiality.



The materiality assessment should be completed within 6 weeks, progressing from topic identification through financial impact and investor relevance assessment to final prioritization in a materiality matrix.

Financial Materiality (IFRS)

Information is financially material if its omission or misstatement could reasonably influence the economic decisions of investors. IFRS S1 focuses exclusively on this definition.

Stakeholder Materiality

Information that matters to diverse stakeholders but may not influence investor decisions. Report stakeholder material topics separately if desired — but IFRS S1 focuses on financial materiality.

Risk & Opportunity Management

IFRS S1 & S2 require disclosure of how you identify, assess, and manage sustainability-related risks and opportunities — significantly more detailed than general risk management.

1

Map Risks to Framework

Identify where sustainability risks sit within existing enterprise risk categories. **Timeline:** Weeks 1–2

2

Assess Likelihood & Impact

For each material risk, assess likelihood, financial impact, and time horizon. **Timeline:** Weeks 2–4

3

Define Mitigation Strategies

For each material risk, define how you mitigate, manage, or accept the risk. **Timeline:** Weeks 4–6

IFRS S2 Climate Scenario Analysis

1.5°C Scenario

Aggressive climate action (Paris Agreement). Assess regulatory changes, carbon pricing, market shifts, and physical climate impacts.

2°C Scenario

Moderate climate action. Quantify financial impacts on discount rates, revenue, costs, and capital expenditure.

4°C+ Scenario

Limited climate action (business-as-usual). Assess physical climate impacts and transition risks.

Key Takeaway: IFRS S2 requires **quantitative** climate scenario analysis with specific financial impacts — significantly more detailed than historical sustainability reporting. Start early and allocate adequate resources.

Defining Metrics & Targets

IFRS S1 & S2 require disclosure of specific, quantifiable metrics and targets showing how you're managing material risks and opportunities. Investors view specific, measurable targets as evidence of management commitment.

Topic	Key Metrics
Climate (IFRS S2)	Scope 1, 2, 3 GHG emissions, emission intensity, carbon pricing
Energy	Energy consumption, renewable energy %, energy intensity
Water	Water withdrawal, water intensity, water stress regions
Governance	Board diversity, executive compensation tied to sustainability

Setting Targets

- Define baseline, near-term targets (2025–2030), long-term targets (2040–2050)
- Align with science (Paris Agreement, SBTi); document methodology
- **Timeline:** Weeks 2–6

Metrics Quality Standards

- Specific, quantifiable, and measurable with clear boundaries
- Time-bound with clear target dates
- Externally validated or audit-ready
- Reported consistently year-over-year
- Material to investor decision-making

Data Collection & Validation

All IFRS S1 & S2 disclosures depend on accurate, verifiable data. Poor data quality leads to unreliable disclosures and investor mistrust. Auditors will scrutinize your data collection and calculation processes.

01

Define Data Requirements

For each metric, define: data needed, source, collection frequency, responsible owner, and quality standards. **Timeline:** Weeks 1–2

02

Implement Data Capture Systems

Utility bills tracking, operational systems, supplier engagement, central database. **Timeline:** Weeks 2–6

03

Calculate Metrics

Use GHG Protocol for emissions, standard factors for energy/water, intensity normalization. **Timeline:** Weeks 6–8

04

Data Validation & Quality Review

Check completeness, verify calculations, compare trends, validate methodology, document assumptions. **Timeline:** Weeks 8–10

Data Governance is Non-Negotiable: Implement a formal data policy with system access controls, written procedures for each metric, and a full audit trail of data changes. Treat sustainability data with the same rigor as financial data.

Disclosure Package & Implementation Roadmap

Your IFRS S1 & S2 disclosures typically appear in your annual sustainability or integrated report — comprehensive, verifiable, and investor-ready. Implementation takes **6–18 months** depending on starting point and data maturity.

Phase	Timeline	Key Activities
Phase 1: Preparation	Weeks 1–4	Establish governance, form steering committee, assess current state
Phase 2: Strategy & Materiality	Weeks 5–12	Develop strategy, conduct materiality assessment, define KPIs
Phase 3: Risk Assessment	Weeks 8–14	Identify risks/opportunities, conduct scenario analysis
Phase 4: Data & Systems	Weeks 10–18	Implement data systems, train teams, collect baseline data
Phase 5: Disclosure & Assurance	Weeks 14–20	Draft disclosures, conduct review, external assurance, Board approval

IFRS S1 Disclosure Structure

- **Governance:** Board oversight, management roles (2–3 pages)
- **Strategy:** Risks/opportunities, business impact (3–5 pages)
- **Risk Management:** Identification, assessment, integration (2–3 pages)
- **Metrics & Targets:** KPIs, progress data (2–3 pages + appendix)

Resource Requirements

- Project Lead (CSO): 1.0 FTE, 20 weeks
- Climate/Risk Analyst: 1.0 FTE, 20 weeks
- Data Manager: 0.5 FTE, 20 weeks
- Finance/Reporting: 0.5 FTE, 20 weeks
- External Consultants: 0.5–1.0 FTE, variable

A typical mid-sized organization needs **3–4 FTE** dedicated over 6 months. Underfunded projects result in poor-quality disclosures.

Common Pitfalls & How to Avoid Them

❌ Treating Sustainability as Separate From Business

Problem: Developing sustainability strategy in isolation from business strategy.
✓ **Solution:** Integrate sustainability into core business strategy. Show how risks and opportunities influence financial planning.

❌ Vague or Aspirational Targets

Problem: Setting targets like "reduce emissions significantly" without interim milestones.
✓ **Solution:** Define specific, science-based targets with 5-year and 10-year milestones. Document how you'll achieve them.

❌ Incomplete Materiality Assessment

Problem: Focusing on topics interesting to your company but not investors.
✓ **Solution:** Conduct rigorous financial materiality assessment using investor demand and financial impact modeling.

❌ Poor Data Quality & Governance

Problem: Inconsistent data collection, lack of documentation, manual calculations prone to error.
✓ **Solution:** Implement formal data governance with clear policies, system controls, and validation procedures.

❌ Scope 3 Underestimation

Problem: Ignoring supply chain emissions, typically 70–80% of total emissions.
✓ **Solution:** Conduct full Scope 3 assessment. Engage suppliers, use estimation models, document limitations transparently.

❌ Underfunding the Project

Problem: Assigning a junior person part-time to a major implementation.
✓ **Solution:** Allocate 3–4 FTE for 6 months (mid-sized company). Secure executive sponsorship and budget.

The 5 Keys to Avoiding Pitfalls

Connect to Business
Integrate sustainability into business strategy

Prioritize Data Quality
Treat sustainability data like financial data

Quantify Everything
Use numbers and financial modeling

Document & Verify
Policies, controls, audit trails, external assurance

Allocate Resources
Don't skimp on people, time, and budget

IFRS S1 & S2 disclosures are **not marketing documents** — they're investor-grade disclosures scrutinized by analysts, auditors, and regulators. Every claim must be supported by data and methodology.