

Reporting on Anticipated Financial Effects

Deutsches Rechnungslegungs Standards Committee e.V. (DRSC)

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Disclaimer

This study has been carefully prepared by DRSC staff to accurately reflect current reporting practices regarding Anticipated Financial Effects (AFE). Its purpose is to inform stakeholders about the implementation of AFE reporting across different jurisdictions and to highlight potential implementation challenges. It is not intended to serve as guidance.

The reporting practice examples included in this study have been selected solely for their suitability in illustrating the study's findings. Their inclusion should not be interpreted as an assessment by the DRSC of the reporting quality of the respective undertakings.

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Executive Summary

- 1 The aim of our study is to inform the current debate on Anticipated Financial Effects (AFE) disclosures. To that end, we analyse reporting practices from undertakings that report under three major reporting frameworks that contain similar provisions regarding the disclosure of AFE: the TCFD recommendations, the European Sustainability Reporting Standards (ESRS), and the IFRS Sustainability Reporting Standards (IFRS SDS).
- 2 By analysing the sustainability reports from the 20 largest undertakings each from the United Kingdom and Switzerland (applying the TCFD recommendations), France and Spain (applying the ESRS), and Türkiye (applying the IFRS SDS), we identify reporting patterns that may indicate reporting challenges for undertakings required to publish disclosures on AFE.
- 3 Overall, we find that the EU undertakings in our sample report comparatively less on AFE with most of them drawing on transitional reliefs that allow them to postpone their AFE reporting to future years. In our sample, only about one in four undertakings from France and Spain provide AFE disclosures. AFE reporting uptake is noticeably higher in the other jurisdictions with around three out of four undertakings reporting. Across jurisdictions, undertakings mostly provide qualitative AFE disclosures.
- 4 The AFE reporting in our sample is mostly centred around environmental risks. Reporting on opportunities is less common. Very few undertakings provide AFE disclosures pertaining to social or governance topics.
- 5 Overall, we observe a clear diversity in reporting practices. Across our study, we make the following observations intended to inform the debate on AFE:
 - a) Ambiguous terminology and certain disclosure requirements suggest that undertakings may face challenges in clearly identifying their data needs, leading to uncertainty regarding the design of data collection processes and the AFE reporting system. With the current guidance available, it remains unclear whether, and if so to what extent, undertakings are supposed to go beyond their existing risk assessment practices to identify and report on AFE.
 - b) Currently, very few undertakings make use of reporting reliefs beyond the transitional reliefs provided by the ESRS and the “Quick Fix” by the European Commission. This raises the question whether the number of undertakings citing the reliefs laid out in the Draft Simplified ESRS (similarly laid out in the IFRS SDS) will increase after the transitional reliefs have expired.
 - c) Some undertakings do not clearly distinguish between AFE and Current Financial Effects (CFE) in their reporting. A possible explanation for this is that the undertakings may struggle to differentiate AFE from CFE.

- d) Some undertakings do not clearly distinguish sustainability-related financial effects from broader business or market aspects affecting them. They do not always link the identified sustainability-related risks and opportunities to their own financial position, financial performance, or cash flows as the standards would require.
 - e) Most reports analysed in this study lack, to various degrees, important information to fully understand the AFE disclosures. This may point to undertakings struggling to determine which information is necessary in AFE reporting.
 - f) Undertakings in our sample provide quantitative AFE-related information more frequently in their CDP reports than in their sustainability reports. Finding the reasons for this observation may help to identify where undertakings struggle with the AFE provisions outlined in the ESRS and IFRS SDS.
- 6 Our findings point towards challenges that undertakings face in their AFE reporting efforts. We encourage standard setters to further engage with preparers and other stakeholders to identify current reporting obstacles that may have contributed to the findings in our study and to consider improvements to AFE reporting requirements.

1 Background and motivation

- 7 The European Sustainability Reporting Standards (ESRS)¹ require undertakings within the scope of the Corporate Sustainability Reporting Directive (CSRD) to provide disclosures on Anticipated Financial Effects (AFE).² The European Commission’s proposal³ to revise the ESRS, based on the Draft Simplified European Sustainability Reporting Standards (Draft Simplified ESRS) by EFRAG, maintain requirements regarding AFE disclosures.⁴
- 8 The ESRS contain an explicit definition of AFE: AFE are “[f]inancial effects that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the current financial effects” (ESRS Annex II, Table 2). Further, financial effects are defined as “[e]ffects from risks and opportunities that affect the undertaking’s financial position, financial performance and cash flows over the short, medium or long term.”
- 9 Some stakeholders, particularly preparers of sustainability reports, questioned the suitability of the AFE disclosure requirements set forth in the ESRS and Draft Simplified ESRS during the respective standard-setting activities. The criticism mirrored arguments put forward in earlier consultations on other frameworks and reporting standards and mainly reflected concerns regarding an insufficient clarity of the concept of AFE, potentially low significance and comparability of disclosures due to high levels of uncertainties, the sensitivity of the required information, and difficulties in preparing and auditing the information (EFRAG 2025; ISSB 2022a; ISSB 2022b; TCFD 2021a). The criticism was particularly pronounced regarding the proposed quantification of AFE (e.g., EFRAG 2025).
- 10 In January 2026, the DRSC submitted a letter to the Transitional Implementation Group on IFRS S1 and IFRS S2 (TIG) of the IFRS Foundation and addressed several conceptual issues in addition to the practical challenges that were raised in the course of the discussions on AFE. In this submission, the DRSC, among other things, directly points to the lack of a clear understanding of what AFE disclosures in the sustainability report are supposed to depict, including a lack of a distinction between previously existing reporting requirements on ESG risk and opportunity reporting and the new requirements on AFE disclosures. The letter also addresses the suitability of relevant reporting principles (DRSC 2026).
- 11 On the other hand, other stakeholders – predominantly investors and other users of sustainability information – cautioned against dropping AFE disclosure requirements too readily. Investors stated that AFE disclosures can be useful and, in some cases, even essential for an undertaking’s

¹ Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards, as of Jan. 1, 2025.

² Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards, as of Jan. 1, 2025.

³ European Commission, *Revised European sustainability reporting standards* (draft, Have Your Say), https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16775-Revised-European-sustainability-reporting-standards_en, accessed 6 May 2026.

⁴ ESRS 2.27ff., Draft Simplified ESRS.

valuation. This holds particularly true for quantitative disclosures. Insurance undertakings and rating agencies stated that they use sustainability-related disclosures on financial effects to improve their models (ISSB 2022a; ISSB 2022b; TCFD 2021a).

12 After weighing the arguments put forward, the (Draft Simplified) ESRS as well as the IFRS Sustainability Disclosure Standards (IFRS SDS) – another major set of sustainability reporting standards – maintain requirements on both, qualitative *and* quantitative reporting on AFE. However, especially preparers of sustainability reports continue to express concern that the disclosure requirements are unclear and may not meet the quality requirements of the standards. This concern is also reflected in several application questions that preparers continue to raise.

13 The purpose of this study is to inform the current debate on AFE reporting. It aims to provide a conceptual and empirical contribution to the discussion on AFE:

a) **Conceptual underpinnings**

This study summarises the AFE reporting requirements laid out in three different reporting frameworks and standards that prescribe a certain level of AFE-related reporting: (1) the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), (2) the IFRS SDS, and (3) the (Draft Simplified) ESRS. The summary serves to highlight similarities and differences which are important for evaluating application issues in AFE reporting.

b) **Empirical analysis**

Since AFE reporting requirements are a relatively recent concept, there is little empirical literature on the overall implementation of the requirements set forth in the aforementioned frameworks. This study provides some evidence on AFE reporting by analysing AFE-related reporting practices of undertakings applying the TCFD recommendations, the IFRS SDS, and the ESRS.

c) **Application challenges**

Feedback to the ISSB's and EFRAG's consultations cited above, as well as the DRSC's TIG submission, show that there are various practical application issues in AFE reporting as well as conceptual weaknesses of the underlying requirements in the frameworks. This study analyses how application challenges manifest in actual reporting by highlighting ambiguities and information deficits in current reporting practices.

14 This study is intended as a descriptive contribution to the current debate on AFE reporting. It does not evaluate the cost-benefit ratio of AFE disclosure requirements and, therefore, makes no normative statement as to whether and in what form such disclosures should be required.

2 Conceptual underpinnings

2.1 AFE reporting based on the TCFD recommendations

- 15 The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB), an organisation of the G20. The TCFD identified the information needs of investors, lenders, and insurers to allow for an assessment and evaluation of climate-related risks and opportunities (TCFD 2026). In 2017, the TCFD published their report “Recommendations of the Task Force on Climate-related Financial Disclosures”. After releasing updates in 2021 (see TCFD 2017; TCFD 2021b; TCFD 2021c), the TCFD disbanded in 2023 and the IFRS Foundation continued their efforts to maintain reporting requirements on climate-related risks and opportunities. As a result, the TCFD recommendations have been largely incorporated into the IFRS SDS (IFRS Foundation 2026). Today, the TCFD recommendations continue to play a role in corporate reporting, as they are still applied by undertakings on a voluntary or even mandatory basis.
- 16 Importantly, however, the TCFD itself issued *recommendations* that “may” be followed. Unlike the IFRS SDS and the (Draft Simplified) ESRS, the TCFD recommendations do not include mandatory reporting requirements (although note that some jurisdictions may prescribe them). Overall, the TCFD recommendations are less specific and less comprehensive than the disclosure requirements of the IFRS SDS and the (Draft Simplified) ESRS.
- 17 The TCFD recommendations locate the disclosures on AFE in the *Strategy* section of an undertaking’s corporate reporting documents. Undertakings should (TCFD 2017):
- “Disclose the actual and potential impacts of climate-related risks and opportunities on the company’s businesses, strategy, and financial planning where such information is material.”*
- 18 It is worth noting that the TCFD recommendations do not use the term “financial effects” but refer to “[financial] impacts”. Although the term itself is not defined, the TCFD recommendations and guidance concerning potential financial impacts can be considered conceptually comparable to AFE; i.e., an effect on the financial position, financial performance or cash flows of an undertaking, which happens in the future due to certain risks and opportunities.⁵
- 19 It is also worth noting that the TCFD recommendations suggest disclosing “potential” impacts, which may be interpreted differently from “anticipated” impacts (or effects, for that matter). However, after reviewing the TCFD recommendations and associated guidance, we view the TCFD

⁵ The implementation guidelines for the TCFD recommendations define an “actual impact” as a “financial impact that has already occurred as a result of climate-related risks or opportunities”. The term “potential impact” is defined as a “financial impact that may occur in the future due to climate-related risks or opportunities.” The TCFD recommendations do not provide a definition of financial impacts (see TCFD 2021c, p. 46).

recommendations concerning AFE disclosures as sufficiently similar to the disclosure provisions in the IFRS SDS and the ESRS for the purposes of our study.

20 The TCFD provides the following recommendations in their implementation guidance (see TCFD 2021b, p. 18 ff.):

a) **“Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.”**

The TCFD recommends that undertakings provide a description of short-, medium-, and long-term climate-related issues that could have a material “financial [effect]” on the undertaking. Furthermore, undertakings should describe the processes used to identify the risks and opportunities that could have a material “financial [effect]” on the organisation. Undertakings are free to define the short-, medium-, and long-term time horizons they use in their reporting.

b) **“Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.”**

The TCFD recommends that undertakings discuss how the climate-related issues identified in a) have affected their businesses, strategy, and financial planning. They should also describe the extent to which climate-related issues inform the undertaking’s financial planning process. Furthermore, undertakings should explain the effects that climate-related matters have on the undertaking’s financial performance and financial position. The disclosures may be quantitative, qualitative, or a combination of both. Additionally, the TCFD recommends that the undertaking describes the climate-related scenarios they used in the development of the undertaking’s strategy and financial planning.

c) **“Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.”**

The TCFD recommends that undertakings describe how resilient their strategies are to climate-related opportunities and risks given different climate-related scenarios. One scenario should correspond to a 2°C scenario (or lower), and another scenario should, if relevant to the undertaking, consider increased physical climate-related risks. Undertakings should consider disclosing the potential impacts of climate-related issues on their financial performance and financial position.

21 TCFD disclosures are subject to the materiality threshold. The TCFD recommendations do not contain a definition of the term “material”. Instead, undertakings should apply the materiality concept used in their financial reporting (TCFD 2017, p. 17ff.).⁶

⁶ Besides disclosure recommendations for all undertakings, the TCFD also provides guidance for additional disclosures that certain undertakings may provide. For example, certain non-financial institutions may disclose the extent to which greenhouse gas emissions,

22 Finally, note that the TCFD recommendations emphasize the role of management as well as the use of internal data throughout the framework. For instance, the TCFD recommends describing the role of management in assessing and managing climate-related risks and opportunities. The TCFD furthermore recommends basing scenario analyses on data (or other information) used by the undertaking for investment decision making and risk management. Forward-looking quantitative disclosures are also supposed to align with data used by the undertaking for investment decision making and risk management (see TCFD 2021b, p. 17 & 71). Overall, the provisions in the TCFD recommendations suggest that the AFE-related disclosures will be influenced by how management views, manages, and responds to climate-related risks and opportunities. Still, it is unclear to which extent a “management approach” is considered appropriate in AFE reporting under the TCFD recommendations.

2.2 AFE reporting based on the IFRS SDS

General approach to AFE disclosures

- 23 The IFRS SDS adopt the core concepts of the TCFD recommendations and extend their requirements. Importantly, the IFRS SDS require AFE disclosures, while the TCFD recommendations leave the ultimate disclosure decision up to the undertaking. Furthermore, AFE reporting based on the IFRS SDS is not limited to climate-related issues but covers all material sustainability-related risks and opportunities.
- 24 Both IFRS S1 and IFRS S2 contain disclosure requirements regarding current and anticipated financial effects. The relevant requirements in IFRS S2 (IFRS S2.15-21) specify (and mirror) the general requirements in IFRS S1 (IFRS S1.34-40) in relation to climate related disclosures. The following discussion focuses only on the general requirements in IFRS S1.⁷
- 25 The IFRS SDS set certain requirements on how undertakings shall proceed in determining its AFE disclosures. In preparing its AFE disclosures, an undertaking is required to use all reasonable and supportable information available at the balance sheet date without undue cost or effort (IFRS S1.37a). Furthermore, the undertaking shall use an approach that is commensurate with its skills, capabilities, and resources (IFRS S1.37b).

energy, water, and other risks are taken into account in the undertaking’s capital planning and allocation (see TCFD 2021b, p. 58 ff.). The guidelines on metrics, targets, and transition plans also include descriptions of key terms as well as examples of how to implement the TCFD recommendations (see TCFD 2021c).

⁷ In the first year of reporting under IFRS SDS, undertakings are permitted to comply only with the requirements of IFRS S2 (IFRS S1.E5). The effective duplication of disclosure requirements regarding current and expected financial effects in IFRS S2 thus ensures that undertakings also disclose information on these effects in the year of initial application. Furthermore, some jurisdictions pursue a “climate-first approach” and, accordingly, mandate only the application of IFRS S2. Australia, for example, has currently adopted only the requirements of IFRS S2 as mandatory, while IFRS S1 has been adopted as a voluntary standard. In this case, the duplication of requirements regarding current and anticipated financial effects helps ensuring that undertakings report on these effects.

Disclosure requirements

- 26 AFE are conceptually linked to Current Financial Effects (CFE). As such, the following overview contains not only the provisions regarding AFE, but also CFE.
- 27 According to IFRS S1.34, undertakings are required to disclose information that enables users of general purpose financial reports to understand⁸:
- a) **Current financial effects**, i.e., the “effects of sustainability-related risks and opportunities on the [undertaking]’s financial position, financial performance and cash flows for the reporting period”.
 - b) **Anticipated financial effects**, i.e., “the anticipated effects of sustainability-related risks and opportunities on the [undertaking’s] financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how sustainability-related risks and opportunities are included in the [undertaking’s] financial planning”.

