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This document represents recommendations from the Technical Readiness Working Group (TRWG) for consideration by the International Sustainability Standards Board (ISSB) for a general requirements for disclosure of sustainability-related financial information standard. While the recommendations build on the established work of the organisations represented on the TRWG, this document has not been subject to the due process of those organisations or the IFRS Foundation. After starting its work, the ISSB is expected to consult publicly on proposals for a general requirements for disclosure of sustainability-related financial information standard informed by the TRWG's recommendations. The ISSB's work will be subject to the IFRS Foundation's due process.

General Requirements for Disclosure of Sustainability-related Financial Information Prototype

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

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General Requirements for Disclosure of Sustainability-related Financial Information

NOTE: the below 'IN' paragraphs do not form part of the Standard, they are an executive summary of the Standard.

Background

IN1 An entity's business can have positive and negative impacts on stakeholders—-such as customers and employees—and on the natural world. These stakeholders, and the external environment in which the entity operates, can also positively or negatively affect the entity's business model and therefore create or erode the value of the enterprise and the financial returns to providers of financial capital.

IN2 The three lenes predominately used for corporate disclosure are:

(a) disclosures to stakeholders about sustainability matters that have impacts on people, the environment and the economy—these disclosures normally provide the broadest range of information because they aim to meet the needs of multiple stakeholders. They include disclosures based on jurisdiction-led, public-policy-driven disclosure requirements.

(b) disclosures to investors, lenders and other creditors about sustainability matters that affect their assessment of enterprise value—these disclosures enable investors, lenders and other creditors to understand the impacts that sustainability-related risks and opportunities have on the value, timing and certainty of the entity's future cash flows, over the short, medium and long term and therefore users' assessment of enterprise value.

(c) disclosures to investors, lenders and other creditors about monetary amounts included in the financial statements—these disclosures represent those effects on enterprise value that have already taken place at the reporting date (or are included in the projections of the cash flows that support valuations and estimates of future cash flows) and that are already included in the financial statements.

While each type of disclosure is distinct, there can be significant overlap in the scope of sustainability matters that they address. This overlap stems from the interdependency of impacts on people, the environment, and the economy, and the effects those impacts have on enterprise value because entities depend on people, the environment and the economy to generate value over the short, medium and long term.

IN3 These IFRS Sustainability Disclosure Standards address sustainability matters that affect assessment of enterprise value by investors and other participants in the world's capital markets-the intended users of IFRS Sustainability Disclosure Standards (see paragraph IN2 (b)). To meet users' needs, an entity is required to report material information on sustainability risks and opportunities, which would assist users in predicting the value, timing and certainty of the entity's future cash flows, over the short, medium and long term and therefore their assessment of enterprise value. To the extent it could influence the assessment of enterprise value, material information includes information about the entity's impacts on society and the environment, and how those impacts affect its future cash flows. Comparable disclosure on sustainability matters relevant to assessing enterprise value is designed to help facilitate the efficient allocation of capital.

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Introduction

IN4 [Draft] IFRS Sustainability Disclosure Standard SX *General Requirements for Disclosure of Sustainability-related Financial Information* ([Draft] IFRS S X) sets out the overall requirements for disclosing sustainability-related financial information relevant to the sustainability-related risks and opportunities of the entity.

IN5 The objective of [Draft] IFRS SX is to require entities to provide material information about the entity's exposure to sustainability-related risks and opportunities that is useful to users of general purpose financial reporting in making decisions about whether to provide economic resources to the entity. The [Draft] Standard also seeks to enhance connectivity within the entity's general purpose financial reporting, including between the entity's financial statements and sustainability-related financial information.

IN6 Sustainability matters that do not affect the reporting entity's enterprise value are outside the scope of general purpose financial reporting. However, reporting on such matters may inform a wider range of stakeholders (including users) who want to understand an entity's positive and negative contributions to sustainable development. Some stakeholders may also be required to report on these matters.

Reasons for issuing [Draft] IFRS SX

IN7 Sustainability-related risks and opportunities including those related to climate, labour practices, human rights and community relations, water and biodiversity are increasingly important to the decisions made by investors and other participants in the world's capital markets and their assessment of an entity's enterprise value.

IN8 The International Sustainability Standards Board will require time to develop thematic standards on sustainability-related matters in addition to the standard on climate, and industry-specific standards. [Draft] IFRS SX requires an entity to report on all material information about significant sustainability risks and opportunities.

IN9 [Draft] IFRS SX was developed in response to calls from users of general purpose financial reporting for more consistent, complete, comparable and verifiable information, including consistent metrics and decision-useful standardised narrative disclosures, to help them assess the effect of sustainability-related matters on:

- the entity's financial position and performance;
- the value, timing and certainty of future cash flows over the short, medium and long term and therefore the assessment of enterprise value by users of general purpose financial reporting; and
- the entity's response through its strategy and business model.

Main features

IN10 [Draft] IFRS SX builds on components of the frameworks and standards of international sustainability and integrated reporting bodies, published in a prototype standard in December 2020.[1] [Draft] IFRS SX also incorporates content from the International Accounting Standards Board's IAS 1: *Presentation of Financial Statements* and aligns with the recommendations of the Task Force on Climate-related Financial Disclosures.

IN11 To achieve the stated objective, the [Draft] Standard includes:

- a requirement to disclose a complete, neutral and accurate depiction of an entity's significant sustainability risks and opportunities.

[1] https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Reporting-on-enterprise-value_climate-prototype_Dec20.pdf

- a definition of materiality, aligned with the *Conceptual Framework for Financial Reporting*, focused on the information that serves the needs of users and drives enterprise value.
- a consistent approach for the disclosure of information about significant sustainability-related risks and opportunities built on a consideration of an entity's governance, strategy and risk management and supported by metrics and targets.
- further requirements and guidance that support the provision of comparable and connected information.

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Prototype International Financial Reporting Standard: *General Requirements for Disclosure of Sustainability-related Financial Information*

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[Draft] International Sustainability Disclosure Standard *General Requirements for Disclosure of Sustainability-related Financial Information* is set out in paragraphs [1–90] and appendices A-D. All the paragraphs have equal authority. Paragraphs in bold type state the main principles. Terms defined in Appendix A are in italics the first time they appear in the [draft] Standard. Definitions of other terms are given in other IFRS Sustainability Disclosure Standards. The [draft] Standard should be read in the context of its objective and the Basis for Conclusions [and the *Conceptual Framework*]

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Objective

1 The objective of *sustainability-related financial disclosures* is to provide information about the significant sustainability-related risks and opportunities to which the *reporting entity* is exposed that is useful to *primary users* of *general purpose financial reporting* in deciding whether to provide resources to the entity. Those decisions involve decisions about:

(a) buying, selling or holding equity and debt instruments;

(b) providing or settling loans and other forms of credit; or

(c) exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources.

