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Summary of Appendix B of IFRS S2

Content

IFRS S2 – APPENDIX B (Application Guidance)

This summary highlights the key points of application guidance covered in Appendix B of IFRS S2:

I. CLIMATE RESILIENCE

1.The Standard requires an entity to use Climate-Related Scenario Analysis to assess its climate resilience, using an approach that is commensurate with Its circumstances.

2. An entity shall consider its Exposure to Climate-Related Risks and Opportunities in its assessment of its circumstances and when determining the approach to use for its climate-related scenario analysis.

3. An entity shall consider the Available Skills, Capabilities and Resourceswhen determining an appropriate approach to use for its climate-related scenario analysis.

4. An entity shall determine an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable Information that is available to the entity at the reporting date without undue cost or effort.

5. When an entity selects the inputs to use in its climate-related scenario analysis, the entity shall consider all reasonable and supportable information —including scenarios, variables and other inputs available to the entity at the reporting date without undue cost or effort.

6. The entity shall prioritise the analytical choices (for example, whether to use qualitative analysis or quantitative modelling) that will enable it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.

7. An entity must review Its Approach to Climate-Related Scenario Analysis as it may not be the same from one reporting period or strategic planning cycle to the next.

II. GREENHOUSE GASES

1. An entity is permitted to measure Its Greenhouse Gas Emissions [GHG] in accordance with paragraph 29(a)(i) of The Standard using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the entity's reporting period subject to certain conditions as prescribed in para B19 of this appendix.

2. An entity is required to disclose its absolute GHG emissions generated during the reporting period, expressed as metric tonnes of CO2 Equivalent. To meet this requirement, the entity shall aggregate the seven constituent GHG into CO2 equivalent values.

3. An entity is required to disclose its GHG emissions measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).

4. An entity is required to disclose the measurement Approach, inputs and assumptions it uses to measure its greenhouse gas emissions. For this purpose, the entity may use the different measurement approaches as included in The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).

5. As part of an entity's disclosure of the measurement approach, inputs and assumptions, the entity shall disclose information to enable users of general purpose financial reports to understand which Emission factors the entity uses in its measurement of its GHG emissions.

6. An entity is required to disclose its Scope 2 Greenhouse Gas Emissions using a location-based approach and is required to provide information about contractual instruments only if such instruments exist and information about them enhances users' understanding of an entity's Scope 2 GHG emissions.

7. An entity shall disclose information about its Scope 3 Greenhouse Gas Emissions to enable users of general-purpose financial reports to understand the source of these emissions.

8. Further, The Standard requires an entity that participates in one or more of the following financial activities is required to disclose additional and specific information about its Category 15 emissions or those emissions associated with its investments which is also known as 'Financed Emissions':

   (a) Asset Management (see paragraph B61);

   (b) Commercial Banking (see paragraph B62); and

   (c) Insurance (see paragraph B63).

III. CROSS-INDUSTRY METRIC CATEGORIES

1. In addition to information about an entity's GHG emissions, the entity is required to disclose information relevant to the cross-industry metric categories set out in paragraph 29(b)–(g) of The Standard.

2. For this purpose, the entity shall:

   (a) consider the time horizons over which the effects of climate-related risks and opportunities could reasonably be expected to occur.

   (b) consider where in the entity's business model and value chain, climate-related risks and opportunities are concentrated (for example, geographical areas, facilities or types of assets).

   (c) consider the information disclosed in relation to the effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period.

   (d) consider whether industry-based metrics as described in this Standard or IFRS S1 could be used to satisfy the requirements in whole or in part.

   (e) consider the connections between the information disclosed to fulfil the requirements in paragraph 29(b)–(g) with the information disclosed in the related financial statements, in accordance with paragraph 21(b)(ii) of IFRS S1.

IV. CLIMATE-RELATED TARGETS

1. An entity is required to disclose the quantitative or qualitative Climate-Related Targets it has set, and any it is required to meet by law or regulation, including any GHG emissions targets.
2. If an entity has a Greenhouse Gas Emissions Target, the entity is required to specify whether the target is a gross GHG emissions target or a net GHG emissions target.
3. An entity is required to describe its planned use of Carbon Credits —which are transferable or tradeable instruments—to offset emissions to achieve any net greenhouse gas emissions targets the entity has set, or any it is required to meet by law or regulation.

Some guidance on carbon credits and net zero emissions relevant to IFRS: S2:

A company's sustainability journey starts with understanding and calculating its carbon footprint

Carbon neutrality, or net zero:

means having a net-zero carbon dioxide emissions footprint by balancing the carbon emitted with the carbon removed from the atmosphere. This is achieved by implementing carbon-reduction strategies and offsetting emissions (with carbon credits) that cannot be reduced. Some common examples of projects include reforestation, building renewable energy, carbon-storing agricultural practices, and waste and landfill management.

Role of businesses in ESG and sustainability reporting:

When businesses understand and report their ESG impact, they can make informed decisions to create a more sustainable and equitable future. This not only helps protect nature and biodiversity, but also builds trust and credibility with stakeholders, including investors, customers, vendors and employees. When a business becomes carbon neutral, it not only demonstrates a commitment to environmental responsibility but also improves the business' brand reputation and helps it connect with consumers who care about sustainability.

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