The IFRS SDS do not define the terms „short, medium and long term“ and leave their specification up to the undertaking (IFRS S1.30).

- 28 IFRS S1.35 states which disclosures are to be provided specifically:
- a) **Current financial effects:** The undertaking shall provide information on the extent to which sustainability-related risks and opportunities have affected the undertaking’s financial position, financial performance and cash flows during the current reporting period.
 - b) **Anticipated financial effects:** The undertaking shall provide information on
 - the extent to which there is a significant risk that the carrying amounts of assets and liabilities reported in the related financial statements will be subject to a material adjustment within the next reporting period as a result of the sustainability-related risks and opportunities identified in a),
 - how the undertaking expects its financial position to change in the short-, medium-, and long-term, taking into account its strategy for addressing sustainability-related risks and opportunities, and
 - how the undertaking’s financial performance and cash flows are expected to change in the short-, medium-, and long-term, taking into account its strategy for addressing sustainability-related risks and opportunities.

⁸ IFRS 1.29ff. also set forth disclosure requirements regarding anticipated effects in general. IFRS 1.34ff. specify these requirements for AFE.

- 29 IFRS S1.17 ff. specify that only material information is to be disclosed. Material information is defined similar to the IFRS Accounting Standards: information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports.
- 30 In principle, undertakings are required to provide **qualitative and quantitative** disclosures, with quantitative information presented as a specific amount or a range (IFRS S1.35ff.). However, undertakings may omit quantitative disclosures (IFRS S1.38-39):
- if the effects are not separately identifiable,
 - if the level of measurement uncertainty in estimating those effects is so high that the resulting information would not be useful, or
 - if the undertaking does not have the skills, capabilities or resources to provide the quantitative information. Note that this last relief only applies to AFE, not CFE.
- 31 If the undertaking does not provide quantitative AFE disclosures due to the reliefs cited in IFRS S1.38-39, it is required to explain the reasons and provide qualitative information about the effects. This information includes the line items, totals, and subtotals of the related financial statement items that are likely to be affected by these effects. In addition, quantitative information shall be disclosed regarding the combined financial effects of the respective sustainability-related risks and opportunities and other factors, unless such information would not be useful (IFRS S1.40).
- 32 The IFRS SDS do not prescribe where or in which order AFE disclosures shall be made. Instead, the intention is to have disclosures structured in a way that “tells the story” of the associated sustainability-related risks and opportunities (IFRS Foundation 2025, p. 9). It may be the case that some disclosures already exist, for example, in the notes to the financial statements (IFRS S1.BC105). In such cases, a reference is sufficient (IFRS S1.63).
- 33 Finally, while the IFRS SDS – like the TCFD recommendations – in effect ask undertakings to describe the role of management in assessing and managing sustainability-related risks and opportunities (IFRS S1.27b), they do not contain further provisions that clarify the extent to which a “management approach” is appropriate in reporting on AFE.

2.3 AFE reporting based on the (Draft Simplified) ESRS

- 34 The ESRS⁹ also require the disclosure of AFE. Similar to the TCFD recommendations and the IFRS SDS, disclosures regarding AFE are classified as “*Strategy*” disclosures (ESRS 2.37ff.). In

⁹ ESRS as per Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards, as of Jan. 1, 2025.

terms of content, there is significant overlap between the IFRS SDS and the ESRS. This overlap has been further expanded in the Draft Simplified ESRS¹⁰. In contrast to the TCFD recommendations and IFRS SDS, the AFE disclosures governed by the ESRS are to be made in the *Sustainability Report* which constitutes a separate section of the management report in accordance with Articles 19, 19a, 29, and 29a of Directive 2013/34/EU (EU Accounting Directive).

Disclosure requirements under the currently applicable ESRS

- 35 According to ESRS 2.48d and ESRS 2.48e, undertakings are currently required to disclose information regarding current and anticipated financial effects. Both are defined in the ESRS Glossary (ESRS, Annex II, Table 2):
- a) **Financial effects** are defined as effects “from risks and opportunities that affect the undertaking’s financial position, financial performance and cash flows over the short, medium or long term”.
 - b) **Current financial effects** are defined as financial effects “for the current reporting period that are recognised in the primary financial statements”.
 - c) **Anticipated financial effects** are defined as financial effects “that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the current financial effects”.
- 36 Unlike the IFRS SDS, the ESRS provide undertakings with a definition of short-, medium-, and long-term time horizons. ESRS 1.77 specifies that a short-term time horizon is the period that the undertaking has defined as the reporting period in its financial statements. A medium-term time horizon ends after five years, which accordingly marks the beginning of the long-term time horizon. It should be noted that ESRS 1.80 allows undertakings to define the medium- and long-term time horizons differently if the ESRS standard classifications result in non-relevant information. In addition, the ESRS do not contain a description of the concept of “primary financial statements”.
- 37 ESRS 2.48d and ESRS 2.48e specify the disclosure requirements:
- a) **Current financial effects:** The undertaking is required to disclose the effects as per the above-mentioned definition of the undertaking’s material risks and opportunities on its financial position, financial performance and cash flows. Additionally, the undertaking is required to disclose the material risks and opportunities for which there is a significant risk of a material adjustment to the carrying amounts of the assets and liabilities reported in the related financial statements

¹⁰ European Commission, *Revised European sustainability reporting standards* (draft, Have Your Say), https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16775-Revised-European-sustainability-reporting-standards_en, accessed 6 May 2026.

during the *next* reporting period. Note that while the ESRS consider this provision a CFE, the IFRS SDS treat it as an AFE.

b) **Anticipated financial effects:** The undertaking is required to disclose

- how the undertaking expects its financial position to change in the short-, medium-, and long-term, taking into account its strategy for addressing material risks and opportunities (including the time horizons over which these effects can reasonably be expected to occur), and
- how the undertaking expects its financial performance and cash flows to change in the short-, medium-, and long-term, taking into account its strategy for addressing material risks and opportunities (including the time horizons over which these effects can reasonably be expected to occur).

38 Unlike the IFRS SDS, the ESRS follow a double materiality approach (impact and financial materiality, see ESRS 1.21ff.). In the context of AFE disclosures, the ESRS refer to the financial materiality concept in the respective paragraphs. According to the ESRS, a “sustainability matter is material from a financial perspective if it generates risks or opportunities that affect (or could reasonably be expected to affect) the undertaking’s financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term” (see also the Glossary to the ESRS).

39 The topical ESRS further specify the disclosure requirements for AFE and thus also determine, to some extent, where certain disclosures need to be made. For example, ESRS E1 requires undertakings to provide disclosures on the anticipated financial effects of significant climate-related physical and transition risks, as well as opportunities (ESRS E1.64ff.).¹¹ Both qualitative and certain quantitative disclosures shall be provided. Quantitative information on opportunities do not have to be provided if the information would not be useful (ESRS E1.70).

40 Apart from certain reliefs for the first few years of ESRS reporting – specifically, undertakings are exempt from disclosing AFE in the first year of reporting and relieved from providing quantitative disclosures in the first three years if the provision of quantitative disclosures is not feasible – the currently applicable ESRS do not contain any further, major reporting reliefs with respect to AFE disclosures (see ESRS 1, Appendix C).

AFE disclosure requirements under the Draft Simplified ESRS

41 The revision of the ESRS¹² aims at a simplification of the requirements as well as a higher degree of alignment with the IFRS SDS. Among other things, the provisions proposed require an undertaking

¹¹ Apart from ESRS E1-9, the following standards contain provisions on AFE disclosures as well: ESRS E2-6, E3-5, E4-6, and E5-6.

¹² Both EFRAG’s and the European Commission’s proposals.

to use all reasonable and supportable information available at the balance sheet date without undue cost or effort (Draft Simplified ESRS 2.30).

42 Similar to the IFRS SDS, the Draft Simplified ESRS also require undertakings to disclose both qualitative and quantitative effects (Draft Simplified ESRS 2.27). Quantitative disclosures can be presented as a single amount or a range (Draft Simplified ESRS 2.32). Undertakings may – again, similar to the IFRS SDS – omit quantitative disclosures (Draft Simplified ESRS 2.28-29):

- if the effects are not separately identifiable,
- if the level of measurement uncertainty in estimating those effects is so high that the resulting information would not be useful, or
- if the undertaking does not have the skills, capabilities or resources to provide the quantitative information. Again, this last relief only applies to AFE, not CFE.

43 Comparable to the IFRS SDS, the Draft Simplified ESRS state that if the undertaking does not provide quantitative AFE disclosures, it is required to explain the reasons and provide qualitative information about the effects. This information includes the line items, totals, and subtotals of the related financial statement items that have been or are likely to be affected by these effects. In addition, quantitative information shall be disclosed regarding the combined financial effects of the related sustainability-related risks and opportunities and other factors, unless such information would not be useful (Draft Simplified ESRS 2.31).

44 Like the ESRS, the Draft Simplified ESRS contain provisions regarding the time horizons that undertakings are expected to use. It remains possible to define the medium- and long-term time horizons differently if the standard classifications result in non-relevant information (Draft Simplified ESRS 1.79ff.).

45 As for the topical draft standards, only Draft Simplified ESRS E1 continues to include supplementary, topic-related specifications on AFE. The general requirements regarding current and expected financial effects are set out in Draft Simplified ESRS 2, SBM-3.

46 Finally, the ESRS also ask undertakings to provide certain information on the role of management in assessing and managing sustainability-related risks and opportunities (ESRS 2.20ff., resp. Draft Simplified ESRS 2.12ff.). However, like the IFRS SDS, they do not contain further provisions that clarify the extent to which a “management approach” is appropriate in reporting on AFE.

2.4 Implications

47 Practically all standard setting bodies acknowledged, in one form or another, that AFE reporting presents challenges to undertakings. The TCFD for instance made that clear early on by conceding

that reporting on AFE may be difficult for undertakings as they may not (yet) have what the IFRS SDS later subsumed under skills, resources, and capabilities (TCFD 2017). To assist undertakings in their reporting, the TCFD as well as the ISSB and EFRAG provide examples as well as updates and guidance on AFE reporting.¹³ While these alleviate some concerns, conceptual questions remain.

- 48 Appendix 1 provides an overview table with the most important similarities and differences between the standards and frameworks. All frameworks relate their AFE reporting requirements to risks and opportunities in the short-, medium- and long-term while asking for financial effects disclosures in terms of effects on the financial position, the financial performance, and cash flows of the respective undertaking. As such, the understanding of AFE is similar across the frameworks.
- 49 One important difference between the IFRS SDS and the Draft Simplified ESRS, however, lies in how undertakings are expected to source their information. While both standards note that all reasonable and supportable information available to the undertaking without undue cost or effort is to be used, the IFRS SDS grant further flexibility: undertakings are expected to apply an approach that is commensurate with the undertaking's skills, capabilities, and resources. In that, the ISSB recognises that reporting typically matures: Undertakings may have fewer skills, capabilities, and resources in early years of reporting and may develop their reporting over time. In effect, this addition allows reporting to grow over time.
- 50 Additionally, the ESRS as well as the Draft Simplified ESRS contain some explicit disclosure requirements that the IFRS SDS do not entail. For instance, disclosure requirement E1-11 of the Draft Simplified ESRS (comparable to disclosure requirement E1-9 in the ESRS) requires undertakings to provide quantitative information on certain material physical risks as well as certain material transition risks. The fact that every undertaking must form an assessment of these risks suggests that the requirements in the (Draft Simplified) ESRS may go beyond the previously established risk assessment of at least some undertakings.
- 51 Adding to the question as to whether the disclosure requirements go beyond what undertakings have already established in the past is that certain terms in the (Draft Simplified) ESRS and the IFRS SDS are not (yet) clearly defined. This may give rise to application questions. Some questions to this effect were already raised during the consultations. Some examples include:

a) **Significant risk**

In the context of AFE disclosure requirements, IFRS S1.35b and Draft Simplified ESRS 2, SBM-3, use the term "significant risk" which triggers certain disclosure requirements. In the Basis for Conclusions on the IFRS SDS, the ISSB notes that the use of this term led to

¹³ Efforts are also taken by other organisations. For instance, the Climate Disclosures Working Group (CDWG) of the New Zealand Society of Actuaries (NZSA) published a White Paper on "Identifying and quantifying anticipated financial impacts of climate-related risks and opportunities" (see Climate Disclosures Working Group (CDWG) of the New Zealand Society of Actuaries (NZSA) 2026).

ambiguities during the standard-setting process. In particular, the distinction from the materiality principle was unclear. Consequently, the term was removed from some key sections of the standard but retained in others (IFRS S1.BC38ff.). The standards still do not contain a definition.

b) **Undue cost or effort**

An undertaking is required to use information that is available to it without undue cost or effort. The ISSB notes that the IASB also uses the concept of undue cost or effort, meaning that an undertaking is not required to conduct an exhaustive search for information. At the same time, an undertaking must incur certain costs or exert a certain amount of effort to provide information useful for decision-making (IFRS S1.BC10ff., S1.BC106). The concept of undue cost or effort therefore is specific to the undertaking and the AFE disclosure in question, which may raise application challenges.

c) **Primary Financial Statements**

The ESRS as well as the Draft Simplified ESRS use the term “Primary Financial Statements” in the definition of CFE, and thus indirectly in the definition of AFE. However, neither the (Draft Simplified) ESRS nor the CSRD define the term “Primary Financial Statements”. In accordance with IFRS terminology, this term encompasses the statement of financial performance, the statement of financial position, the statement of changes in equity and the statement of cash flows, as set out in Appendix A of IFRS 18 Presentation and Disclosure of Financial Statements. However, the ESRS make no reference to the IFRS.

52 In summary, the standards appear to contain provisions aimed at shielding preparers of sustainability-related information from overly burdensome reporting requirements; be it, for instance, through the criterion of “undue cost or effort”, or the reference to “skills, resources, and capabilities”. However, certain unclear definitions and provisions like the requirements set out in ESRS E1-9 (Draft ESRS E1-11) raise the question how far undertakings are required to build their reporting beyond already established practices. Hence, we formulate the following observation ahead of the empirical analysis:

Observation 1

Ambiguous terminology and certain disclosure requirements suggest that undertakings may face challenges in clearly identifying their data needs, leading to uncertainty regarding the design of data collection processes and the AFE reporting system. With the current guidance available, it remains unclear whether, and if so to what extent, undertakings are supposed to go beyond their existing risk assessment practices to identify and report on AFE.

3 Empirical analysis

3.1 Sample

TCFD recommendations

- 53 Even after the TCFD disbanded, some jurisdictions continue to require undertakings to report in accordance with the TCFD recommendations. For the purposes of this study, we choose undertakings from jurisdictions that meet the following three criteria: (1) the jurisdiction continues to mandate the application of the TCFD recommendations in 2024 and 2025, (2) the jurisdiction implemented a mandate to follow the TCFD recommendations early on, and (3) the jurisdiction does not limit the application to only select industries. To identify early implementation of the TCFD recommendations, we use the country overview presented in the 2023 TCFD Status Report (TCFD 2023).¹⁴
- 54 We choose Switzerland¹⁵ and the United Kingdom¹⁶ as two major jurisdictions that meet the criteria set out above. Even though both are in the process of adopting the IFRS SDS, they currently still require undertakings to apply the TCFD recommendations.

IFRS SDS

- 55 We use the IFRS Foundation's Jurisdictional Profiles that were fully available as of January 30, 2026, as the starting point for our analysis (IFRS Foundation 2026b). As for the TCFD disclosures, we aim to identify jurisdictions that mandated the IFRS SDS early on without or with only negligible limitations in terms of sector carve-outs. As such, undertakings from jurisdictions that mandate the application of IFRS S1 and IFRS S2 for a relevant portion of the public capital market appear to be fundamentally suitable. For the reporting period 2024, the only suitable jurisdiction is Türkiye¹⁷.