2 To support the objectives set out in paragraph 1, this [draft] Standard sets out the requirements for disclosing *sustainability-related financial information* relevant to the significant sustainability-related risks and opportunities faced by the entity. This [draft] Standard also prescribes the basis for disclosing sustainability-related financial information that:

(a) is comparable both with sustainability-related financial information of previous periods and with the sustainability-related financial information from other entities; and

(b) is connected to the other information in the entity's general purpose financial reporting.

3 An entity's general purpose financial reporting shall include a complete, neutral and accurate depiction of an entity's significant sustainability risks and opportunities to assist users of the general purpose financial reporting in predicting the value, timing and certainty of the entity's future cash flows, over the short, medium and long term and therefore inform users' assessment of *enterprise value*. A complete depiction shall include all material information about significant sustainability-related risks and opportunities.

4 In deciding whether to provide resources to an entity, users need to understand how sustainability-related risks and opportunities are likely to affect the value, timing and certainty of the entity's future cash flows and therefore users' assessment of enterprise value. Some of these effects on enterprise value will have already taken place by the reporting date (or will have been included in the projections of the cash flows that support valuations and estimates of future cash flows) and will, therefore, have already been represented as monetary amounts included in the financial statements.

5 While *sustainability-related financial information* can relate to amounts included in the financial statements, it is also broader than information included in the financial statements. It takes into account decisions made by the entity on or before the reporting date that will give rise to future inflows and outflows that do not meet the criteria for recognition in the financial statements at the reporting date.

Scope

6 An entity shall apply this [draft] Standard in preparing and disclosing sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. An entity is permitted to apply IFRS Sustainability Disclosure Standards when the entity's related financial statements are prepared in accordance with IFRS Accounting Standards or other GAAP.

7 Other IFRS Sustainability Disclosure Standards set out the disclosure requirements for specific sustainability-related matters and associated cross-industry, industry-based and activity metrics, and targets.

8 Sustainability matters that do not affect the reporting entity's enterprise value are outside the scope of general purpose financial reporting.

9 This [draft] Standard uses terminology that is suitable for profit-oriented entities, including public-sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this [draft] Standard, they may need to amend the descriptions used for particular disclosure items in relation to applying the IFRS Sustainability Disclosure Standards.

Applying conceptual elements

Materiality

10 General purpose financial reporting includes financial statements of and sustainability-related financial information about a specific reporting entity. Sustainability-related financial information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports.

11 Sustainability-related financial information influences those decisions if it influences users' assessments of the value, timing and certainty of the entity's future cash flows, and hence users' assessment of the entity's enterprise value.

12 Therefore, material information includes information that provides insights into factors that could reasonably be expected to influence users' assessment of the entity's enterprise value including its ability to generate cash flows over the short, medium and long term and the value attributed by users to those cash flows. Material information could include but is not limited to information about:

(a) an entity's impacts on society and the environment, if those impacts could reasonably be expected to affect the entity's future cash flows; and

(b) events considered to have a low likelihood but a high potential impact on the entity's future cash flows.

13 Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates. The [draft] Standard does not specify a uniform quantitative threshold for materiality or predetermine what would be material in a particular situation.

14 Management shall apply judgement to identify the information about sustainability risks and opportunities and the associated metrics that are material to an entity's circumstances. Because an entity's circumstances change over time, materiality judgements are reassessed at each reporting date in the light of those changed circumstances.

15 Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial reporting requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

16 Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial reporting for much of the sustainability-related financial information they need. Those users, therefore, are the primary users to whom general purpose financial reporting is directed. General purpose financial reporting is prepared for users with a reasonable knowledge of business and economic activities and who review and analyse the information diligently. Even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex sustainability-related matters.

17 An entity need not provide a specific disclosure required by an IFRS Sustainability Disclosure Standard if the information resulting from that disclosure is not material. Even if the IFRS Sustainability Disclosure Standards set out a list of specific requirements or

minimum requirements, if the information that results from applying the requirements is not material, the entity need not disclose it.

18 An entity shall also consider whether to provide more than the required information when compliance with the specific requirements in IFRS Sustainability Disclosure Standards is insufficient to enable users of general purpose financial reporting to understand the impacts of sustainability-related risks and opportunities on the value, timing and certainty of the entity's future cash flows, over the short, medium and long term and therefore users' assessment of enterprise value. Such additional information could relate to the entity's *business model*, financial position or performance, or could describe how the entity has adapted its strategy, risk management and governance in response to sustainability-related risks and opportunities. This additional information could also include the measures the entity uses to set targets and monitor performance.

Reporting entity boundary

19 The reporting entity's boundary for its general purpose financial reporting shall be the same for its:

(a) financial statements; and

(b) sustainability-related financial disclosures.

20 An entity shall disclose material information about significant sustainability-related risks and opportunities arising from activities, interactions and relationships with parties outside the reporting entity's boundary that affect users' assessment of enterprise value. For example, a reporting entity's principal supplier may use a manufacturing process that will need to be substantially modified to comply with environmental regulations. The reporting entity may determine that information about sustainability risks and opportunities to do with this supplier is material to the users of its general purpose financial report.

Connectivity

21 A complete set of sustainability-related financial disclosures is provided so that users can understand the connections, dependencies and trade-offs that may apply between sustainability-related financial disclosures and other information in general purpose financial reporting. Some sustainability-related financial information could be positioned in the relevant sections of a general purpose financial report together with information from the financial statements to provide users a complete depiction of the entity's business. Specific required metrics and targets could be disclosed together with information on governance, strategy and risk management where these metrics and targets support such disclosures.

22 An entity shall connect sustainability-related financial disclosure with other information, for example but not limited to, where:

(a) it highlights relationships between different pieces of information and present it clearly and concisely. For example, an entity might explain its use of natural resources, changes within its supply chain and associated significant sustainability-related risks and opportunities. The entity may need to link this to the potential or actual impact on its production costs, its strategic response to mitigate such risks and its related financial investment in research and development. This information may also need to be linked to information in the financial statements, and to specific metrics and targets.

(b) it explains trade-offs when sustainability-related risks and opportunities give rise to other sustainability-related risks and opportunities. For example, an entity might need to restructure its operations due to an imminent carbon emissions tax. This change might pose a significant risk to the entity, and might significantly shrink employment in coming years. The entity may need to disclose how it is working to reskill, compensate and redeploy labour.

