Risk, Resilience, and Reliability Standard Specification 2026 (R³S 2026)

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1. Scope

This standard specifies the requirements for an entity to establish, implement, maintain, and continuously improve its resilience governance system in the face of uncertainties related to sustainability risks. This specification is applicable to all organizations required to report under the IFRS Sustainability Disclosure Standards. It aims to achieve "operational assurance through resilience," transforming "risk-induced losses" into a "reliability-driven value" sustainability advantage.

2. Normative References

- **IFRS S1/S2:** General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures.

3. Terms and Definitions

3.1. **Entity** The subject required to independently prepare general-purpose financial reports.

3.2. **Risk** The impact of uncertainty on an organization’s objectives, encompassing physical risks (acute and chronic) and transition risks. Entities must assess their impact on financial position, financial performance, and cash flows.

3.3. **Resilience** An organization’s capacity for endurance and recovery under specific scenarios or impacts, presented through dynamic quantitative metrics.

3.4. **Reliability** Ensured by the organization's governance system to guarantee that:

- Resilience performance is consistent and reproducible, continuously adjusting or adapting to the impact of risk uncertainties on the organization.
- Operations maintain information transparency and predictability, meeting the expectations of investors, customers, and the supply chain regarding operational quality.

4.
R³S Core Requirements

4.1.
Risk Identification, Prioritization, and Financial Correlation (Risk - The Input)

The entity shall establish a risk management process to transform a broad list of risks into management themes with financial materiality.

- **4.1.1. Risk Identification:** Entities shall, at a minimum, refer to IFRS (TCFD) to identify physical risks (acute, e.g., flooding; chronic, e.g., drought) and transition risks (policy, legal, market, reputation). This process shall be integrated with the entity's overall risk management system.

- **4.1.2. Materiality Assessment and Prioritization:** Entities must prioritize based on two dimensions:
  - **Probability (P):** Estimated likelihood within a specific timeframe based on historical data or scientific projection models (e.g., climate change scenarios).
  - **Impact (I):** Assessment of potential impact on operations and assets following an event. Entities shall use quantitative risk assessment methods, including at least a Risk Matrix, and are encouraged to use more rigorous quantitative evaluations to define **Material Topics** for **R³S** quantification and governance.

- **4.1.3. Financial Impact:** For prioritized Material Topics, the entity shall quantify the "Performance of Risk Management Investment" versus the "Losses incurred from Non-implementation," reflected in financial statements:
  - **Income Statement:** Revenue interruption, repair expenditures.
  - **Balance Sheet:** Asset Impairment, insurance premium increases.
  - **Cash Flow Statement:** Emergency fund withdrawals, financing cost fluctuations.

4.2.
Resilience Dynamic Quantitative Metrics (Resilience - The Process)

The entity shall establish dynamic resilience models for Material Topics defined in 4.1, translating abstract "endurance, adaptability, and recovery" into specific time-based measures and financial variables reflecting business continuity.

- **4.2.1. Scenario Definitions:** Entities must define specific hazard factors or impact scenarios (e.g., 350mm rainfall in 24 hours at a specific site), affected subjects (core business functions, essential assets, critical resources), scope

(customers, supply chain), and temporal sequence. Scenarios shall represent the entity's **Weak Link**, where probability and potential loss (Maximum Foreseeable Loss, MFL) are non-negligible.

- **4.2.2. R³S Resilience Metrics:**
  - **Innate Resistance:** The duration for which existing protective investments (e.g., geographical advantages, safety design, firewalls, UPS) can maintain uninterrupted operations without human intervention.
  - **Adaptive Response:** The additional buffer time gained through internal management actions (e.g., emergency SOPs, resource dispatching) and timely response upon event occurrence.
  - **External Resource Intervention:** The time gap required for external resources (e.g., fire services, power restoration, third-party suppliers) to intervene.
  - **Recovery Time:** The total duration from operational disruption to full restoration of normal operations or pre-set sustainability goals.

- **4.2.3. Resilience Metric Relationship:** The entity's objective is to ensure that the total buffer time gained from existing investments and timely responses is sufficient to cover the estimated duration of an unsafe scenario. If an objective resilience condition (BCP, safety plans, etc.) satisfies these time requirements, the entity demonstrates **"Operational Continuity Reliability"**, significantly mitigating financial impact.

4.3. Reliability Governance and Value Translation (Reliability - The Output)

- **4.3.1. Governance Oversight:** Describe how management monitors the achievement of resilience metrics. Indicators shall be included in executive performance appraisals.

- 4.3.2. Value Funnel: Entities shall use "Management Accounting" to calculate the **Return on Investment of Risk Management (ROI of RM)**. Assessment dimensions shall include:

  - **Protection ROI**: The correlation between time-benefits gained during an unsafe state and the associated investment costs.
  - **Loss prevention ROI:** The ratio of expected losses to protection costs.
  - **Recovery ROI:** Financial losses avoided by shortening recovery time relative to economic input.

- 4.3.3. External Disclosure and Certification: Metrics may be audited by independent third parties regarding scenarios, parameters, assumptions, and financial impacts to grant certification based on disclosure reliability.

5.
Control & Competence

5.1. Control Activities Entities shall conduct regular drills and emergency exercises to test and optimize the effectiveness of various assessment metrics.

5.2. Personnel Competence Management personnel responsible for this standard shall undergo training within a WSRS-authorized quality management system. Professional certification based on the latest curriculum is required to ensure competence and the accuracy and timeliness of utilized data.