¹⁴ The 2023 TCFD Status Report was the most recent (and last) status report published by the TCFD.

¹⁵ Switzerland mandates climate-related disclosures through the Swiss Code of Obligations (CO) and the Ordinance on Climate Disclosures. Specifically, Art. 964a CO requires certain undertakings to prepare a report on non-financial matters. This obligation applies to public interest entities (PIEs) that, together with their controlled undertakings, have on average at least 500 full-time employees over two consecutive financial years and exceed either a balance sheet total of CHF 20 million or revenues of CHF 40 million over two consecutive financial years. Article 964b CO defines the content of this report, while the Ordinance on Climate Disclosures further specifies the climate-related aspects by clarifying that reporting in line with the TCFD recommendations is deemed compliant. It is worth noting that Art. 964a CO allows undertakings to rely on equivalent reporting frameworks. In such cases, the ordinance requires undertakings to demonstrate that the report satisfies the requirements set out in Art. 964b CO.

¹⁶ The United Kingdom specifies the required content of non-financial and sustainability statements in section 414CB of the Companies Act 2006. According to section 414CA, the disclosure of a non-financial and sustainability statement – as part of the undertaking's strategic report – is mandatory for, among others, publicly traded undertakings, banks, and insurers, as well as for undertakings with revenues of more than GBP 500 million and, on average, more than 500 employees during the financial year. Unlike in Switzerland, UK law does not explicitly require undertakings to follow the TCFD recommendations, but it incorporates core elements of these recommendations into the Companies Act. For instance, section 414CB(2A) provides that climate-related financial disclosures must include "a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy", which mirrors the TCFD recommendations. Listed undertakings face an additional requirement under UK Listing Rule 6.6.6(8) of the Financial Conduct Authority: they must state whether they comply with the TCFD recommendations, following a "comply or explain" approach.

¹⁷ In June 2022, Türkiye authorised the Public Oversight, Accounting, and Auditing Standards Authority (KGK) to create and establish the Turkish Sustainability Reporting Standards (TSRS) through Article 88 of the Turkish Commercial Code (Law No. 6102). In December 2023, the KGK published TSRS 1 and TSRS 2, thereby directly transposing the IFRS SDS into Turkish law. Since January 1, 2024,

56 In principle, Mexico, Pakistan, Tanzania, and Zambia are suitable for analysis starting from reporting period 2025 (see Appendix 2).¹⁸ Generally, under the assumption that the resources and skills available for implementing the IFRS SDS correlate positively with the development of the capital market, Mexico would have been a good candidate for the year 2025.¹⁹ Unfortunately, most IFRS SDS-compliant reports were not available by May 4, 2026, the cut-off date for our data collection. Hence, we only include Türkiye for the reporting period 2025.

ESRS

57 In the European Union, the Accounting Directive requires certain EU undertakings, as well as EU subsidiaries or branches of non-EU undertakings, to include a separate sustainability statement according to ESRS in the management report. The ESRS are developed by EFRAG and are, after public consultation, adopted as delegated acts by the European Commission. In July 2023, the final delegated act regarding the ESRS was adopted by the European Commission. In December 2023, the delegated act was published in the Official Journal of the EU.

58 At the time period relevant for our study (i.e., reporting years 2024 and 2025), the sustainability reporting requirements applied to all undertakings subject to NFRD²⁰ reporting requirements, i.e., large Public Interest Entities (PIEs) with more than 500 employees (so-called “Wave 1” undertakings). In subsequent years, the CSRD originally provided that the scope would extend to undertakings that exceed at least two of the following three criteria: 250 employees, 50 million EUR net turnover, and 25 million EUR in total assets.²¹ Given that the CSRD is a European Directive, its contents need to be transposed into national law. Some countries, such as Germany and Spain, did not transpose the CSRD on time by July 2024.

59 An early examination of AFE disclosures in Europe found that in 2024, Spain (despite not having transposed the CSRD into national law yet) and France had the highest share of undertakings reporting on AFE under the ESRS regime (Terboven, Höhne & Müller, 2026). In order to maximise the sample size of AFE reports, we choose Spain and France for our study. The changes to the ESRS

the TSRS are mandatory for all listed undertakings, financial institutions (with some exceptions for certain banks), and undertakings that meet at least two out of the following three criteria in two consecutive reporting periods: (1) total assets of over 500 million TRY, revenues of over 1 billion TRY, and more than 250 employees. Importantly, there is a 1-year relief period for reporting under TSRS 1 (similar to the provisions in IFRS S1), which means that undertakings only have to report on climate-related AFE under TSRS 2 in their first year of reporting.

¹⁸ While other jurisdictions have also made the IFRS SDS mandatory, they (a) do not apply all requirements of IFRS S1 and IFRS S2 (for example, Malaysia currently requires only climate-related reporting), (b) limit mandatory application to a sub-section of the market (e.g., Bangladesh requires the use of the IFRS SDS only for banks and financial institutions), or (c) have disclosure requirements that are subject to restrictions relevant to the study (e.g., Sri Lanka provides a two-year relief period for reporting on AFE).

¹⁹ In Mexico, the IFRS SDS were incorporated through securities regulations rather than a stand-alone statute. As per the Mexican Securities Market Law, the National Banking and Securities Commission (CNBV) has authority to issue binding rules. In early 2025, the CNBV amended their provisions to securities issuers (Circular Única de Emisoras). These amendments require listed issuers (except financial institutions) to submit sustainability information to the CNBV and mandate that the disclosures be aligned with IFRS S1 and IFRS S2. In effect, all non-financial issuers with securities registered in the National Securities Registry must provide sustainability disclosures consistent with the IFRS SDS, starting from 2026 (with reports based on 2025 data).

²⁰ Non-Financial Reporting Directive, Directive 2014/95/EU.

²¹ Note that the size thresholds in the CSRD have recently changed through the Omnibus legislation.

due to the European Commission’s Omnibus programme, with the exception of some transitional reliefs due to the so-called “Quick Fix”²², did not collide with our study period.

Sample Selection

- 60 In line with findings from prior literature (e.g., Hope, Thomas & Vyas 2013), we assume that the size of the undertaking positively correlates with higher reporting quality and a more extensive ability to fulfil reporting obligations. Thus, we examine the 20 largest undertakings by market capitalisation in each of the jurisdictions. We choose 20 undertakings per jurisdiction to achieve a compromise between a sufficiently large sample for a meaningful assessment and time constraints due to an extensive manual data collection process. The complete list of undertakings in our sample is available in Appendix 3.
- 61 Table 1 shows descriptive statistics per jurisdiction, namely the market capitalisation on which the selection of undertakings is based, total assets, and revenues.

	Country	Min	Median	Max	Mean	SD	N
Market Capitalisation (mEUR)	France	46,608	97,469	261,328	113,583	60,319	20
	Spain	8,771	23,477	179,343	49,137	51,545	20
	Switzerland	27,115	41,270	332,134	88,283	90,271	20
	UK	46,114	77,864	278,827	103,978	65,846	20
	Türkiye	3,455	8,169	30,723	9,507	6,954	20
Total Assets (mEUR)	France	19,264	111,846	2,441,551	403,391	695,285	20
	Spain	4,449	40,346	1,693,081	197,677	390,573	20
	Switzerland	4,874	30,116	1,465,738	134,175	314,942	20
	UK	16,210	96,134	2,594,119	402,867	643,719	20
	Türkiye	784	22,489	119,548	37,455	35,865	20
Revenues (mEUR)	France	12,650	38,091	186,913	49,661	38,802	20
	Spain	1,714	18,672	55,146	21,188	168,045	20
	Switzerland	1,884	11,819	94,346	25,434	24,450	20
	UK	9,955	26,802	270,299	55,699	68,680	20
	Türkiye	707	4,207	67,098	9,104	14,825	20

Table 1: Summary statistics

This table shows summary statistics for our sample. The data are drawn from LSEG as of February 19, 2026, and converted to EUR amounts. The data are based on fiscal year ends 2024 which coincides with the reporting dates of our first sample year. Note that four Turkish undertakings did not make an English TSRS-compliant report for 2024 available on their website, which is why we choose to replace those with the four next-largest undertakings by market capitalization.

²² The European Commission’s “Quick Fix”, among other things, allowed undertakings to delay their reporting on AFE. See Commission Delegated Regulation (EU) 2025/1416 of 11 July 2025 amending Delegated Regulation (EU) 2023/2772 as regards the postponement of the date of application of the disclosure requirements for certain undertakings.

- 62 We aim for a complete set of relevant disclosures for the year 2024 and, if possible, also for 2025. According to the CSRD, sustainability reports are part of the management report and thus – with some exceptions in practice – part of the annual reports in France and Spain. Similarly, through the Non-financial and Sustainability Statement in the United Kingdom, the TCFD-aligned reporting is typically found in the annual report. In Switzerland, many undertakings also provide their TCFD-aligned disclosures in the annual report, with some choosing to publish separate sustainability reports. In Türkiye, undertakings typically either include their TSRS-aligned disclosures in their annual report or in separate TSRS reports.
- 63 Our report sample for 2024 contains 20 reports per jurisdiction. The report sample is lower for 2025 given that not all undertakings had released their 2025 reports by our cut-off date for data collection (May 4, 2026). The report sample for 2025 includes 19 reports for France, 19 reports for Spain, 5 reports for Türkiye, 20 reports for Switzerland, and 19 reports for the United Kingdom.

3.2 AFE reporting uptake

- 64 In the following sections, we focus mainly on the 2024 reporting period due to an incomplete sample for 2025 (see above). Overall, the AFE reporting practices for the reports we were able to gather for the reporting period 2025 do not seem to differ significantly from 2024. All results pertaining to the reporting period 2024 are replicated for 2025 and provided in Appendix 4.

AFE reporting uptake by jurisdiction and industry

- 65 We first analyse AFE reporting uptake by jurisdiction. The results are shown in Figure 1. We observe that AFE reporting uptake is significantly higher in Switzerland, Türkiye, and the United Kingdom with about 75% of undertakings making some form of AFE-related disclosure than in France and Spain which sit at 25% or less.

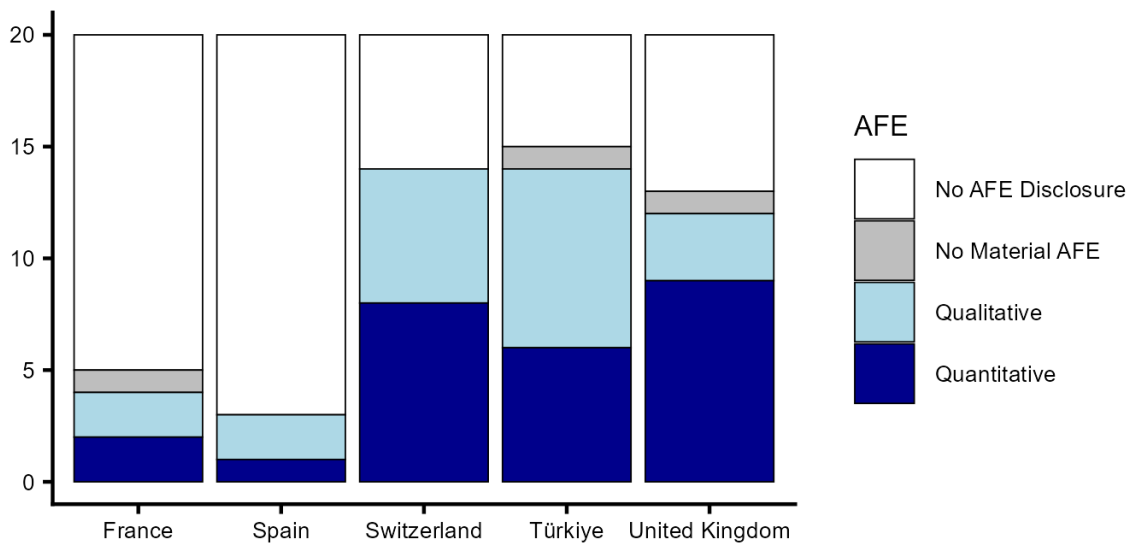


Figure 1: AFE reporting uptake by jurisdiction

This figure shows the AFE reporting uptake by jurisdiction for the reporting period 2024. “Quantitative” means that the undertaking made some form of quantitative AFE-related disclosure in their reporting. “Qualitative” means that the undertaking made qualitative, but not quantitative AFE-related disclosures. “No Material AFE” means that the undertaking states that it identified no material AFE in the reporting period. “No AFE Disclosure” means that we were not able to identify AFE-related disclosures in the undertaking’s reporting. N = 100.

66 Overall, 50 undertakings report at least some information on AFE. Of those, 26 report quantitative and qualitative information, 21 report solely qualitative information, and three undertakings state that they did not identify any material AFE.

We also analyse AFE reporting uptake by industry and split the sample into financial institutions/insurers, and other undertakings (“corporates”; see Figure 2). We find that the share of AFE reporting among financial institutions/insurers is somewhat lower at about one third than for other undertakings at slightly over 50%. Note that the share of financial institutions/insurers is relatively similar across jurisdictions with four in France, five in Switzerland and the UK, six in Spain and seven in Türkiye.

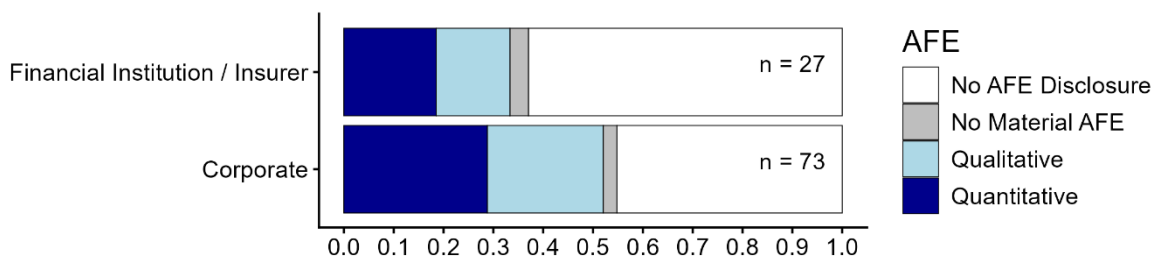


Figure 2: AFE reporting uptake by industry

This figure shows the AFE reporting uptake by industry for the reporting period 2024. “Quantitative” means that the undertaking made some form of quantitative AFE-related disclosure in their reporting. “Qualitative” means that the undertaking made qualitative, but not quantitative AFE-related disclosures. “No Material AFE” means that the undertaking states that it identified no material AFE in the reporting period. “No AFE Disclosure” means that we were not able to identify AFE-related disclosures in the undertaking’s reporting. N = 100.

- 67 It is worth noting that collecting information on AFE disclosures is not always straightforward. While undertakings reporting under the ESRS disclose an index table clearly pointing towards their AFE disclosures (if available), undertakings from other jurisdictions do not always provide similar tables. Undertakings following the TCFD recommendations, for instance, typically include an index table that is less detailed than an ESRS index table.
- 68 We also collect data on the reporting frameworks that undertakings apply in their sustainability disclosures (see Table 2). We observe that in every jurisdiction, most undertakings state that they follow the TCFD recommendations.²³ We also observe a high adoption rate for GRI standards (except in France). The ESRS and the IFRS are predominantly used in the jurisdictions that require their application.
- 69 Interestingly, the high adoption rate of the TCFD recommendations does not automatically translate into an equally large proportion of undertakings providing AFE disclosures. In France and Spain, the share of undertakings that report on AFE is noticeably lower than in the other jurisdictions, even though the share of undertakings that follow the TCFD recommendations is comparable.