General features

23 Unless IFRS Sustainability Disclosure Standards permit or require otherwise, an entity shall disclose information that focuses on matters critical to the way an entity operates:

(a) governance—the governance processes, controls and procedures a reporting entity uses to monitor sustainability-related risks and opportunities;

(b) strategy—the sustainability-related risks and opportunities that could enhance the entity's business model and strategy over the short, medium and long term

(c) risk management—how sustainability-related risks are identified, assessed, managed and mitigated; and

(d) metrics and targets—information used to manage and monitor the entity's performance in relation to sustainability-related risks and opportunities over time.

Governance

24 The objective of sustainability-related financial disclosures on governance is to enable users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage sustainability-related risks and opportunities. Such information supports evaluations of whether sustainability-related financial risks and opportunities receive appropriate oversight by those charged with governance.

25 To achieve the objective in paragraph 24, the entity shall disclose a description of the body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of existing and emerging sustainability-related risks and opportunities, and of management's role with respect to existing and emerging sustainability-related risks and opportunities, including:

(a) the identity of the body or individual within a body responsible for sustainability-related risks and opportunities;

(b) how the body's responsibilities for sustainability-related risks and opportunities are reflected in terms of reference, board mandates and other relevant entity policies;

(c) how the body ensures that the correct skills and competencies are available to oversee strategies designed to respond to sustainability-related risks and opportunities;

(d) the processes and frequency by which the body and its committees (audit, risk or other committees) are informed about sustainability-related matters and the associated sustainability-related risks and opportunities;

(e) how the body and its committees consider sustainability-related risks and opportunities when overseeing the entity's strategy, decisions on major transactions, and risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required;

(f) how the body oversees the setting of sustainability-related targets and monitors progress towards them, including whether and how related performance metrics are incorporated into remuneration policies; and

(g) a description of management's role in assessing and managing sustainability-related risks and opportunities (for example, whether sustainability-related responsibilities have been assigned to specific management-level positions or committees, and that appropriate controls have been put in place by management to monitor sustainability-related matters, including ways in which sustainability-related risks and opportunities are considered and coordinated across different internal functions) and how the body oversees management in that role.

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Strategy

26 The objective of sustainability-related financial disclosure on strategy is to enable users of general purpose financial reporting to understand the entity's strategy for addressing significant sustainability-related risks and opportunities. Such information supports evaluations of whether sustainability-related financial risks and opportunities are incorporated into an entity's strategic planning and are core to an entity's strategy.

27 To achieve this objective in paragraph 26, the entity shall disclose its assessment of:

(a) the significant sustainability-related risks and opportunities that it reasonably expects could affect its business model, strategy, and cash flows over the short, medium or long term (see paragraph 28);

(b) the impact of significant sustainability-related risks and opportunities on its business model (see paragraph 30);

(c) the impact of significant sustainability-related risks and opportunities on management's strategy and decision making (see paragraph 31);

(d) the impact of significant sustainability-related risks and opportunities on the entity's financial position, performance and cash flows at the reporting period end, and anticipated over the short, medium and long term (see paragraph 32); and

(e) the resilience of the entity's strategy to significant sustainability-related risks (see paragraph 33).

28 An entity shall disclose information that enables users of general purpose financial reporting to understand the significant sustainability-related risks and opportunities that could reasonably be expected to affect the entity's business model, strategy and cash flows over the short, medium or long term. Specifically, the entity shall disclose:

(a) a description of the processes in place to identify significant sustainability-related risks and opportunities that it reasonably expects could positively or negatively affect the entity's business model, strategy, and cash flows;

(b) how the entity defines short, medium and long term and how the definitions are linked to the entity's strategic planning horizons and capital allocation plans; and

(c) a description of specific significant sustainability-related risks or opportunities and the time horizon over which each could reasonably be expected to have a financial effect on the entity.

29 The relevant time horizons required in paragraph 28(b) can vary based upon many factors, including industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons adopted by users, and the planning horizons typically used by management in the entity's industry for strategic decision making.

30 An entity shall disclose information that enables users of general purpose financial reporting to understand its assessment of the current and *anticipated* effects of significant sustainability-related risks and opportunities on its business model. Specifically, the entity shall disclose:

(a) a description of the current and anticipated effects of significant sustainability-related risks and opportunities on its value chain for producing goods or services (for example, supply chains, operations, workforce, marketing and distribution channels); and

(b) where in the entity's value chain significant sustainability-related risks or opportunities are concentrated (for example, geographic areas, facilities or types of assets, inputs, outputs or distribution channels).

31 An entity shall disclose information that enables users of general purpose financial reporting to understand its assessment of the impact of sustainability-related risks and opportunities on management's strategy and decision making, To achieve this objective, the entity shall disclose:

(a) how it is responding to significant sustainability-related risks and opportunities;

(b) plans and critical assumptions for legacy assets, where applicable;

(c) quantitative and qualitative information about the progress of plans previously disclosed in accordance with paragraphs with 30(a) and 30(b) in the prior reporting periods;

(d) what trade-offs between sustainability-related risks and opportunities were considered by management in their decision making (for example, in a decision on the location of new operations, a trade-off between the environmental impacts of those operations and the employment opportunities they would create in a community, and the related effects on enterprise value); and

(e) how significant sustainability-related risks and opportunities are included in the entity's financial planning decision making (for example, in relation to investment decisions and funding).

32 An entity shall disclose information that enables users of general purpose financial reporting to understand the impact of significant sustainability-related risks and opportunities on the entity's current financial position, performance and cash flow at the reporting period end, and anticipated over the short, medium and long term. Specifically, the entity shall disclose qualitatively, and quantitatively when feasible:

(a) how significant sustainability-related risks and opportunities have affected the entity's most recently reported financial performance, position and cash flows;

(b) how management expects the entity's financial position to change over time in line with its strategy to address significant sustainability-related risks and opportunities, reflecting:

(i) the entity's current and committed investment plans and their anticipated impact on the financial position, (for example, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements);

(ii) the entity's planned sources of funding to implement the strategies.

(c) how management expects the entity's financial performance to change over time in line with its strategy to address significant sustainability-related risks and opportunities; and

(d) how the entity's assessment of significant sustainability-related risks and opportunities has affected judgements made or present sources of estimation uncertainty in the financial statements.

33 An entity shall disclose qualitatively, and quantitatively when feasible, an analysis of the resilience of the entity's strategy, and cash flows to significant sustainability-related risks, where applicable, including how the analysis was undertaken, the boundary and time horizon of the analysis, and the results of the analysis.

Risk management

34 The objective of sustainability-related financial disclosures on risk management is to enable users to understand how an entity's existing and emerging sustainability-related risks are identified, assessed, managed and mitigated and whether those processes are integrated into existing risk management processes. Such information supports users of sustainability-related financial disclosures in evaluating the organisation's overall risk profile and risk management activities.

35 To achieve the objective in paragraph 34 the entity shall describe:

(a) the process by which sustainability-related risks are identified;

(b) the process, or processes, by which the entity assesses the significance of sustainability-related risks, including, where relevant:

(i) how it determines the likelihood and impact of such risks (such as the qualitative factors or quantitative thresholds used);

(ii) how it prioritises sustainability-related risks relative to other types of risks, including the use of risk assessment tools;

(iii) which significant input parameters it uses (for example, data sources, the scope of operations covered and the level of detail used in assumptions); and

(iv) whether it has changed the processes used compared to the prior reporting period;

(c) for each significant sustainability-related risk, information that enables an understanding of how the risk is being monitored, managed and mitigated, including related policies; and

(d) the extent to which, and how, these sustainability-related risk identification, assessment and management processes are integrated into the entity's overall risk management process.

Metrics and targets

36 The objective of sustainability-related financial disclosures on metrics and targets is to enable users to understand how an entity measures and monitors its significant sustainability-related financial risks and opportunities. Such information supports users of sustainability-related financial disclosures in assessing the entity's progress and performance in relation to those issues.

37 To achieve the objective in paragraph 36, an entity shall disclose:

(a) cross-industry, industry-based and activity metrics;

(b) targets set by its governance body or bodies (which includes a board, committee or equivalent body charged with governance and management); and

(c) other key performance indicators used by the governance body and bodies to measure progress towards the targets identified in 37(b).

38 A cross-industry metric is relevant to entities, regardless of industry and business model. An industry-based metric is relevant to entities within an industry, based on common features of business models within that industry, and the manner in which the underlying business activities comprising those business models result in exposures to specific sustainability-related risks or opportunities.

39 An activity metric facilitates the normalisation of cross-industry and industry-based metrics for the purposes of comparison with other entities. Examples of activity metrics include number of employees, amount of product sold and retail space.

40 Key performance indicators include cross-industry metrics, industry-based metrics and other, entity-specific, key performance indicators.

41 Cross-industry, industry-based and activity metrics (together referred to as 'metrics') shall be defined in accordance with the applicable IFRS Sustainability Disclosure Standard and related application guidance. An entity shall disclose those industry-based metrics that apply to its activities in line with its business model and in relation to specific sustainability-related risks or opportunities. Some entities will have a range of activities and thus may need to apply metrics applicable to more than one industry.

42 In the absence of an IFRS Sustainability Disclosure Standard and associated metrics, an entity shall follow the guidance in paragraphs 71–73.

43 The entity shall disclose:

(a) targets set by management to mitigate or adapt to sustainability-related risks or enhance sustainability-related opportunities and achieve strategic goals;

(b) information about the nature of the target, including where relevant:

(i) a clear indication of whether the target is absolute, normalised, intensity, or activity-based;

(ii) the timeframe over which the target applies;

(iii) the base period from which progress is measured;

(iv) any milestones or interim targets; and

(v) whether the target is determined based on external parameters or validated as part of sustainability initiatives

(c) metrics and other key performance indicators used to assess progress towards reaching targets and achieving strategic goals;

(d) the entity's performance against disclosed targets and analysis of trends or significant changes to performance ; and

(e) explanations of the methods used to calculate the targets and the inputs to the calculation, including the significant assumptions made and the limitations of those methods.

44 The definition and calculation of targets and entity-specific key performance indicators shall be consistent over time. If a target or entity-specific key performance indicator is redefined the entity shall:

(a) explain the changes;

(b) explain the reasons for those changes and

(c) provide restated comparative figures, unless it is impracticable to do so.

45 The entity shall label metrics, entity-specific key performance indicators and targets using meaningful, clear and precise names and descriptions.

46 If an entity stops disclosing a metric, entity-specific key performance indicator or target, the entity shall explain why this measure no longer provides relevant information.

47 When a metric, entity-specific key performance indicator or target is replaced by another one that better achieves the same objectives, the entity shall explain the change and why the new measure provides more reliable or relevant information compared to the previous measure used.

Comparative information

48 Unless IFRS Sustainability Disclosure Standards permit or require otherwise, an entity shall present comparative information regarding the previous period for all amounts including metrics and key performance indicators reported in the current period. When relevant to understanding the current period's sustainability-related financial disclosures an entity shall also disclose comparative information for narrative and descriptive information.

49 An entity shall disclose comparative information that reflects updated estimates. Presenting the most recent estimate of the comparative information enhances comparability. When an entity reports comparative information that differs from the information reported in the previous period it shall disclose:

(a) the difference between the amount reported in the previous period and the revised comparative amount; and

(b) the reasons the amounts have been revised.

50 In some circumstances, it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data may not have been collected in the prior period(s) in a way that allows either retrospective application of a new definition of a metric, target or key performance indicator or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information. When it is impracticable to adjust comparative information for one or more prior periods, an entity should disclose the fact.

Frequency of reporting

51 An entity shall identify the reporting period for sustainability-related financial disclosures. An entity shall disclose sustainability-related financial disclosures for the same reporting period on which the entity's financial statements are based, and therefore report at least every 12 months and at the same time as those financial statements.

52 When an entity changes the end of its reporting period and discloses sustainability-related financial disclosures for a period longer or shorter than 12 months, an entity shall disclose the period covered by the sustainability-related financial disclosures and:

(a) the reason for using a longer or shorter period, and

(b) the fact that the amounts presented in the sustainability-related financial disclosures are not entirely comparable.

53 Normally, an entity prepares sustainability-related financial disclosures for a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This [draft] Standard does not preclude this practice.

54 This [draft] Standard does not mandate which entities should be required to disclose interim sustainability-related financial information, how frequently it should be disclosed, or how soon after the end of an interim period it should be disclosed. However, governments, securities regulators, stock exchanges, and accountancy bodies may require entities whose debt or equity securities are publicly traded to publish interim reports. Paragraph 55 applies if an entity is required or elects to publish interim sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards.