Country	AFE Disclosures				Reporting Framework				n
	Quantitative	Qualitative	No Material AFE	No AFE Disclosure	TCFD	ESRS	IFRS	GRI	
France	10%	10%	5%	75%	85%	100%	0%	30%	20
Spain	5%	10%	0%	85%	90%	100%	10%	80%	20
Switzerland	40%	30%	0%	30%	100%	40%	5%	95%	20
UK	45%	15%	5%	35%	100%	20%	0%	70%	20
Türkiye	30%	40%	5%	25%	75%	25%	90%	90%	20

Table 2: AFE reporting and reporting frameworks

This table shows statistics on AFE reporting uptake and reporting frameworks by jurisdiction. “Quantitative” means that the undertaking made some form of quantitative AFE-related disclosure in their reporting. “Qualitative” means that the undertaking made qualitative, but not quantitative AFE-related disclosures. “No Material AFE” means that the undertaking states that it identified no material AFE in the reporting period. “No AFE Disclosure” means that we were not able to identify AFE-related disclosures in the undertaking’s reporting. TCFD, ESRS, IFRS, and GRI stand for the respective reporting frameworks that undertakings state to follow. As it was not always clear whether an undertaking fully complied with the respective framework, the columns sum both partial and full compliance. Grey fields indicate that the respective reporting framework is mandatory in the jurisdiction. One Turkish undertaking published a sustainability report without reference to the TSRS, while another Turkish undertaking announced its first TSRS compliant report for reporting year 2025. N = 100.

Sustainability-related risks and opportunities

- 70 We find that all undertakings with AFE disclosures provide information on sustainability-related risks. However, only about 80% of these undertakings also report on sustainability-related opportunities (see Figure 3).

²³ Note that we summarise partial and full compliance with the reporting frameworks. This is due to the fact that undertakings do not always clearly state whether they fully follow all requirements in the frameworks.

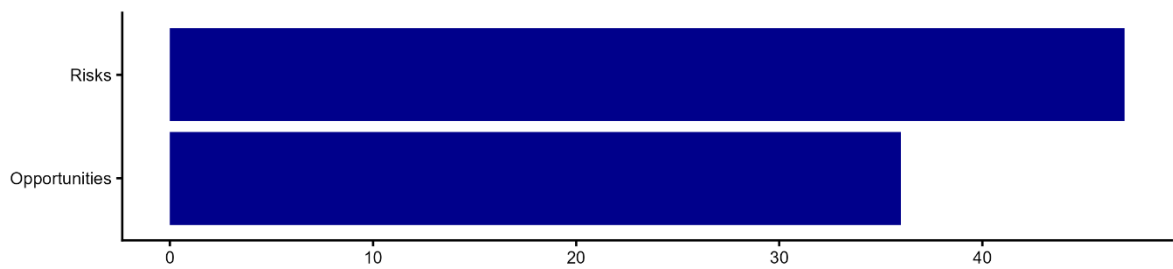


Figure 3: AFE reporting on sustainability-related risks and opportunities

This figure shows the number of undertakings with AFE reporting that report on AFE in relation to sustainability-related risks or opportunities. N = 47.

- 71 We also analyse where undertakings allocate the sustainability-related risks and opportunities within “ESG”. Given that the earliest AFE disclosure recommendations (i.e., the TCFD recommendations) focus on climate, we expect to see most undertakings reporting on risks and opportunities relating to the environment.
- 72 Figure 4 shows that, indeed, all undertakings that report on AFE establish a link to environmental risks and opportunities. Links to social and governance issues are much less common with only two undertakings in the sample providing such information.

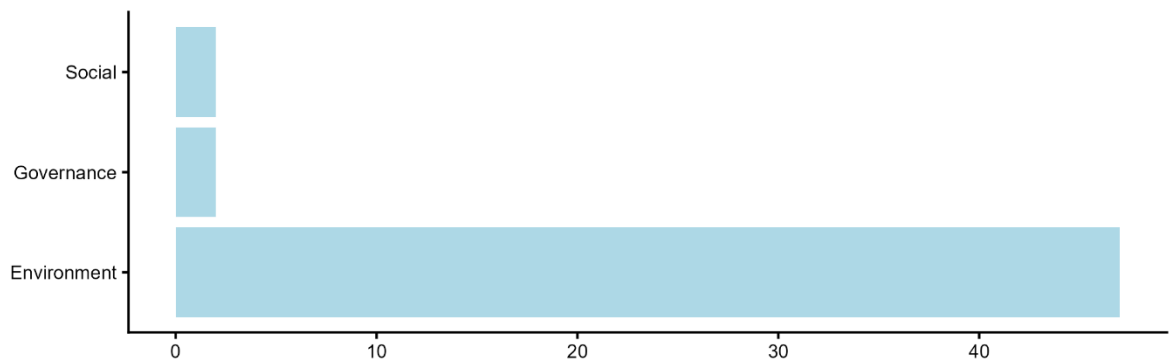


Figure 4: AFE reporting related to ESG

This figure shows the number of undertakings with AFE reporting that report on ESG-related topics in relation to sustainability-related risks or opportunities. N = 47.

- 73 Overall, we observe that undertakings are most advanced in their AFE-related reporting on risks that link to the environment, especially climate. Reporting on AFE-related opportunities is less common and mostly focused on environmental issues as well. Social and governance topics are much less common.

74 Finally, we note that the reporting patterns identified for the reporting period 2024 also hold for the year 2025 (see Appendix 4). However, the conclusions of this analysis are limited since they are based on an incomplete sample.

3.3 Reporting challenges

Reporting reliefs

75 As pointed out above, far from all undertakings provide AFE-related disclosures. Both the IFRS SDS and the ESRS contain reporting reliefs (see sect. 2) that may apply to undertakings. We analyse the reliefs cited by undertakings to get a better understanding of the reasons behind the lack of AFE disclosures (see Table 3).

Reliefs cited	Undertakings providing AFE disclosures			Undertakings not providing AFE disclosures
	Qualitative information on AFE	Quantitative information on AFE	No material AFE identified	
Commercially sensitive information	0 (0.0%)	0 (0.0%)	0 (0.0%)	1 (2.7%)
Lack of resources, skills, or capabilities	2 (14.3%)	2 (22.2%)	0 (0.0%)	1 (2.7%)
Measurement uncertainty	3 (25.0%)	1 (11.1%)	0 (0.0%)	1 (2.7%)
Identifiability	0 (0.0%)	0 (0.0%)	1 (50.0%)	0 (0.0%)
None	8 (66.7%)	7 (77.8%)	1 (50.0%)	35 (94.6%)
N	12	9	2	37

Table 3: Reporting reliefs

This table shows statistics on reporting reliefs cited by undertakings. The respective reliefs are laid out in IFRS S1.38-39 and IFRS S1.B34-B35. The Draft Simplified ESRS contain similar provisions in Draft Simplified ESRS 2.28-29 and Draft Simplified ESRS 1.100. The ESRS (Set 1) generally contain fewer reliefs, however, they do contain an additional transitional relief that allows undertakings to omit reporting on AFE. These transitional reliefs regarding AFE were extended by the European Commission's so-called "Quick Fix". This table only contains data from undertakings listed in France, Spain, and Türkiye, since the TCFD recommendations do not contain similar reliefs. Reading example: an undertaking providing quantitative information on some AFE (middle column) may not have all necessary information available to provide information on another AFE. It thus cites a lack of resources, skills and capabilities. N = 60.

76 We find that most undertakings do not cite reporting reliefs. However, this does not mean that undertakings do not encounter the reasons for reliefs provided in the standards. Looking at undertakings falling under the CSRD, virtually all that do not provide AFE information make use of transitional

reliefs, allowing them to postpone AFE reporting.²⁴ Once European undertakings report on AFE under provisions equal or similar to the Draft Simplified ESRS – i.e., after the transitional provisions have expired – we may see a higher proportion of undertakings applying the reporting reliefs outlined in Table 3.

- 77 The few undertakings in the sample that do make use of reporting reliefs occasionally cite more than one. For instance, of the undertakings that do not report on AFE, two mention specific reasons for reliefs: one refers to a lack of resources, skills, or capabilities *and* measurement uncertainty, while the other one cites commercially sensitive information as a reason for not reporting.
- 78 It is worth noting that some undertakings cite reliefs despite providing information on AFE. The two main cases are (1) undertakings that provide qualitative information but are unable to quantify the information due to measurement uncertainty, and (2) undertakings that are able to provide information on some AFE, while not being able to provide information on others, e.g. due to a lack of skills, resources, or capabilities.
- 79 Illustrative Example 1 shows how the French undertaking Schneider Electric is able to provide quantitative information on some AFE, while citing a lack of information (i.e., a lack of resources) to provide information on others.

(52%) will have a high likelihood of being exposed to natural hazards by 2050.

Schneider Electric has developed a comprehensive climate adaptation and resilience strategy to mitigate risks associated with climate change. At global level, the Property Damage and Business Interruption program, aligned with ISO 22301 standard, maps substantive risks of financial impact on the business, including asset destruction (buildings, equipment, inventories) and profit loss due to business interruption, and ensures crisis management from the initial phase following an incident all the way to the recovery of critical activities. By 2025, 100% of critical distribution centers will be able to redirect more than 80% of their flow in less than 5 day(s), and 90% of critical offers will be covered by at least a dual manufacturing set up.

In the short term, the Group anticipates that its markets will experience outsized growth in the next 3 years driven by electrification and digitalization.

In medium- and long-term time horizons, under the most likely climate pathways, Current Policy and Stated Policy, and without considering any additional climate mitigation action, the expected aggregated impact from transition climate-related risks to Schneider Electric's discounted cash flows over the next ten years is between 3% and 4%.

2.2.2.3.4 Financial effects

At this time, we do not have the necessary information to fully respond to the disclosure requirement. We are currently in the process of gathering and verifying the relevant data. This involves gaining further visibility on quantifying financial effects from material resource use and circular economy related IROs. We anticipate having the required information by the end of 2025.

Illustrative Example 1: Reporting reliefs

The example above shows excerpts from the Universal Registration Document 2024 (p. 154 and 183) of the French undertaking Schneider Electric. It showcases how undertakings may cite reporting reliefs.

²⁴ Note that the ESRS (Set 1) also do not contain all reliefs that the IFRS SDS contain.

80 Overall, the limited evidence we see in the reports suggests that undertakings will weigh the applicability of reliefs on a case-by-case basis. Hence, it is an open empirical question to what extent we will observe an increase in the number of cited reliefs once the transitional provisions in the ESRS as well as the “Quick Fix” run out. We formulate the following observation:

Observation 2

Currently, very few undertakings make use of reporting reliefs beyond the transitional reliefs provided by the ESRS and the “Quick Fix” by the European Commission. This raises the question whether the number of undertakings citing the reliefs laid out in the Draft Simplified ESRS (similarly laid out in the IFRS SDS) will increase after the transitional reliefs have expired.

Distinguishing AFE from CFE and other effects

81 Distinguishing AFE from other effects is important for compliance with the AFE-related requirements. We find several examples in our sample that indicate that at least some undertakings struggle with distinguishing AFE disclosures from other disclosures.

82 For nine undertakings in our sample, we find a reference to AFE disclosures in an index table but are unable to locate which information on the referenced pages is supposed to comply with the standards and frameworks. We encounter the following cases:

- a) Two undertakings refer to pages outside the notes to the financial statements. We are unable to locate which information is meant to comply with the AFE requirements. These undertakings enter our statistics above as “No AFE Disclosure”.
- b) Five undertakings refer to the notes to the financial statements. However, we are again unable to locate which information is meant to comply with the AFE requirements. Therefore, we let these undertakings enter our statistics as “No AFE Disclosure” as well.
- c) Two undertakings refer to the notes to the financial statements *and* provide AFE-related disclosures outside the notes. While we are able to locate the AFE-related information outside the notes – and thus categorize them as AFE reporters – we are unable to locate the information in the notes that the undertakings classify as AFE.

83 One possible explanation for our inability to locate AFE disclosures in the notes is that some undertakings may confuse AFE with CFE. One such case is the Spanish undertaking Repsol, which points to a specific section in their notes disclosures, related to an oil spill that occurred in the past (see Illustrative Example 2). With respect to the oil spill, the notes discuss the expenses recognised, the costs payable, and the compensation received through corporate insurance policies. Under the

ESRS, all of those are – given that they are already recognised in the (primary) financial statements – *Current* Financial Effects, not *Anticipated* Financial Effects.

Anticipated financial effects from pollution-related impacts, risks and opportunities (E2-6)

There were no significant operating expenses or investments in 2024 related to environmental incidents and deposits. However, for more information on the expenses and disbursements related to the oil spill at the Pampilla refinery in Peru, which occurred on January 15, 2022, see section *Environmental risks - Peru spill* in Note 19.1 to the Group's 2024 consolidated Financial Statements.

The Company has availed itself of the transitional provision on the reporting of other requirements gradually being introduced to estimate the financial effects of material risks and opportunities related to pollution. Repsol is working to obtain the relevant information relating to these aspects.

The expenses recognized to cover the damage caused by the incident, such as containment activities, cleanup, remediation, compensation to affected parties and other related costs, amount to a total of \$438 million (\$352 million in 2023). At December 31, 2024 the costs payable amounted to \$126 million. These payments may vary due to various circumstances affecting the progress made towards the planned activities, and developments in the administrative and judicial procedures, the outcome of which will depend on the conclusions of investigations still in progress.

Corporate insurance policies, subject to their terms and conditions, cover civil liability for pollution on land and at sea, for some countries and activities, and certain administrative liabilities for pollution on land, all resulting from accidental, sudden and identifiable events, in line with customary industry practices and applicable legislation. With regard to the incident, the actions to be taken are currently being coordinated with the experts appointed by the insurance companies. As of December 31, 2024, RELAPASAA has collected a total of \$276 million (\$196 million as of December 31, 2023) in compensation.

Illustrative Example 2: Notes disclosures

The example above shows excerpts from the Annual Report 2024 (p. 68 and 126) of the Spanish undertaking Repsol. It showcases the undertaking's AFE-related disclosures in the notes to the financial statements.

- 84 Apart from the examples above, we find that many reports discuss AFE and CFE together, without clearly distinguishing one from the other. Given our findings illustrated by the example above, we formulate the following observation:

Observation 3

Some undertakings do not clearly distinguish between AFE and CFE in their reporting. A possible explanation for this is that the undertakings may struggle to differentiate AFE from CFE.

Identifying financial effects

- 85 Not just the separation of current and anticipated effects can be problematic, but also the identification of what constitutes a *financial* effect. Again, the ESRS (Annex II, Table 2) define financial effects as effects “from risks and opportunities that affect the undertaking’s financial position, financial

performance and cash flows over the short, medium or long term”. The IFRS SDS (and for that matter, the TCFD recommendations) have a very similar understanding.

86 To get a better understanding of what undertakings view as financial effects, we collect data on the line items entailed on the balance sheet, income statement, and cash flow statement that the undertakings refer to in their AFE disclosures. Figure 5 shows the results.