55 In the interest of timeliness and cost considerations and to avoid repetition of information previously reported, an entity may be required to or may elect to provide less information at interim dates than it provides in its annual disclosures. The interim disclosures are intended to provide an update on the latest complete set of annual disclosures of sustainability-related financial information. Accordingly, those disclosures focus on new information, events and circumstances and do not duplicate information previously reported. However, while the information provided in interim sustainability-related financial disclosures may be more condensed than in annual disclosures an entity is not prohibited or discouraged from publishing a complete set of sustainability-related financial disclosures as described in this [draft] Standard in its interim reporting.

Reporting channel

56 An entity is required to disclose information required by IFRS Sustainability Disclosure Standards as a part of the entity's general purpose financial reporting. Subject to any regulation or other requirements that apply to an entity, there are various possible locations in its general purpose financial reporting in which to disclose sustainability-related financial information.

57 Sustainability-related financial disclosures can be included in an entity's management commentary where management commentary forms part of an entity's general purpose financial reporting. Management commentary complements an entity's financial statements.

It provides management's insights into the factors that have affected the entity's financial performance and financial position and the factors that could affect the entity's ability to create value and generate cash flows. Management commentary can be known by or incorporated in reports with various names, including management's discussion and analysis, operating and financial review, integrated report and strategic report.

58 An entity may include additional information that is not material but that an entity needs to disclose to comply with other published requirements or guidelines provided that the additional information does not obscure material information.

59 Information required by IFRS Sustainability Disclosure Standards may be incorporated by cross-reference from another report that is available to users on the same terms and at the same time as the financial statements, and if including the information in this way rather than directly within the general purpose financial report does not make the general purpose report less clear.

60 If material information in another report is included in general purpose financial reporting by cross-reference to that other report, that information becomes part of general purpose financial reporting which, means that, for example:

(a) information included by cross-reference needs to comply with the requirements of IFRS Sustainability Disclosure Standards. For example, it needs to be complete, neutral and accurate.

(b) the bodies or individuals that authorise the general purpose financial report for issue take the same degree of responsibility for the information included by cross-reference as they do for the information included directly within in the general purpose financial report itself.

61 If the general purpose financial report includes information by cross-reference to another report:

(a) the general purpose financial report shall identify the report clearly and explain how to access it; and

(b) the cross-reference shall be to a precisely specified part of that report.

62 Information required by IFRS Sustainability Disclosure Standards might be available in the financial statements or in another part of a general purpose financial report published by the entity. That information may be presented by cross-reference to the financial statements or another part of the general purpose financial report if including the information in this way does not make the general purpose financial report less clear.

63 When IFRS Sustainability Disclosure Standards require the disclosure of common items of information, an entity shall avoid unnecessary duplication. For example, when an entity's oversight of sustainability-related risks and opportunities is managed on an integrated basis, the disclosures on governance should also be integrated rather than providing separate governance disclosures for each significant sustainability risk and opportunity.

Identifying related financial statements

64 Sustainability-related financial disclosures shall identify the financial statements to which they relate. If the related financial statements are not prepared in accordance with IFRS Accounting Standards, the sustainability-related financial disclosures shall disclose the basis on which the financial statements are prepared.

Using financial data and assumptions

65 When sustainability-related financial disclosures include financial data and assumptions, such financial data and assumptions shall be consistent with the corresponding financial data and assumptions included in the entity's financial statements.

66 When the reporting currency is specified as the unit of measure, the entity shall use the currency in which its financial statements are presented.

67 An entity need not disclose information required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. If an entity omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction.

Fair presentation

68 A complete set of sustainability-related financial disclosures shall present fairly the sustainability-related risks and opportunities to which the entity is exposed. Fair presentation requires the faithful representation of sustainability-related risks and opportunities in accordance with the principles set out in this [draft] Standard / the [Conceptual Framework].

69 Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation. A fair presentation also requires an entity:

(a) to disclose information that is relevant, reliable, comparable and understandable; and

(b) to provide additional disclosures when compliance with the specific requirements in IFRS Sustainability Disclosure Standards is insufficient to enable users to understand the impact or potential impact of significant sustainability-related risks and opportunities on the entity's enterprise value.

70 When applying this [draft] Standard and other IFRS Sustainability Disclosure Standards, an entity, considering all relevant facts and circumstances, shall decide how it aggregates information in sustainability-related financial disclosures. An entity shall not reduce the understandability of its sustainability-related financial disclosures by obscuring material information with immaterial information or by aggregating material items with different natures or functions.

71 In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability matter, management shall use its judgement in disclosing information that will meet the objective set out in paragraph 1 and that is:

(a) relevant to the decision-making needs of users;

(b) faithfully represents the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and

(c) are neutral.

72 In making the judgement described in paragraph 71, management shall refer to and consider the applicability of, the following sources in descending order:

(a) the requirements in this [draft] Standard; and

(b) the requirements in IFRS Sustainability Disclosure Standards that pertain to similar and related risks and opportunities.

73 In making the judgement described in paragraph 71, management may also consider the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting and consider accepted industry practices, to the extent that these do not conflict with the sources listed in paragraph 72.

Sources of estimation and outcome uncertainty

74 When metrics cannot be quantified directly and can only be estimated, measurement uncertainty arises. The use of reasonable estimates is an essential part of preparing

sustainability-related metrics and does not undermine the usefulness of the information if the estimates are clearly and accurately described and explained. Even a high level of measurement uncertainty does not necessarily prevent such an estimate from providing useful information. An entity shall identify metrics it has disclosed that have significant estimation uncertainty, disclosing the sources and nature of the estimation uncertainties and the factors affecting the uncertainties.

75 Some disclosure requirements in IFRS Sustainability Disclosure Standards require information such as explanations about possible future events that have not affected the entity's financial performance or financial position, are not reported in the entity's financial statements and have uncertain outcomes. In judging whether information about such possible future events is material, management shall consider:

(a) the potential effects of the events on the value, timing and certainty of the entity's future cash flows, including in the long term (the possible outcome); and

(b) the full range of possible outcomes and the likelihood of the possible outcomes within that range.

76 When considering possible outcomes, an entity shall consider all relevant facts and circumstances, and consider information about low-probability and high-impact outcomes, which when aggregated, could become material. For example, an entity might be exposed to several sustainability risks, each of which could cause the same type of disruption—such as disruptions to the entity's supply chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk—the risk of supply chain disruption from all sources—might be material.

77 When qualitative information, such as explanations of possible effects of a sustainability factor, relate to possible future events about which there is significant outcome uncertainty, an entity shall identify and disclose the sources of significant uncertainty and the factors affecting these sources of uncertainty.

Errors

78 Prior period errors are omissions from, and misstatements in, the entity's sustainability-related financial disclosures for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

(a) was available when the general purpose financial reporting for those periods was authorised for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation of those sustainability-related financial disclosures.

Such errors include the effects of mathematical mistakes, mistakes in applying definitions for metrics, targets and key performance indicators, oversights or misinterpretations of facts, and fraud.

79 Potential current period errors discovered in that period are corrected before the general purpose financial reporting is authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the sustainability-related financial disclosures for that subsequent period (see paragraphs 80–85).

80 Subject to paragraph 81, an entity shall correct material prior period errors retrospectively in the first general purpose financial reporting authorised for issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred.

81 A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

82 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

83 Any information disclosed about prior periods, including any historical summaries of sustainability-related financial information, is restated as far back as is practicable.

84 When it is impracticable to determine the amount of an error for all prior periods, the entity, in accordance with paragraph 82, restates the comparative information prospectively from the earliest date practicable.

85 Corrections of errors are distinguished from changes in estimates. Estimates by their nature are approximations that may need revision as additional information becomes known.

86 In applying paragraph 80, an entity shall disclose the following:

(a) the nature of the prior period error;

(b) for each prior period disclosed, to the extent practicable, the amount of the correction:

(c) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

87 Hindsight should not be used when correcting amounts for a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts disclosed in a prior period. For example, when an entity corrects a prior period error for water consumption it disregards information about unmetered consumption in a specific jurisdiction during the next period that became available after the general purpose financial report was authorised for issue.

Statement of compliance

88 An entity whose sustainability-related financial disclosures comply with all of the relevant requirements of IFRS Sustainability Disclosure Standards shall include an explicit and unqualified statement of compliance. An entity shall not describe sustainability-related financial disclosures as complying with IFRS Sustainability Disclosure Standards unless they comply with all the relevant requirements of IFRS Sustainability Disclosure Standards.

Effective date

89 [IFRS S X] was issued in [Month, Year]. An entity shall apply [IFRS S X] for annual reporting periods beginning on or after 1 January 20XX. Earlier application is permitted. If an entity applies [IFRS S X] earlier, it shall disclose that fact.

90 An entity is not required to provide the disclosures specified in paragraphs 23-47 for any period before the date of initial application if it would be impracticable to do so.

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Appendix A: Defined terms

Term	Definition
Anticipated	Refers to the effects of risks and opportunities in future periods. If the anticipated effect in future periods is provided as a monetary amount it can be expressed as a single amount or a range.
Business model	An organisation's system of transforming inputs through its business activities into outputs and outcomes and that aims to fulfil the organisation's strategic purposes and create value over the short, medium and long term.
Enterprise value	Enterprise value is defined as market capitalisation of an entity plus the market value of the entity's net debt. It is determined by capital market participants, based on their estimation of the amount, timing and certainty of future cash flows spanning the short, medium and long term. Enterprise value reflects users' assessments of future cash flows, including the value attributed to those cash flows by users. Essential inputs in determining enterprise value include corporate reporting in financial statements, as well as reporting on sustainability matters that it is [reasonably likely] will affect the entity's business model over time (that is to say, affect revenue, costs, assets, liabilities, cost of capital and/or risk profile). The term captures the notion of expected value creation, preservation or erosion over time for an entity's equity and debt investors. This expected value creation, preservation or erosion is distinct from but fundamentally interdependent with an entity's creation, preservation or erosion of value for its stakeholders.
General purpose financial reporting	Provides financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity. It encompasses but is not restricted to an entity's general purpose financial statements and sustainability-related financial disclosures.
Primary users (users) of general purpose financial reporting	Existing and potential investors, lenders and other creditors.
Reporting entity	An entity that is required, or chooses, to prepare general purpose financial statements.
Sustainability-related financial disclosure	Disclosures about an entity's performance on sustainability matters that drive enterprise value, including information about the entity's governance, strategy and risk management of those matters.
Sustainability-related financial information	Information that provides insight into drivers of enterprise value, providing a sufficient basis for users to assess the resources and relationships on which the entity's business model and management's strategy for sustaining and developing that model depend, by understanding:

	(a) how effective the entity's business model is at creating value and generating cash flows, including their timing and certainty, over the short, medium and long term; (b) how scalable and adaptable the model is, and; (c) how resilient and durable the model is. This information includes, but is not limited to, information about matters such as climate change; water use and discharge; biodiversity; and employees and human rights.

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Appendix B: General-purpose financial report that includes sustainability related financial information and financial statement information

The term sustainability can refer:

(a) to activities and relationships that make impacts on people, the environment, and the economy; and

(b) to activities that erode, maintain, or enhance its ability to create enterprise value over the short, medium and long term.

The IFRS Sustainability Disclosure Standards require the disclosure of sustainability-related financial information. Rather than requiring entities to provide information about sustainability, an entity is required to provide information about sustainability-related information as defined. That definition focuses on drivers of enterprise value. It is noted that this can include, but is not limited to, information about matters such as climate change; water use and discharge; biodiversity; and employees and human rights.

Sustainable Development
Sustainable development is most often associated with the 1987 Brundtland Commission Report.

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

It contains within it two key concepts:
- the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and
- the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs.

Reporting entity's boundary

The reporting entity for sustainability-related financial disclosures is the same as for financial statements. All material information about significant sustainability-related risks and opportunities to which the reporting entity is exposed that could affect enterprise value is required to be provided by that reporting entity. An entity could be exposed to significant sustainability-related risks and opportunities that may arise as a result of activities, interactions and relationships with parties that are not part of the consolidated group for reporting purposes. Such risks and opportunities may arise in relation to activities, interactions and relationships with associates, and joint ventures but also with other parties

For example, a garment company may be exposed to significant human rights risks affecting workers or communities in its value chain. Such as the use of child labour or unsafe working conditions. Such human rights risks may affect the company's enterprise value. For example, it may result in the company needing to change suppliers directly affecting its cash flows or could lead to lawsuits, consumer boycotts or investor divestments. Therefore when information about social risks is assessed to be material for users when they make decisions about providing resources to the entity, this would be it is within the scope of this Standard.

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Appendix C: Guidance on implementing materiality[2]

Materiality

The objective of sustainability-related financial disclosure is to provide primary users with information about significant sustainability-related risks and opportunities to which the reporting entity is exposed that is useful to them in making decisions about providing resources to the entity. However, general purpose financial reports do not, and cannot, provide all the information that primary users need. Therefore, the entity aims to meet the common information needs of its primary users. It does not aim to address information needs unique to particular users.