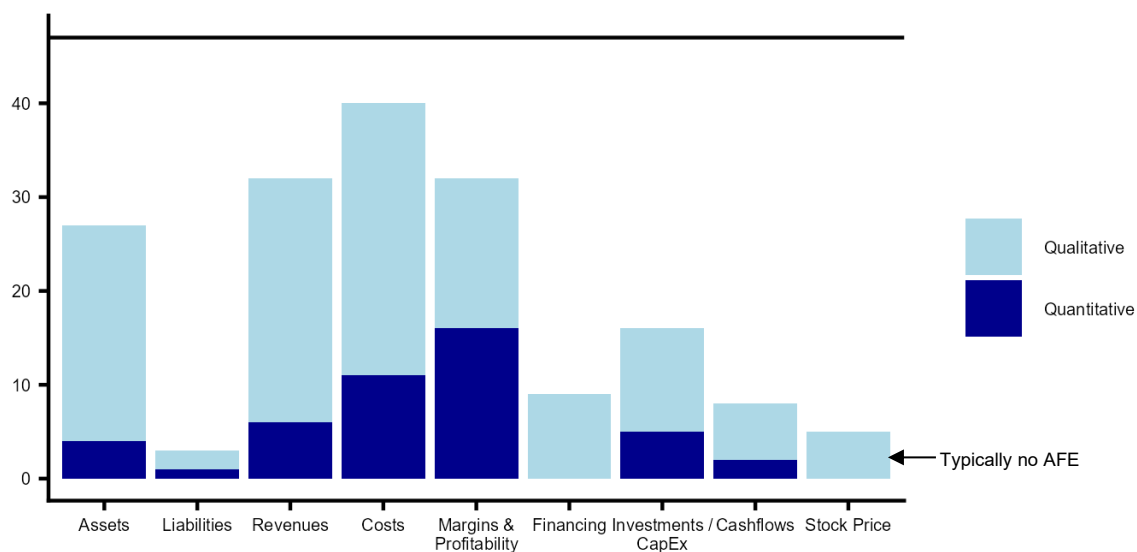


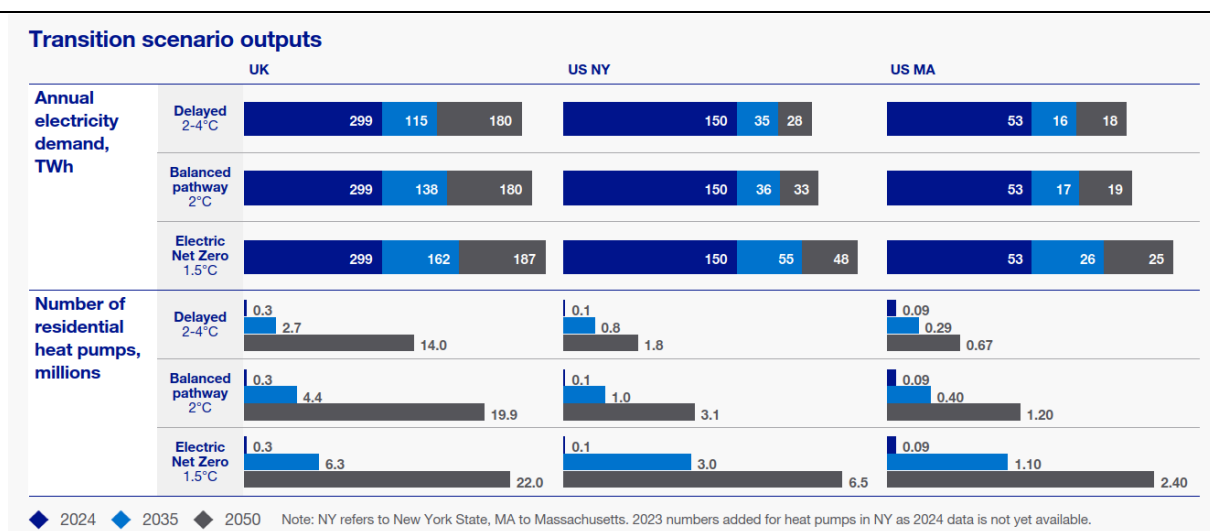
Figure 5: AFE reporting topics

This figure shows the topics related to the financial position, financial performance, and cash flows that undertakings most often identify in their AFE disclosures. “Qualitative” indicates that the undertaking made qualitative disclosures about the effect. “Quantitative” indicates that the undertaking provided qualitative and quantitative information about the effect. N = 47.

87 We observe that most undertakings that identify material AFE report on costs, revenues, and margins/profitability. Quantitative information is most often reported for margins/profitability.

88 We also find that five undertakings provide stock price-related information. Stock price-related information could be considered AFE, if undertakings discussed how the stock price affects the financial position, financial performance or cash flows of the undertaking – for instance, through share-based compensation expenses that may be affected by sustainability-related risks and opportunities. The undertakings in our sample, however, examine the opposite causal chain: they analyse how sustainability-related opportunities or risks may affect the market price of the equity instruments issued by them. Strictly speaking, this at best an indirect effect on the financial position, financial performance or cash flows of the undertaking and does not constitute an AFE even though we acknowledge that the information may be relevant to investors.

89 Another issue we encountered during data collection is that undertakings do not always establish a clear link to their financial position, financial performance, or cash flows. For instance, some undertakings discuss how sustainability-related opportunities and risks affect the demand for their products, but do not explain how changes in demand would then link to the financial position, financial performance, or cash flows. Again, an investor may view information on expected demand helpful, but the information in itself is not a financial effect. To better demonstrate our point, we include Illustrative Example 3.



Illustrative Example 3: Demand-related disclosures

The example above shows excerpts from the Annual Report 2024 (p. 65) of the UK undertaking National Grid. It showcases demand-related disclosures that we do not consider AFE.

90 In the given example, the UK undertaking National Grid provides detailed demand-related information under three different climate scenarios, three different time horizons, and three different locations. While this information may be helpful to investors, it is no AFE in the strict sense without an explanation as to how it relates to the undertaking’s financial position, financial performance, or cash flows.

91 Overall, we find that some undertakings may struggle to clearly distinguish financial effects from other effects. We thus formulate the following observation:

Observation 4

Some undertakings do not clearly distinguish sustainability-related financial effects from broader business or market aspects affecting them. They do not always link the identified sustainability-related risks and opportunities to their own financial position, financial performance, or cash flows as the standards would require.

92 As an additional observation, we note that even when undertakings relate the identified effects to the undertaking's financial position, financial performance, or cash flows, the information is not always easily comprehensible. Illustrative Example 4 provides an example of AFE disclosures that is, in our view, difficult to understand.

The 2024 climate scenario analyses have led to the following outcomes:

Risk/opportunity type	Sub-category	Risk/opportunity	Description	Potential financial impact ¹	
				2040	2050
Physical risks	Acute	1. Damage to production sites, consolidation hubs, and office facilities	Damages to Schindler-owned production sites, consolidation hubs, office buildings, and other facilities could result in asset and inventory losses, leading to increased capital expenditures, write-offs, and operating costs, all of which would reduce annual profits.	Low	Low
	Acute	2. Disruption of operations at production sites and key supplier sites	Own production sites and key supplier sites in climate-vulnerable areas face heightened risks of operational disruption. Such disruptions could lead to delays in production and deliveries, resulting in lower revenues and reduced annual profits.	Medium	Medium

¹The financial impact estimates reflect a conservative gross risk perspective, i.e. excluding any risk management, adaptation or mitigation measures such as insurance covers.

Low: < 25m CHF; Medium: < 75m CHF; High: < 150m CHF; Very high: > 150m CHF

²Carbon cost, also known as carbon pricing, refers to the financial expense associated with CO₂ and other GHG emissions resulting from external mechanism such as carbon taxes, emissions trading systems, or emission fees.

Physical risks are quantified with a focus on moderate- and high-emissions scenarios assessing medium-term (2040) and long-term (2050) impacts. The risk measure is the annual expected loss, either in terms of physical damage of assets or in terms of revenue loss due to business disruptions and downtime. The risk of disruption of operations at production sites and supplier sites leads to potentially medium financial impacts, especially as the value chain impact of disruption of key supplier sites should not be underestimated.

Illustrative Example 4: Quantitative AFE disclosures

The example above shows excerpts from the Annual Report 2024 (p. 134-135) of the Swiss listed undertaking Schindler. It showcases quantitative and qualitative AFE disclosures that are difficult to disentangle.

93 In the example, the Swiss listed undertaking Schindler lists the damage to production sites, consolidation hubs, and office facilities as a climate-related risk. The undertaking anticipates a financial impact of under 25m CHF in the medium and long term. However, it is not clear what the 25m CHF relate to. The description states that damages could result in asset and inventory losses, increased capital expenditures, write-offs, and operating costs, as well as lower annual profits.

94 The undertaking somewhat clarifies that the risk is translated into annual expected losses, either in terms of physical asset damage or in terms of revenue loss. While the type of risk indicates that Schindler probably relates the 25m CHF to the maximum physical damage to assets, it is unclear how that relates to all other items mentioned in the disclosure and whether the damage to assets translates directly into losses or is, at least partially, offset (e.g., through insurance).

Information gaps

95 We have identified four pieces of information that we deem necessary to fully understand AFE-related information, especially if the information is quantified. We deem it important to understand:

- a) whether undertakings report the likelihood of sustainability-related risks, their (financial) effects, and/or the respective expected value,
- b) whether the risk exposure is net or gross (i.e., before or after mitigating actions),
- c) whether quantified information is discounted, undiscounted, or stated in relative terms, and
- d) which climate-scenarios underlie climate-related risks and opportunities.

We analyse each of these aspects below.

96 To gather information on (a), we analyse whether an undertaking discloses the probability of a risk or opportunity materialising as well as the outcome, i.e., the financial effect of the risk. We also analyse whether the undertaking provides the expected value, i.e. the sum of the products of the individual probabilities with their respective financial effect.

97 In our sample, 26 undertakings provide quantitative and qualitative AFE disclosures. While all of these undertakings discuss anticipated effects of the risks, only about every fourth undertaking discusses the probability of the risks materialising (see Figure 6). Another 21 undertakings provide only qualitative AFE disclosures. Of those, slightly over 70% discuss anticipated effects of the risks and about half of the undertakings discuss the probability of the risks materialising.

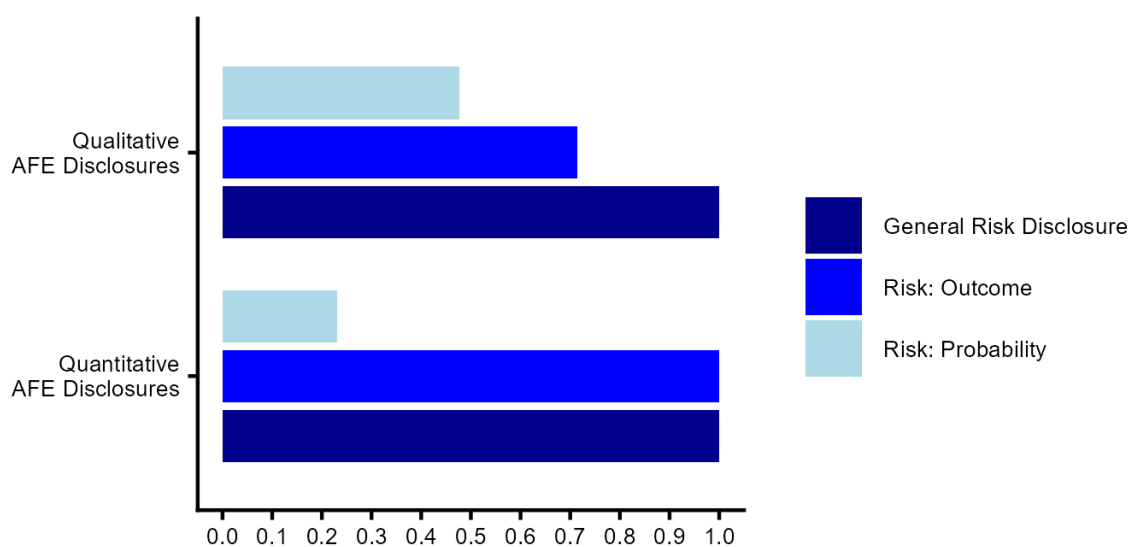


Figure 6: Probabilities and impacts

This figure shows the share of undertakings that report the probability associated with a sustainability-related risk as well as the related financial effect. “General Risk Disclosure” means that the undertaking identified a sustainability-related risk in their AFE-reporting. “Risk: Outcome” means that the undertaking disclosed the associated financial effect or the respected expected value, and “Risk: Probability” means that the undertaking disclosed the associated probability. $N_{\text{Quantitative}} = 26$ and $N_{\text{Qualitative}} = 21$.

- 98 These numbers should be interpreted with caution. For about half the AFE disclosures it is not clear whether the undertaking states the expected value or the financial effect (without considering the probability) of a particular scenario. For the remaining undertakings, all but three undertakings disclose the effects of particular scenarios, not the expected value. In Figure 6, we have thus subsumed all expected values and other effects under “Risk: Outcome” as a catch-all category.
- 99 With regard to aspect (b), we analyse whether undertakings provide their risk disclosures before or after risk mitigation (i.e., gross or net). Both is acceptable under the standards. However, we deem it important to inform readers about the choice. Figure 7 provides our results. Note that this analysis only applies to undertakings that provide quantitative AFE disclosures.

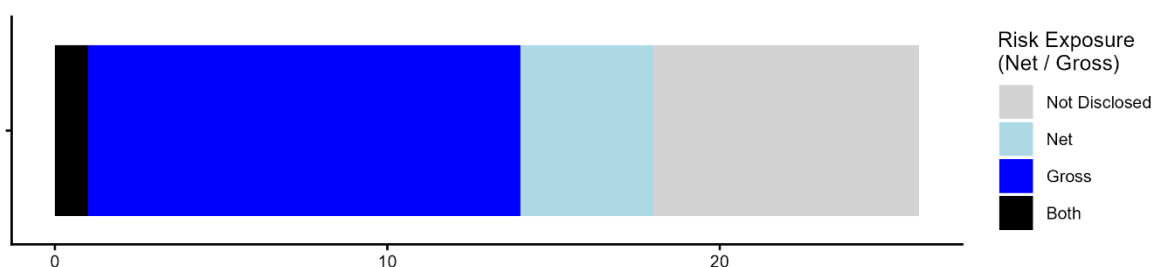


Figure 7: Risk-related disclosures – gross or net

This figure shows the share of undertakings that report whether the (financial) effect related to the risk disclosure is provided after (“Net”) or before mitigation actions (“Gross”). “Both” means that the undertaking provided a figure both before and after mitigation actions. “Not Disclosed” means that it is not clear whether the figures provided by the undertaking are gross or net. N = 26.

- 100 We find that only one undertaking reports both gross and net figures (see Illustrative Example 5). Most other undertakings (50%) provide gross figures, and a smaller minority (15%) provide net figures. For 30% of the undertakings, we are not able to discern whether the figures are gross or net.
- 101 Overall, we deem it most informative to provide the reader with an assessment of both net and gross risks. However, due to a variety of factors (e.g., a lack of resources, skills or capabilities, or high measurement uncertainty), it is very well possible that an undertaking cannot provide both. In any case, however, we deem it important to inform the reader which risk type the undertaking uses.

Expansion of EPR schemes and plastic tax

Description	Assumptions	Scenario	Risk type	€bn impact on net profit (as a % of net revenue)		
				2030	2039	2050
The expansion of EPR schemes, globally or to countries currently considering a scheme. Additionally, within a High Nature Preservation scenario, the introduction of a global plastic tax.	Gross risk The costs relating to EPR schemes apply to all plastics within our packaging; plastic tax applies to virgin plastic only. <ul style="list-style-type: none"> High Nature Preservation: EPR schemes expand to all countries by 2030 and a global plastic tax is levied on virgin plastic production, growing from USD 0 per tonne in 2030 to USD 1,000 per tonne in 2050. High Nature Degradation: EPR schemes expand only to countries currently considering a scheme. Net risk <ul style="list-style-type: none"> Achieving our plastic goals reduces exposure to EPR costs and the volume of virgin plastic exposed to a potential tax. 	High Nature Preservation	Gross	-0.5 (-0.8%)	-1.2 (-1.5%)	-2.8 (-2.6%)
			Net	-0.4 (-0.7%)	-0.9 (-1.1%)	-1.9 (-1.7%)
		High Nature Degradation	Gross	-0.4 (-0.7%)	-0.7 (-0.9%)	-1.5 (-1.4%)
			Net	-0.4 (-0.6%)	-0.7 (-0.8%)	-1.3 (-1.2%)

Illustrative Example 5: Risk-related AFE, gross and net

The example above shows an excerpt from the Annual Report 2024 (p. 262) of the UK listed undertaking Unilever. It showcases the disclosure of both gross and net risk-related financial effects.

102 With respect to aspect (c), we analyse whether the undertakings in our sample are transparent about the fact whether the financial effects they disclose are discounted, undiscounted, or stated in relative terms.²⁵

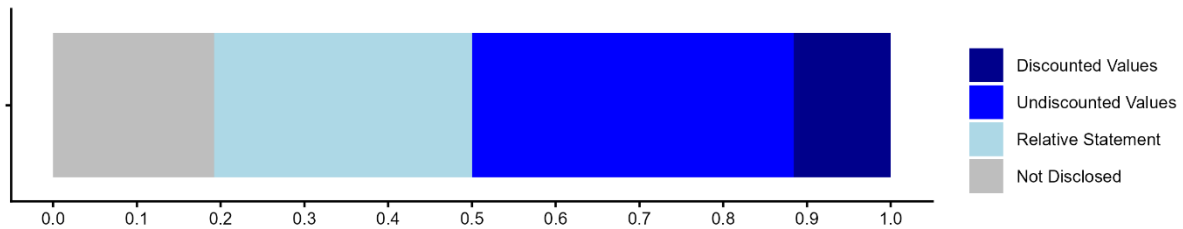


Figure 8: Risk-related disclosures – discounted, undiscounted or relative

This figure shows the share of undertakings that report whether the financial effect related to the risk disclosure is provided as discounted values, undiscounted values or in relative terms. “Not Disclosed” means that it is not clear whether the figures provided by the undertaking are discounted, undiscounted, or in relative terms. N = 26.

103 We find that very few undertakings (12%) provide discounted values. Most provide their disclosures undiscounted (38%) or in relative terms (31%). Every fifth undertaking (19%) does not disclose whether the figures they provide are discounted or undiscounted. Again, we deem this problematic, especially for anticipated effects far in the future. It is also worth noting that only two undertakings provide a base-case scenario to compare the disclosed AFE with.

²⁵ “Discounted” means that the undertaking discounted the financial effect to some point in time, usually the fiscal year-end of the underlying report. “Undiscounted” means that the undertaking did not discount the financial effect but provides the future effect. “Relative” means that the undertaking provides the information relative to some other value – for instance, an undertaking may disclose that if some sustainability-related risk materialises, they expect their future revenues to decrease by a certain percentage.

104 Finally, with respect to (d), we analyse whether undertakings disclose the climate scenarios they use to calculate climate-related AFE. For a better comparison, we count the number of climate-related scenarios the undertakings disclose in their sustainability reports, as well as the number of climate-related scenarios the undertakings specifically use in their AFE disclosures.

105 Figure 9 shows our findings. For about 90% of all undertakings with AFE-related reporting (N = 47), we are able to identify which climate scenarios the undertaking uses in their sustainability report overall. Most undertakings use two or three scenarios, only a few undertakings use one or more than three.

106 Overall, 24 undertakings disclose which climate scenarios they use in their AFE disclosures. This means that for about half the undertakings, it is unclear which climate scenarios, if any, they use for their AFE-related reporting. Again, we deem this information important, because the results may differ widely depending on the scenario that the undertaking uses. Of the 24 undertakings that provide the information, 16 use the same scenarios as outlined in other parts of their sustainability report, while eight use fewer scenarios.

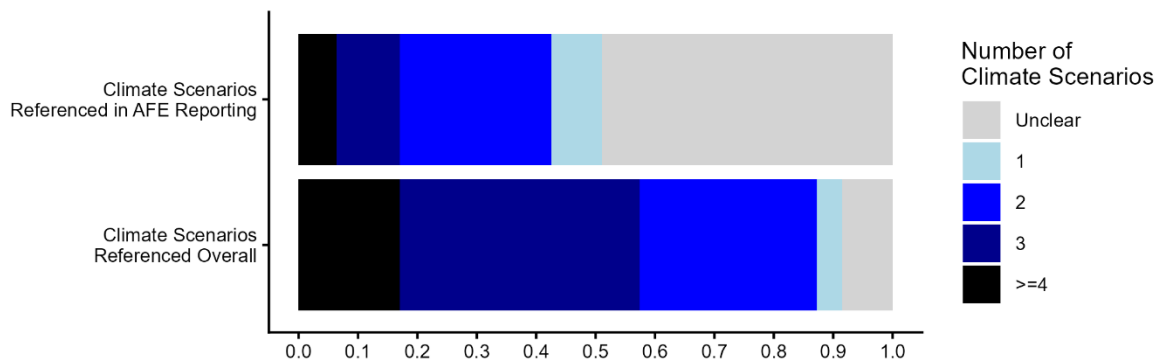


Figure 9: Climate scenarios

This figure shows the number of climate scenarios that undertakings refer to in their sustainability reports, as well as the number of climate scenarios that undertakings refer to in their AFE-related reporting. “Unclear” means that it is not clear how many scenarios the respective undertaking used for their reporting. N = 47.

107 After reviewing our findings, we note that important information is missing from most AFE-related disclosures – be it that undertakings do not attach probabilities to their scenarios, that we are not able to discern whether undertakings provide information on AFE from net or gross risks, discounted or undiscounted figures, or which climate scenarios the undertakings use. We thus formulate the following observation:

Observation 5

Most reports analysed in this study lack, to various degrees, important information to fully understand the AFE disclosures. This may point to undertakings struggling to determine which information is necessary in AFE reporting.

3.4 Further findings

CDP reporting

- 108 Some initiatives also ask undertakings to provide information on AFE. One of those initiatives is the CDP, formerly known as the “Carbon Disclosure Project”. CDP reporting allows undertakings to fill in a standardized questionnaire, mainly on topics related to the environment. The reports are meant to provide useful and high-quality information to investors and other stakeholders (CDP 2026).
- 109 Undertakings are, at least depending on the applicability of the respective questions, asked to give a numeric estimation of AFE related to certain risks for different time horizons. For example, an undertaking may provide the AFE of physical risks in the short-, medium- and long-term. Importantly, the undertaking can also state that it is not able to quantify the effects.
- 110 Undertakings submit the CDP questionnaire to the CDP organisation but are free to publish the respective report. We were able to locate 31 CDP reports for the undertakings in our sample for the year 2024 (see Table 4).

Country	AFE Reporting under the TCFD, ESRS, or IFRS SDS				AFE reporting under CDP		n _{AFE}	n _{CDP}
	Quantitative	Qualitative	No Material AFE	No AFE Disclosure	Yes	No		
France	2	2	1	15	6	0	20	6
Spain	1	2	0	17	8	0	20	8
Switzerland	8	6	0	6	3	1	20	4
UK	9	3	1	7	8	1	20	9
Türkiye	6	8	1	5	4	0	20	4

Table 4: AFE reporting by standard and CDP

This table shows statistics on AFE reporting uptake and CDP reporting on AFE by jurisdiction. “Quantitative” means that the undertaking made some form of quantitative AFE-related disclosure in their reporting. “Qualitative” means that the undertaking made qualitative, but not quantitative AFE-related disclosures. “No Material AFE” means that the undertaking states that it identified no material AFE in the reporting period. “No AFE Disclosure” means that we were not able to identify AFE-related disclosures in the undertaking’s reporting. “AFE reporting under CDP” means that the undertaking provided quantitative AFE information in their CDP report 2024. n_{AFE} is the number of sustainability reports in our sample, n_{CDP} is the number of CDP reports in our sample (reporting year 2024).

- 111 Interestingly, 29 out of the 31 undertakings publishing a CDP report also provide quantitative information on AFE – this is more than the 26 undertakings that provide quantitative AFE information in their sustainability reports in our whole sample of 100 undertakings.
- 112 Our findings are especially striking for France and Spain, where only two, respectively one, undertakings in our sample provide quantitative AFE-related information in their sustainability reports. However, we find six CDP reports for France and eight CDP reports for Spain that contain exactly this information. We acknowledge that French and Spanish undertakings are not required to provide AFE-related information in their sustainability reports for 2024 due to transitional reliefs. However, it is noteworthy that undertakings that provide quantified AFE-related information through the CDP reports do not provide the same information in their sustainability reports. Our findings lead us to the following observation:

Observation 6

Undertakings in our sample provide quantitative AFE-related information more frequently in their CDP reports than in their sustainability reports. Finding the reasons for this observation may help to identify where undertakings struggle with the AFE provisions outlined in the ESRS and IFRS SDS.

Reporting timeframes

- 113 Earlier in the study, we noted that certain pieces of information are necessary to understand AFE-related disclosures. One such information is the timeframe that undertakings use in their reporting.
- 114 As explained in sect. 2, undertakings are free to define the short-, medium- and long-term horizon in their disclosures under the TCFD recommendations and the IFRS SDS. The ESRS give undertakings a general rule while allowing for deviations. As this offers room for diverging reporting practices, we analyse the timeframes that undertakings use in their AFE reporting.
- 115 We collect data on the timeframes that undertakings use in their AFE reporting. That is, we identify the definitions that undertakings use for the short-, medium- and long-term *and* analyse whether the undertakings use these timeframes in their AFE reporting. Our results are presented in Figure 10.
- 116 We find that not all undertakings disclose AFE in the short-, medium- and long-term. Furthermore, we observe widely different timeframes across undertakings. For some undertakings in our sample, the short-term ends after seven years; by that time, other undertakings are well into their long-term horizon. For other undertakings, the long-term horizon begins when for others it has long ended.

Note, however, that many undertakings do not provide an end date for their long-term time horizon (all light blue lines ending in the year 2055 in Figure 10).

117 We acknowledge that a “one size fits all” approach to timeframes would likely increase reporting complexity for undertakings and not always reflect internal reporting structures. On the other hand, widely different timeframes might make it more difficult to compare the AFE-related disclosures across undertakings.

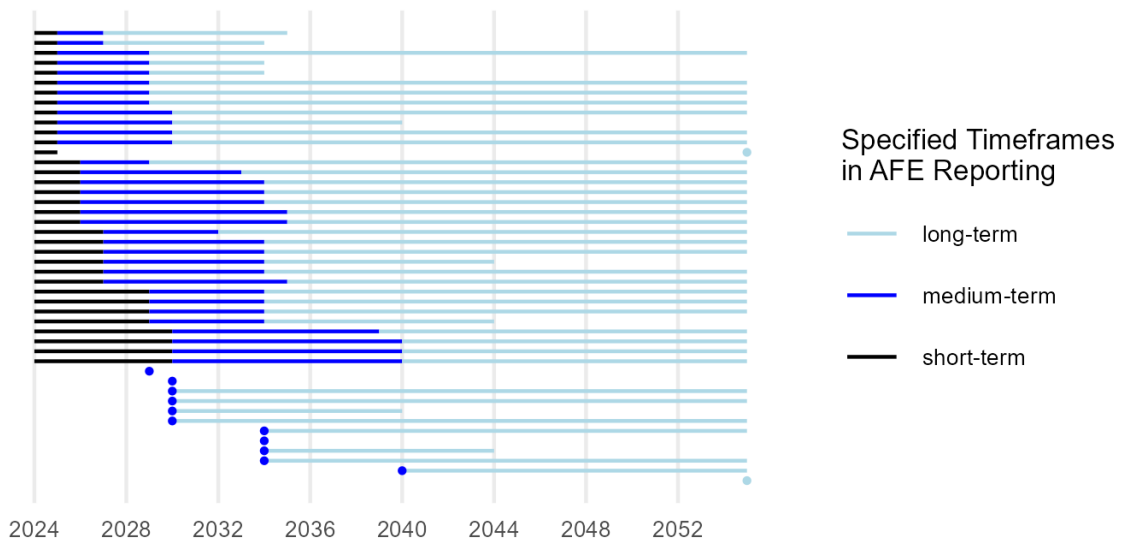


Figure 10: Time horizons

This figure shows the different time horizons that AFE reporting undertakings use related to their AFE reporting. The black line indicates the respective undertaking’s definition of short-term, the blue line the respective definition of the medium-term, and the light blue line the respective definition of long-term. All open-ended lines ending in 2055 in the graph indicate that an undertaking did not provide an end-date for their long-term time horizon. N = 47.

118 Given these findings, the time horizon-related provisions in the ESRS may help standardizing reporting on AFE. We believe it to be an interesting question whether we will observe some convergence across undertakings in future years given the tension between relevance (through using internally applied time horizons) and comparability (through using standardised time horizons).

4 Conclusion

- 119 We analyse 100 sustainability reports from the 20 largest undertakings listed in the United Kingdom, Switzerland, France, Spain, and Türkiye. Nearly half of the undertakings provide information on AFE, with approximately one quarter of the undertakings providing both quantitative and qualitative information. The EU undertakings in our sample provide AFE disclosures less often than undertakings from the three non-EU jurisdictions. Very few undertakings cite reporting reliefs beyond the transitional reliefs of the ESRS.
- 120 In our study, we note several observations that point to undertakings not being fully clear on what is expected of them in terms of AFE reporting requirements.
- 121 We observe that AFE disclosures are quite heterogeneous and thus often not comparable. Some undertakings appear to struggle with separating AFE from CFE or to separate AFE from other effects. We conclude that not all undertakings seem to have a clear, common understanding of what constitutes an AFE.
- 122 We also note that most AFE disclosures lack some important information to fully understand the disclosures. We conclude from this that undertakings may struggle to determine which information is necessary in AFE reporting.
- 123 Interestingly, we observe that more undertakings provide quantitative AFE disclosures in their CDP reports than do in their sustainability reports. There may be several reasons for this observation. One however, may be that undertakings are not entirely clear on what is expected of them under the given reporting standards.
- 124 With this study, we hope to add to the current debate on AFE reporting. We encourage standard setters to further engage with stakeholders, especially preparers and users, to identify current reporting obstacles that may have contributed to the findings in our study.