Meeting primary users' information needs

To meet the common information needs of its primary users, an entity first separately identifies the information needs that are shared by users within one of the three types of primary users defined in this Standard—for example investors (existing and potential)—then repeats the assessment for the two remaining types—namely lenders (existing and potential) and other creditors (existing and potential). The combined information needs identified is the set of common information needs the entity aims to meet.

In other words, the assessment of common information needs does not require identifying information needs shared by all users. Some identified information needs will be common to all types of users, but others may be specific to only one or two types. If an entity were to focus only on those information needs that are common to all types of primary users, it might exclude information that meets the needs of only one type.

Interaction between an entity's disclosure and its materiality assessment

Materiality judgements will vary for each entity and all disclosures are subject to materiality judgements even if the Standards are expressed as requiring disclosure. Making materiality judgements involves both qualitative and quantitative considerations. For example, IFRS Practice Statement 2 *Making Materiality Judgements* notes that such qualitative considerations may include "context, that, if present, make[s] information more likely to influence the decisions of the primary users of the entity's financial statements." As a result, in the context of IFRS Sustainability Disclosure Standards, it is likely that by its nature some contextual information would be assessed to be material in most circumstances. For example, it is likely that all entities exposed to significant climate-related risk would assess information about the governance of that risk to be material.

Because materiality judgements are unique to an entity, it is expected an entity's disclosure would provide:

(a) information specific to the practices and circumstances of an entity, rather than a generic disclosure; and

(b) material information necessary for an assessment of how the entity contributes to and is affected by relevant risks.

Impact of publicly available information

The primary users of general purpose financial reports generally consider information from sources other than just the general purpose financial report. For example, these users might also consider information about the industry an entity operates in; information about its competitors and the state of the economy; and information in the entity's press releases as well as other documents the entity has published.

[2] This appendix has been included to aid understandability of the prototype but is not expected to form part of the final Standard

Interaction with local laws and regulations

An entity's general purpose financial report shall comply with the requirements in IFRS Sustainability Disclosure Standards, including requirements related to materiality (materiality requirements), for the entity to state its compliance with those Standards. Hence, an entity that wishes to state compliance with IFRS Sustainability Disclosure Standards cannot provide less information than the information required by the Standards, even if local laws and regulations permit it to do so.

Nevertheless, local laws and regulations may specify requirements for the entity to provide information in the general purpose financial report. In such circumstances, providing information to meet local legal or regulatory requirements is permitted by IFRS Sustainability Disclosure Standards, even if that information is not material according to the materiality requirements in the Standards. However, such information must not obscure information that is material according to IFRS Sustainability Disclosure Standards.

Interaction with corporate disclosure

The three lenes predominately used for corporate disclosure are:

(a) disclosures to stakeholders about sustainability matters that have impacts on people, the environment and the economy—these disclosures normally provide the broadest range of information because they aim to meet the needs of multiple stakeholders. They include disclosures based on jurisdiction-led, public-policy-driven disclosure requirements.

(b) disclosures to investors, lenders and other creditors about sustainability matters that affect their assessment of enterprise value—these disclosures enable investors, lenders and other creditors to understand the impacts that sustainability-related risks and opportunities have on the value, timing and certainty of the entity's future cash flows, over the short, medium and long term and therefore users' assessment of enterprise value.

(c) disclosures to investors, lenders and other creditors about monetary amounts included in the financial statements—these disclosures represent those effects on enterprise value that have already taken place at the reporting date (or are included in the projections of the cash flows that support valuations and estimates of future cash flows) and that are already included in the financial statements

While each type of disclosure is distinct, there can be significant overlap in the scope of sustainability matters that they address. This overlap stems from the interdependency of impacts on people, the environment, and the economy, and the effects those impacts have on enterprise value because entities depend on people, the environment and the economy to generate value over the short, medium and long term.

Material sustainability related financial disclosure for users can therefore include information about the entity's impacts on society and the environment when those impacts affect its cash flow over the short, medium and long term or the value attributed by users to those cash flows.

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Appendix D: Qualitative characteristics of useful [sustainability-related financial] information[3]

D1 The qualitative characteristics of useful sustainability-related financial information, discussed in Appendix D, identify the types of information that are likely to be most useful to existing and potential investors, lenders and other creditors for making decisions about the reporting entity on the basis of information in its sustainability-related financial disclosure.

D2 The qualitative characteristics of useful sustainability-related financial information apply to sustainability-related financial information provided in general purpose financial reports. Cost is a widespread constraint on the reporting entity's ability to provide useful sustainability-related financial information. However, the considerations in applying the qualitative characteristics and the cost constraint may be different for different types of information. For example, applying them to forward-looking information may be different from applying them to information about the existing impacts on the financial position of an entity.

D3 If sustainability-related financial information is to be useful, it must be relevant and material, faithfully represent what it purports to represent, all of which are known as fundamental qualitative characteristics. The usefulness is enhanced if it is comparable, verifiable, timely and understandable.

Fundamental qualitative characteristics

D4 The fundamental qualitative characteristics of useful sustainability-related financial information are relevance and faithful representation.

Relevance

D5 Relevant sustainability-related financial information is capable of making a difference in users' decisions. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources.

D6 Sustainability-related financial information is capable of making a difference in decisions made by users if it has predictive value, confirmatory value or both.

D7 Sustainability-related financial information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Sustainability-related financial information need not be a prediction or forecast to have predictive value. Sustainability-related financial information with predictive value is employed by users in making their own predictions. For example, water quality information, which can include but not be limited to water pollution, may have value as an input to predictive processes used by investors, lenders, and other creditors to inform their expectations about the future performance and position of an entity in relation to local legal or regulatory requirements. This includes, but is not limited to, information not currently affecting the entity or its strategy.

D8 Sustainability-related financial information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.

D9 The predictive value and confirmatory value of sustainability-related financial information are interrelated. Information that has predictive value often also has confirmatory value. For example, carbon emissions information for the current year, which can be used as the basis for predicting carbon emissions in future years, can also be compared with carbon emission predictions for the current year that were made in past years. The results of those comparisons can help a user to correct and improve the processes that were used to make those previous predictions.

[3] This appendix has been included to aid understandability of the prototype but is not expected to form part of the final Standard

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D10 Materiality is an entity-specific aspect of relevance, based on the nature or magnitude of information, or both (see paragraphs 10–18).

Faithful representation

D11 Sustainability-related financial disclosures represent economic phenomena in words and numbers. To be useful, disclosures shall not only represent relevant phenomena, but shall also faithfully represent the substance of the phenomena that they purport to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon.