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6 Appendix

Appendix 1: Similarities and differences between the reporting standards and frameworks used in the study

	TCFD Recommendations	IFRS SDS	ESRS (in force)	ESRS (Draft)
Understanding of financial effects			Effects from risks and opportunities that affect the undertaking's financial position, financial performance and cash flows over the short-, medium- or long- term.	Effects from risks and opportunities that affect the undertaking's financial position, financial performance and cash flows over the short-, medium- or long- term.
Understanding of current financial effects		Effects of sustainability-related risks and opportunities on the [undertaking]'s financial position, financial performance and cash flows for the reporting period	Financial effects for the current reporting period that are recognised in the primary financial statements.	Financial effects for the current reporting period that are recognised in the primary financial statements.
Understanding of anticipated financial effects		The anticipated effects of sustainability-related risks and opportunities on the [undertaking]'s financial position, financial performance and cash flows over the short-, medium- and long- term, taking into consideration how sustainability-related risks and opportunities are included in the [undertaking]'s financial planning	Financial effects that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the current financial effects.	Financial effects that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the current financial effects.
AFE disclosure required	recommendation	yes	yes	yes
Materiality threshold	Yes	Yes	Yes	Yes
Topical scope	Climate-related risks and opportunities	Sustainability-related risks and opportunities (IFRS S1)	Sustainability-related risks and opportunities	Sustainability-related risks and opportunities
Location	Recommendation for disclosure in the financial report, no further location specified	Financial report, no further location specified References possible under certain conditions	Management report References possible under certain conditions	Management report References possible under certain conditions
Financial effects are considered effects on:	Financial position, Financial performance, Cash flows	Financial position, Financial performance, Cash flows	Financial position, Financial performance, Cash flows	Financial position, Financial performance, Cash flows
Information sourcing		All reasonable and supportable information available at the balance sheet date without undue cost or effort, information gathering is commensurate with the undertaking's skills, capabilities, and resources		All reasonable and supportable information available at the balance sheet date without undue cost or effort
Time horizons	Short-, medium- and long-term (undertaking's own definition)	Short-, medium- and long-term (undertaking's own definition)	Short-, medium- and long-term (ESRS definitions apply, own definitions possible)	Short-, medium- and long-term (ESRS definitions apply, own definitions possible)
Type	Qualitative, quantitative, or both	Quantitative and qualitative, quantitative disclosures as single amount or range. Reliefs for quantitative disclosures if: <ul style="list-style-type: none"> the effects are not separately identifiable, 	Quantitative and qualitative Relief for quantitative AFE information resulting from opportunities if information would not be useful	Quantitative and qualitative, quantitative disclosures as single amount or range. Reliefs for quantitative disclosures if: <ul style="list-style-type: none"> the effects are not separately identifiable,

	TCFD Recommendations	IFRS SDS	ESRS (in force)	ESRS (Draft)
		<ul style="list-style-type: none"> • high level of measurement uncertainty resulting in information that is not useful, • Only applicable to AFE, not CFE: lack of skills, capabilities or resources 		<ul style="list-style-type: none"> • high level of measurement uncertainty resulting in information that is not useful, • Only applicable to AFE, not CFE: lack of skills, capabilities or resources
Use and disclosure of climate-scenarios for AFE	Recommended			
Implementation reliefs		Mandatory use of only IFRS S2 in first year of application (i.e., climate-related AFE disclosures)	No mandatory AFE disclosure in first year of application, certain reliefs for quantitative AFE disclosures in first three years	Reliefs for Wave-1-under takings planned, exact reliefs still to be determined

Appendix 2: List of jurisdictions applying the IFRS SDS

The overview below indicates the suitability of jurisdictions for the purposes of our study. It is based on the IFRS Foundation's jurisdictional profiles (IFRS Foundation 2026b). Red indicates that the undertakings from the respective jurisdictions are currently not suitable for the study, yellow indicates that undertakings will be suitable in the near future, light green indicates that undertakings are suitable with minor limitations, and dark green indicates that undertakings are generally suitable. Note none of the jurisdictions below, except Türkiye, is included in the study since most reports were not available by the cut-off date for data collection (May 4, 2026).

Country	Suitability for the study on AFE reporting
Australia	Mandatory application of IFRS S2 (AASB S2) and voluntary application of IFRS S1 (AASB S1) from 01.01.2025, but FYE is often at the end of June.
Bangladesh	Mandatory application of IFRS S1 and IFRS S2 from 01.01.2024, but only for banks and financial institutions regulated by the Bangladesh Bank.
Brazil	Mandatory application of IFRS S1 and S2 (CBPS 01 and 02) from 01.01.2026 was rescinded in 2026, now voluntary application in a comply-or-explain regime (since 01.01.2024).
Chile	Mandatory application of IFRS S1 and S2 from 01.01.2026 for undertakings regulated by the Chilean Financial Market Commission.
Ghana	Mandatory application of IFRS S1 and S2 for certain undertakings from 01.01.2027, voluntary application from 01.01.2024
Hong Kong SAR	Voluntary application of IFRS S1 and S2 (HKFRS S1 and S2) from 01.08.2025; mandatory application may begin on 01.01.2028 (subject to consultation).
Jordan	Mandatory application of climate-related disclosures of IFRS S1 and S2 for certain undertakings from 01.01.2026, voluntary application of IFRS S1 and S2 from 01.01.2025.
Kenya	Mandatory application of IFRS S1 and S2 for PIEs after 01.01.2027 (staggered approach), voluntary application from 01.01.2024.
Malaysia	Mandatory climate-first reporting for Main Market listed undertakings from 01.01.2025, mandatory application of IFRS S1 and IFRS S2 from 01.01.2027
Mexico	Mandatory application of IFRS S1 and S2 (via CUE) from 29.01.2025 for most listed undertakings with the exception of financial institutions.
Nigeria	Mandatory application of IFRS S2 and S2 for PIEs after 01.01.2028, voluntary application from 01.01.2024.
Pakistan	Mandatory application of IFRS S1 and S2 for undertakings that exceed certain size thresholds from 01.01.2025.
Rwanda	Mandatory application of the full set of standards in IFRS S1 and S2 from 01.01.2027 for certain undertakings.
Sri Lanka	Mandatory application of IFRS S1 and S2 (SLFRS S1 and S2) for Top 100 listed undertakings on the Colombo Stock Exchange, but 2-year relief period for AFE
Chinese Taipei	Mandatory application of IFRS S1 and S2 for large cap listed undertakings from 01.01.2026.
Tanzania	Mandatory application of IFRS S1 and S2 for PIEs from 01.01.2025.
Türkiye	Mandatory application of IFRS S1 and S2 (TSRS S1 and S2) from 01.01.2024 for undertakings exceeding certain size thresholds.
Zambia	Mandatory application of IFRS S1 and S2 for Publicly Accountable Entities from 01.01.2025.

Appendix 3: List of undertakings

The study sample comprises the following undertakings:

Jurisdiction	Undertakings
France	Airbus SE, AXA SA, BNP Paribas SA, Christian Dior SE, Credit Agricole SA, Danone SA, Engie SA, Essilorluxottica SA, Hermes International SCA, L'Air Liquide Societe Anonyme pour l'Etude et l'Exploitation des Procedes Georges Claude SA, L'Oreal SA, LVMH Moet Hennessy Louis Vuitton SE, Orange SA, Safran SA, Sanofi SA, Schneider Electric SE, Societe Generale SA, Thales SA, TotalEnergies SE, Vinci SA
Spain	Acciona SA, ACS Actividades de Construccion y Servicios SA, Aena SME SA, Amadeus IT Group SA, Banco Bilbao Vizcaya Argentaria SA, Banco de Sabadell SA, Banco Santander SA, Bankinter SA, CaixaBank SA, Cellnex Telecom SA, Endesa SA, Ferrovial SE, Iberdrola SA, Indra Sistemas SA, Industria de Diseno Textil SA, Mapfre SA, Naturgy Energy Group SA, Redeia Corporacion SA, Repsol SA, Telefonica SA
Switzerland	Abb Ltd, Alcon AG, Chocoladefabriken Lindt & Spruengli AG, Compagnie Financiere Richemont SA, Galderma Group AG, Givaudan SA, Holcim AG, Lonza Group AG, Nestle SA, Novartis, Partners Group Holding AG, Roche Holding AG, Sandoz Group AG, Schindler Holding AG, Sika AG, Swiss Life Holding AG, Swiss Re Ltd, Swisscom AG, UBS Group AG, Zurich Insurance Group Ltd
Türkiye	Akbank TAS, Aselsan Elektronik Sanayi ve Ticaret AS, Astor Enerji AS, BIM Birlesik Magazalar AS, Coca-Cola Icecek AS, ENKA Insaat ve Sanayi AS, Eregli Demir ve Celik Fabrikalari TAS, Gubre Fabrikalari TAS, Haci Omer Sabanci Holding AS, Koc Holding AS, Qnb Bank AS, Turk Hava Yollari AO, Turk Telekomunikasyon AS, Turkcell Iletisim Hizmetleri AS, Turkiye Garanti Bankasi AS, Turkiye Halk Bankasi AS, Turkiye Is Bankasi AS, Turkiye Petrol Rafinerileri AS, Turkiye Vakiflar Bankasi TAO, Yapi ve Kredi Bankasi AS
United Kingdom	Anglo American PLC, AstraZeneca PLC, BAE Systems PLC, Barclays PLC, BP PLC, British American Tobacco plc, Diageo PLC, Glencore PLC, GSK plc, HSBC Holdings PLC, Lloyds Banking Group PLC, National Grid PLC, NatWest Group PLC, Reckitt Benckiser Group PLC, Relx PLC, Rio Tinto PLC, Rolls-Royce Holdings PLC, Shell PLC, Standard Chartered PLC, Unilever PLC

Appendix 4: Results for reporting year 2025

AFE reporting uptake by jurisdiction (2025)

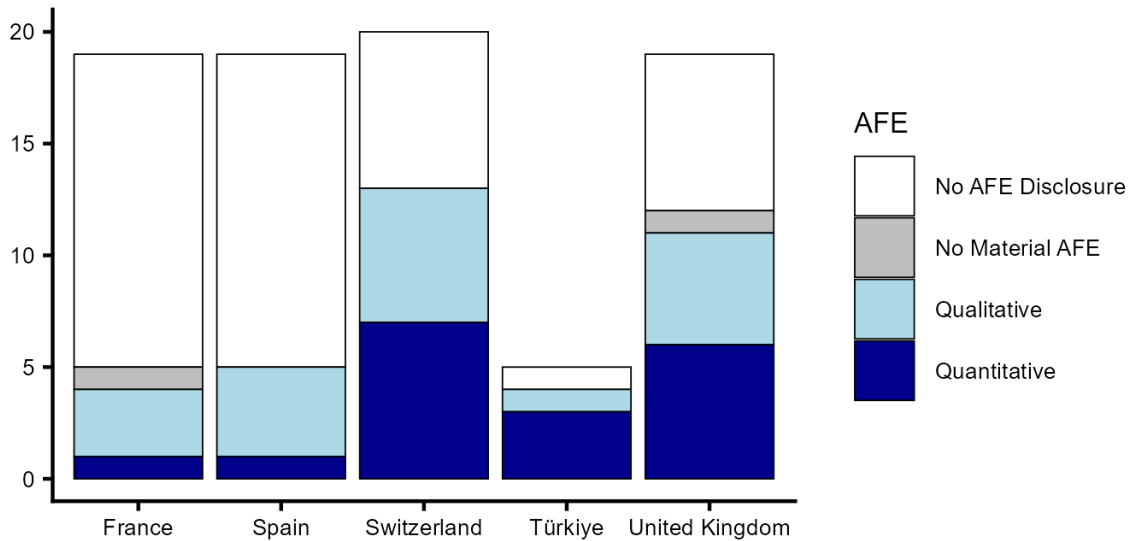


Figure 11: AFE reporting uptake by jurisdiction (2025)

This figure shows the AFE reporting uptake by jurisdiction for the reporting period 2025. “Quantitative” means that the undertaking made some form of quantitative AFE-related disclosure in their reporting. “Qualitative” means that the undertaking made qualitative, but not quantitative AFE-related disclosures. “No Material AFE” means that the undertaking states that it identified no material AFE in the reporting period. “No AFE Disclosure” means that we were not able to identify AFE-related disclosures in the undertaking’s reporting. N = 82.

AFE reporting uptake by industry (2025)

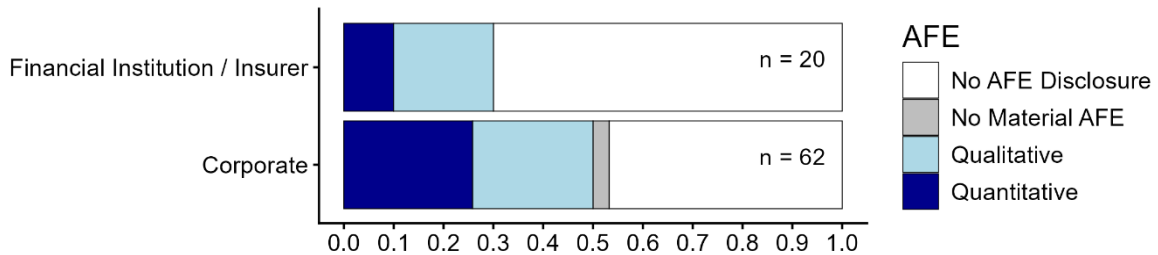


Figure 12: AFE reporting uptake by industry (2025)

This figure shows the AFE reporting uptake by industry for the reporting period 2025. “Quantitative” means that the undertaking made some form of quantitative AFE-related disclosure in their reporting. “Qualitative” means that the undertaking made qualitative, but not quantitative AFE-related disclosures. “No Material AFE” means that the undertaking states that it identified no material AFE in the reporting period. “No AFE Disclosure” means that we were not able to identify AFE-related disclosures in the undertaking’s reporting. N = 82.

AFE reporting and reporting frameworks (2025)

Country	AFE Disclosures				Reporting Framework				n
	Quantitative	Qualitative	No Material AFE	No AFE Disclosure	TCFD	ESRS	IFRS	GRI	
France	5%	16%	5%	74%	79%	100%	5%	53%	19
Spain	5%	21%	0%	74%	84%	100%	26%	79%	19
Switzerland	35%	30%	0%	35%	100%	70%	20%	85%	20
UK	32%	26%	5%	37%	100%	32%	5%	53%	19
Türkiye	60%	20%	0%	20%	60%	40%	100%	80%	5

Table 5: AFE reporting and reporting frameworks (2025)

This table shows statistics on AFE reporting uptake and reporting frameworks by jurisdiction for the reporting period 2025. “Quantitative” means that the undertaking made some form of quantitative AFE-related disclosure in their reporting. “Qualitative” means that the undertaking made qualitative, but not quantitative AFE-related disclosures. “No Material AFE” means that the undertaking states that it identified no material AFE in the reporting period. “No AFE Disclosure” means that we were not able to identify AFE-related disclosures in the undertaking’s reporting. TCFD, ESRS, IFRS, and GRI stand for the respective reporting frameworks that undertakings state to follow. As it was not always clear whether an undertaking fully complied with the respective framework, the columns sum both partial and full compliance. Grey fields indicate that the respective reporting framework is mandatory in the jurisdiction. N = 82.

Sustainability-related risks and opportunities (2025)

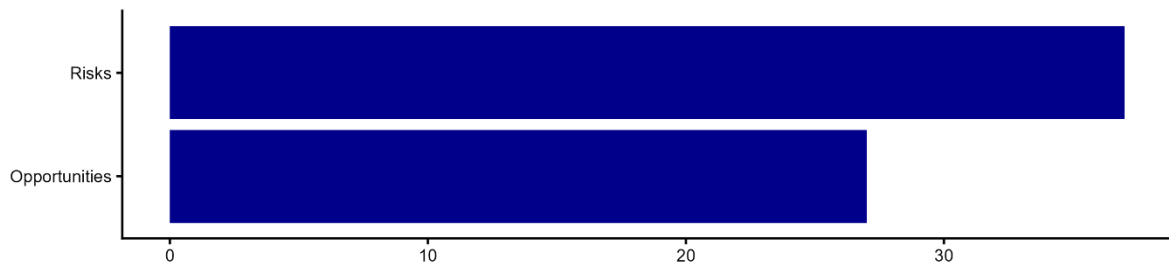


Figure 13: AFE reporting on sustainability-related risks and opportunities (2025)

This figure shows the number of undertakings with AFE reporting that report on AFE in relation to sustainability-related risks or opportunities for the reporting period 2025. N = 37.

Reporting on ESG (2025)

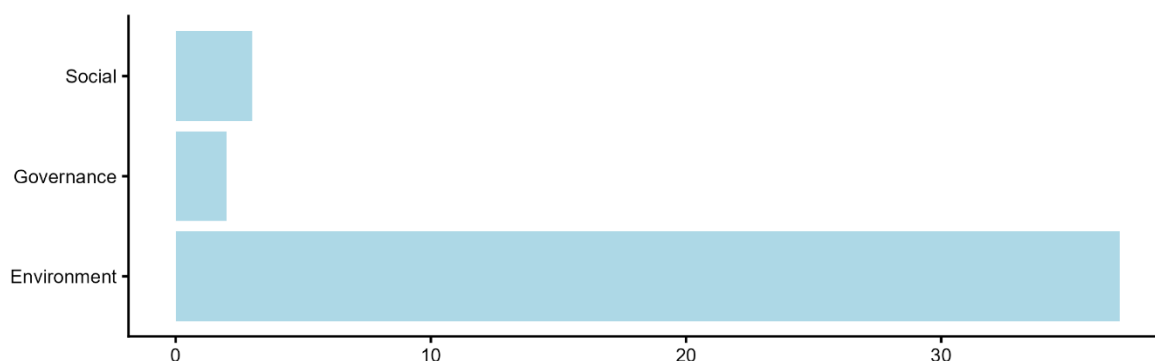


Figure 14: AFE reporting related to ESG (2025)

This figure shows the number of undertakings with AFE reporting that report on ESG-related topics in relation to sustainability-related risks or opportunities for the reporting period 2025. N = 37.

Reporting reliefs (2025)

	Undertakings providing AFE disclosures			Undertakings not providing AFE disclosures
	Qualitative information	Quantitative information	No material AFE identified	
Commercially sensitive information	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Lack of resources, skills, or capabilities	1 (12.5%)	2 (40.0%)	0 (0.0%)	0 (0.0%)
Measurement uncertainty	1 (12.5%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Identifiability	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
None	7 (87.5%)	3 (60.0%)	1 (100.0%)	29 (100.0%)
N	8	5	1	29

Table 6: Reporting reliefs (2025)

This table shows statistics on reporting reliefs cited by undertakings for the reporting period 2025. The respective reliefs are laid out in IFRS S1.38-39 and IFRS S1.B34-B35. The Draft Simplified ESRS contain similar provisions in Draft Simplified ESRS 2.28-29 and Draft Simplified ESRS 1.100. The ESRS (Set 1) generally contain fewer reliefs, however, they do contain an additional transitional relief that allows undertakings to omit reporting on AFE. These transitional reliefs regarding AFE were extended by the European Commission's so-called "Quick Fix". This table only contains data from undertakings listed in France, Spain, and Türkiye, since the TCFD recommendations do not contain similar reliefs. Reading example: an undertaking providing quantitative information on some AFE (middle column) may not have all necessary information available to provide information on another AFE. It thus cites a lack of resources, skills and capabilities. N = 43.

Reporting topics (2025)

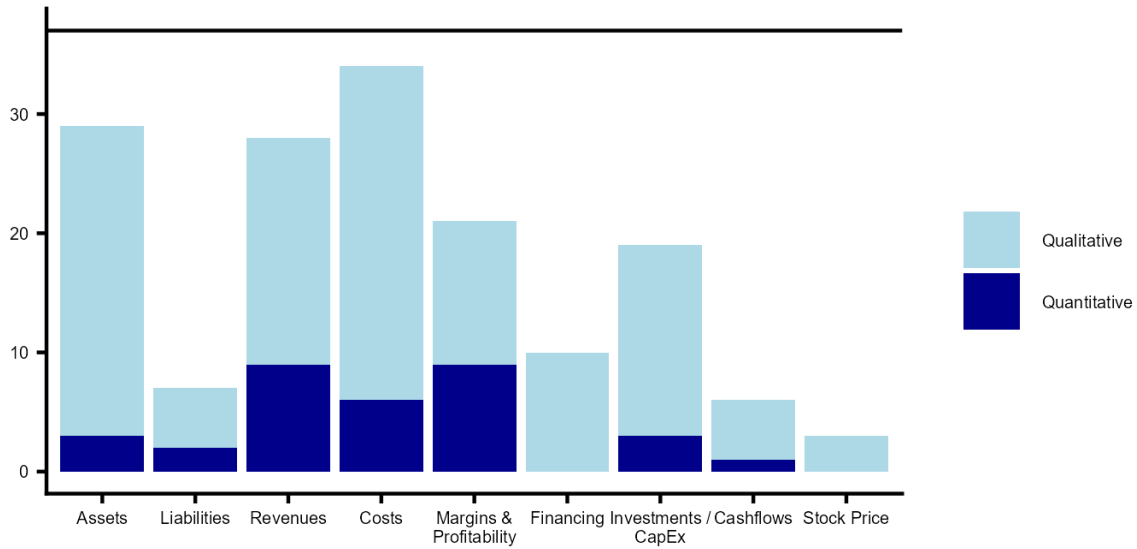


Figure 15: AFE reporting topics (2025)

This figure shows the topics related to the financial position, financial performance, and cash flows that undertakings most often identify in their AFE disclosures (reporting period 2025). “Qualitative” indicates that the undertaking made qualitative disclosures about the effect. “Quantitative” indicates that the undertaking provided qualitative and quantitative information about the effect. N = 37.

Probabilities and impacts (2025)

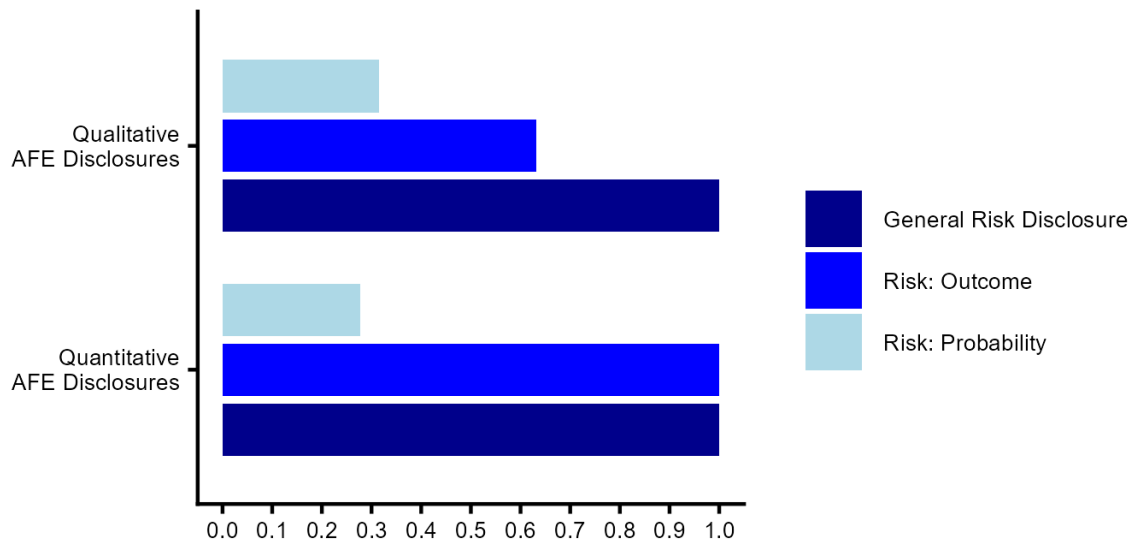


Figure 16: Probabilities and impacts (2025)

This figure shows the share of undertakings that report the probability associated with a sustainability-related risk as well as the related financial effect (reporting period 2025). “General Risk Disclosure” means that the undertaking identified a sustainability-related risk in their AFE-reporting. “Risk: Outcome” means that the undertaking disclosed the associated financial effect or the respected expected value, and “Risk: Probability” means that the undertaking disclosed the associated probability. $N_{\text{Quantitative}} = 18$ and $N_{\text{Qualitative}} = 19$.

Risk-related disclosures – gross or net (2025)

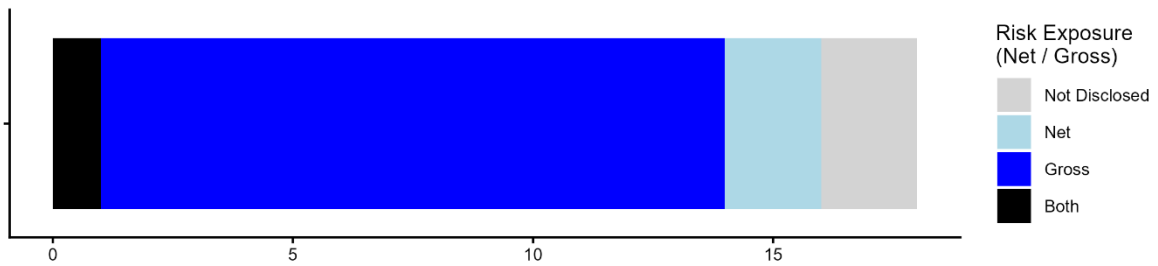


Figure 17: Risk-related disclosures – gross or net (2025)

This figure shows the share of undertakings that report whether the (financial) effect related to the risk disclosure is provided after (“Net”) or before mitigation actions (“Gross”) for the reporting period 2025. “Both” means that the undertaking provided a figure both before and after mitigation actions. “Not Disclosed” means that it is not clear whether the figures provided by the undertaking are gross or net. N = 18.

Risk-related disclosures – discounted, undiscounted or relative (2025)

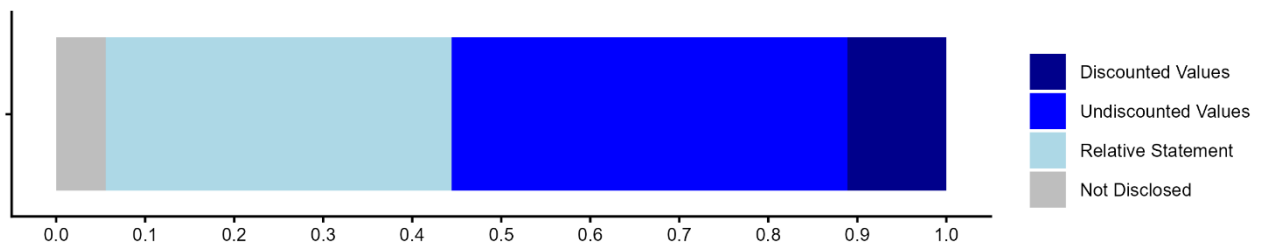


Figure 18: Risk-related disclosures – discounted, undiscounted or relative (2025)

This figure shows the share of undertakings that report whether the financial effect related to the risk disclosure is provided as discounted values, undiscounted values or in relative terms (reporting period 2025). “Not Disclosed” means that it is not clear whether the figures provided by the undertaking are discounted, undiscounted, or in relative terms. N = 18.

Climate scenarios (2025)

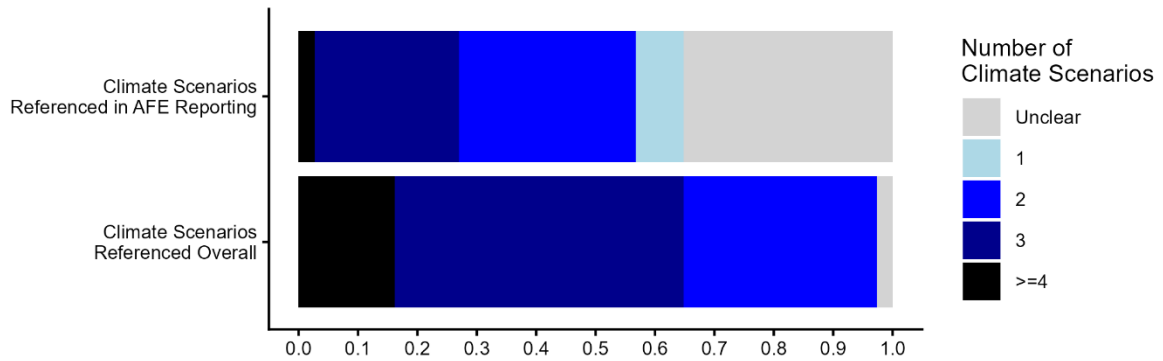


Figure 19: Climate scenarios (2025)

This figure shows the number of climate scenarios that undertakings refer to in their sustainability reports, as well as the number of climate scenarios that undertakings refer to in their AFE-related reporting (reporting period 2025). “Unclear” means that it is not clear how many scenarios the respective undertaking used for their reporting. = 37.

Time horizons (2025)

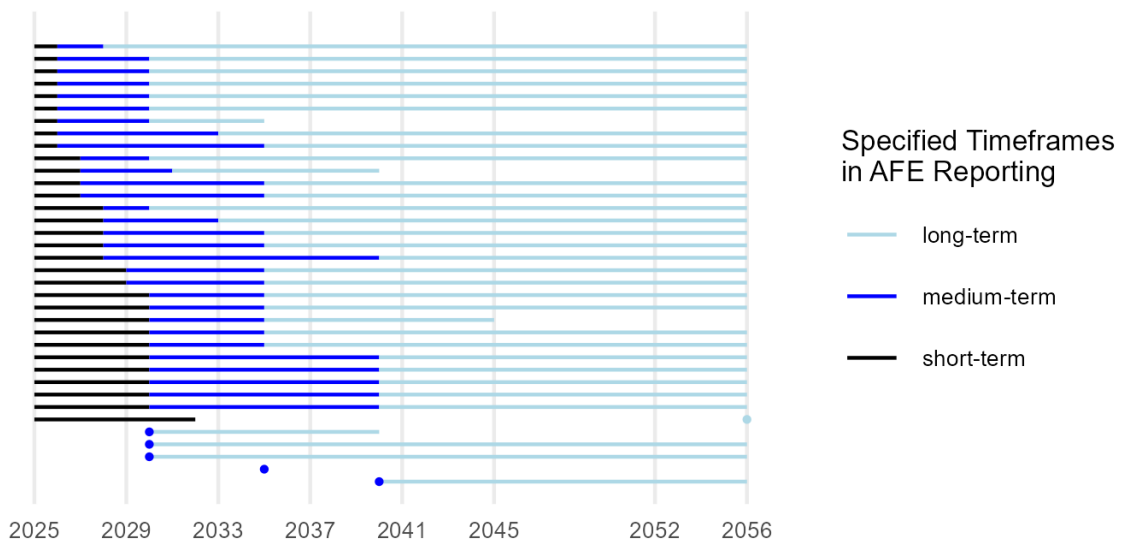


Figure 20: Time horizons (2025)

This figure shows the different time horizons that AFE reporting undertakings use related to their AFE reporting. The black line indicates the respective undertaking’s definition of short-term, the blue line the respective definition of the medium-term, and the light blue line the respective definition of long-term (reporting period 2025). All open-ended lines ending in 2055 in the graph indicate that an undertaking did not provide an end-date for their long-term time horizon. N = 37.

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About the DRSC

The Accounting Standards Committee of Germany (DRSC) is the national standard setter in the area of group financial reporting in Germany. The organisation was established on 15 March 1998 as an independent and registered not-for-profit association by German Industry and is domiciled in Berlin. The ASCG had been formally acknowledged by the Ministry of Justice as the private standardization organization pursuant sec. 342q of the German Commercial Code (HGB)

The DRSC's mandate as an independent standard setting body includes the following tasks as per § 342q (1) HGB:

- a) Develop recommendations for the application of GAAP in the area of group financial reporting
- b) Advise the Government on legislative affairs domestically and at the EU level in the area of financial reporting
- c) Represent the Federal Republic of Germany in international fora concerned with financial reporting

- d) Develop interpretations on International Financial Reporting Standards pursuant sec 315a (1) of the HGB.

The tasks pursuant to Section 342q HGB are performed by the DRSC for the Ministry of Justice free of charge. When fulfilling the tasks assigned, the public interest, in particular the economic public interest, must be taken into account. When developing accounting recommendations for group accounting (standards), the interests of legislation, public administration and legal transactions must be taken into account. The DRSC's statutes ensure that the recommendations and interpretations are developed and adopted independently and exclusively by accountants in a process that involves the professionally interested public.

Further aims of the DRSC are to raise the quality of financial reporting generally and to promote research and education in the aforementioned fields. The association is not-for-profit. It does not primarily pursue its own economic goals. Its proceeds may only be used for its statutory purposes.

More information on the DRSC can be found at:



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