D12 To be a faithful representation, a depiction would be complete, neutral and accurate. The objective of general purpose financial statements is to maximise those qualities to the maximum extent.

D13 Sustainability-related financial disclosures shall provide a complete depiction of relevant sustainability risks and opportunities.

D14 A complete depiction of a sustainability risk or opportunity includes all material information necessary for investors and creditors to understand the risk or opportunity, including how the entity has adapted its strategy, risk management and governance in response to sustainability risks and opportunities, as well as the metrics identified to set targets and measure performance.

D15 Information disclosed shall reflect transactions, other events and conditions that occur after the end of the reporting period and before the date on which the sustainability-related financial disclosures are authorised for issue.

D16 Sustainability-related financial disclosure shall be neutral. A neutral depiction is without bias in the selection or presentation of information. Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that investors and creditors will receive that information favourably or unfavourably. Neutral information is not information without purpose or without influence on behaviour. On the contrary, relevant information is, by definition, capable of making a difference in users' decisions.

D17 Some sustainability-related financial information—for example, management targets or plans—is aspirational. A neutral discussion of such matters covers both management's aspirations and factors that could prevent management from achieving those aspirations.

D18 Neutrality is supported by the exercise of prudence. Prudence is the exercise of caution when making judgements under conditions of uncertainty. The exercise of prudence means that opportunities are not overstated and risks are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of risks.

D19 Sustainability-related financial disclosures shall be accurate. Information can be accurate without being perfectly precise in all respects. The precision needed and attainable, and factors that make information accurate, depend on the nature of the information and the nature of the matters it addresses. For example, accuracy requires that:

(a) factual information is free from material error;

(b) descriptions are precise;

(c) estimates, approximations and forecasts are clearly identified as such;

(d) no material errors have been made in selecting and applying an appropriate process for developing an estimate, approximation or forecast, and the inputs to that process are reasonable and supportable;

(e) assertions are reasonable and based on information of sufficient quality and quantity; and

(f) information about management's judgements about the future faithfully reflects both those judgements and the information on which they are based.

Enhancing Qualitative Characteristics

Comparability

D20 Users' decisions involve choosing between alternatives, for example, selling or holding an investment, or investing in one reporting entity or another. Comparability is the characteristic that enables users to identify and understand similarities in, and differences among, items. Unlike the other qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items. Information is more useful to investors and creditors if it is also comparable, that is if it can be compared with:

(a) information provided by the entity in previous periods; and

(b) information provided by other entities, in particular those with similar activities or operating within the same industry.

D21 Accordingly, sustainability-related financial disclosures shall be provided in a way that enhances comparability without omitting material information.

D22 Consistency is related but is not the same as comparability. Consistency refers to the use of the same approaches or methods for the same sustainability-related financial matter, from period to period both by a reporting entity and other entities. Comparability is the goal; consistency helps to achieve that goal.

D23 Comparability is not uniformity. For information to be comparable, like components shall look alike and different components shall look different. Comparability of sustainability-related financial information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

Verifiability

D24 Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiable information is more useful to investors and creditors than information that is not verifiable.

D25 Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.

D26 Sustainability-related financial disclosures shall be provided in a way that enhances their verifiability. Verifiability can be enhanced by, for example:

(a) including information that can be corroborated by comparing it with other information available to investors and creditors about the business, about other businesses or about the external environment;

(b) providing information about inputs and methods of calculation used to produce estimates or approximations; and

(c) providing information reviewed and agreed by an entity's board, board committees (or equivalent bodies).

D27 Some material sustainability-related financial disclosures will be in the form of explanations or forward-looking information. Those disclosures can be supportable by faithfully representing factually based strategies, plans and risk analyses, for example. To help investors and creditors decide whether to use such information, an entity shall describe the underlying assumptions and methods of producing the information, as well as other factors that provide evidence that verify that it reflects the actual plans or decisions made by the entity.

Timeliness

D28 Timeliness means having information available to decision-makers in time to be capable of influencing their decisions. Generally, the older the information is the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.

Understandability

D29 Sustainability-related financial disclosures shall be clear and concise. For sustainability-related financial disclosures to be concise, they need to:

(a) avoid generic information, sometimes called 'boilerplate', that is not specific to the entity;

(b) avoid duplication of information in the general purpose financial report, including unnecessary duplication of information also provided in the related financial statements; and

(c) use clear language and clearly structured sentences and paragraphs.

D30 The clearest form of disclosure depends on the nature of the information and might sometimes include tables, graphs or diagrams in addition to narrative text. If graphs or diagrams are used, additional text or tables may be necessary to avoid obscuring material detail.

D31 Clarity might be further enhanced by distinguishing information about developments in the reporting period from 'standing' information that remains unchanged, or changes little, from one period to the next—for example, by separately highlighting features of the entity's sustainability-related governance and risk management processes that have changed since the previous reporting period.

D32 Concise disclosures would include only material information. Any immaterial information included shall be provided in a way that avoids obscuring material information.

D33 Some sustainability-related financial matters are inherently complex and may be challenging to present in a manner that is easy to understand. An entity should seek to present such information as clearly as possible. However, complex information about these matters should not be excluded from general purpose financial reporting to make those reports easier to understand. The exclusion of such information would render those reports incomplete and, therefore, possibly misleading.

D34 The completeness, clarity and comparability of sustainability-related financial disclosure all rely on information being presented as a coherent whole. For sustainability-related financial disclosures to be coherent, such information shall be presented in a way that explains that context and the relationships between the related pieces of information.

D35 If sustainability risks and opportunities discussed in one part of a general purpose financial report have implications for other parts, an entity shall include the information necessary for investors, lenders and other creditors to assess those implications. Some disclosures might be best understood in the context of information in the related financial statements.

D36 Coherence also requires an entity:

(a) to provide information in a way that allows investors, lenders and other creditors to relate that information to information in the entity's financial statements.

(b) to explain areas of apparent inconsistency between information provided about sustainability risks and opportunities and other information provided by the entity to investors, lenders and other creditors—for example, in investor presentations, on the entity's website or in other publicly available communications. However, the general purpose financial report is required to be a comprehensive document that provides financial and sustainability-related risk and opportunity information that is useful to primary users in making decisions about providing resources to the entity. Consequently, the entity assesses whether information is material to the general purpose financial report, regardless of whether such information is also publicly available from another source. Moreover, public availability of information does not relieve an entity of the obligation to provide material information in its general purpose financial report, unless they cross-refer (see paragraphs 59–62).