

# Summary of IFRS S2 – Climate-related Disclosures



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## I. OBJECTIVE AND SCOPE

The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. [IFRS S2:1] This Standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium, or long term. For the purposes of this Standard, these risks and opportunities are collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects'. **[IFRS S2:2]**

This Standard applies to:

- a) climate-related risks to which the entity is exposed, which are:
  - 1. climate-related physical risks; and
  - 2. climate-related transition risks; and
- b) climate-related opportunities available to the entity. [IFRS S2:3]

Climate-related risks and opportunities that could not reasonably be expected to affect an entity's prospects are outside the scope of this Standard. [IFRS S2:4]





## II. CORE CONTENT

### II. A Governance

The objective of climate-related financial disclosures on governance is to enable users of general-purpose financial reports to understand the governance processes, controls, and procedures an entity uses to monitor, manage, and oversee climate-related risks and opportunities. **[IFRS S2:5]**

To achieve this objective, an entity is required to disclose information about the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity is required to identify the body (or bodies) or individual(s). **[IFRS S2:6(a)]**

An entity is also required to disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee climate-related risks and opportunities. **[IFRS S2:6(b)]**

### II. B Materiality

The objective of climate-related financial disclosures on strategy is to enable users of general-purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities. **[IFRS S2:8]**

Specifically, an entity is required to disclose information to enable users of general-purpose financial reports to understand:

1. the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects;
2. the current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain;
3. the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan;
4. the effects of those climate-related risks and opportunities on the entity's financial position, financial performance, and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance, and cash flows over the short, medium, and long-term taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning; and
5. the climate resilience of the entity's strategy and its business model to climate-related changes, developments, and uncertainties—taking into consideration the entity's identified climate-related risks and opportunities. **[IFRS S2:9]**



## II. C Risk management

The objective of climate-related financial disclosures on risk management is to enable users of general-purpose financial reports to understand an entity's processes to identify, assess, prioritize and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process. **[IFRS S2:24]**

To achieve this objective, an entity is required to disclose information about: **[IFRS S2:25]**

a) the processes and related policies the entity uses to identify, assess, prioritize, and monitor climate-related risks, including information about:

1. the inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes);
2. whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks;

3. whether and how the entity prioritizes climate-related risks relative to other types of risk;
4. how the entity monitors climate-related risks; and whether and how the entity has changed the
5. processes it uses compared with the previous reporting period.

b) the processes the entity uses to identify, assess, prioritize, and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities; and

c) the extent to which, and how, the processes for identifying, assessing, prioritizing, and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.

## II. D Metrics and targets

The objective of climate-related financial disclosures on metrics and targets is to enable users of general-purpose financial reports to understand an entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation. **[IFRS S2:27]**

To achieve this objective, an entity is required to disclose: **[IFRS S2:28]**

a) information relevant to the cross-industry metric categories;

b) industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry; and

c) targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets.





## III. CLIMATE-RELATED METRICS AND TARGETS

### III.A Metrics

An entity shall disclose information relevant to the cross-industry metric categories of: [IFRS S2: 29]

#### a) greenhouse gases—the entity shall:

- i. disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO<sub>2</sub> equivalent, classified as:
  1. Scope 1 greenhouse gas emissions
  2. Scope 2 greenhouse gas emissions, and
  3. Scope 3 greenhouse gas emissions
- ii. measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its greenhouse gas emissions
- iii. disclose the approach it uses to measure its greenhouse gas emissions including:
  1. the measurement approach, inputs and assumptions the entity uses to measure its greenhouse gas emissions;
  2. the reason why the entity has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and
  3. any changes the entity made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;
- iv. for Scope 1 and Scope 2 greenhouse gas emissions, disaggregate emissions between:
  1. the consolidated accounting group (for example, for an entity applying IFRS Accounting Standards, this group would comprise the parent and its consolidated subsidiaries); and
  2. other investees excluded from above (for example, for an entity applying IFRS Accounting Standards, these investees would include associates, joint ventures and unconsolidated subsidiaries);
- v. for Scope 2 greenhouse gas emissions disclosed, disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 greenhouse gas emissions; and



vi. for Scope 3 greenhouse gas emissions disclosed, disclose:

1. the categories included within the entity's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011); and
2. additional information about the entity's Category 15 greenhouse gas emissions or those associated with its investments (financed emissions), if the entity's activities include asset management, commercial banking or insurance

**b) climate-related transition risks**—the amount and percentage of assets or business activities vulnerable to climate-related transition risks;

**c) climate-related physical risks**—the amount and percentage of assets or business activities vulnerable to climate-related physical risks;

**d) climate-related opportunities**—the amount and percentage of assets or business activities aligned with climate-related opportunities;

**e) capital deployment**—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities;

**f) internal carbon prices**—the entity shall disclose: i. an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and ii. the price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions

**g) remuneration**—the entity shall disclose:

1. a description of whether and how climate-related considerations are factored into executive remuneration; and
2. the percentage of executive management remuneration recognised in the current period that is linked to climate related considerations.

## III.B Targets

An entity shall disclose the quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the entity shall disclose: **[IFRS S2:33]**

- a) the metric used to set the target;
- b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);
- c) the part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region);
- d) the period over which the target applies;
- e) the base period from which progress is measured;
- f) any milestones and interim targets;
- g) if the target is quantitative, whether it is an absolute target or an intensity target; and
- h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.

An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: **[IFRS S2:34]**

- a) whether the target and the methodology for setting the target has been validated by a third party;
- b) the entity's processes for reviewing the target;
- c) the metrics used to monitor progress towards reaching the target; and
- d) any revisions to the target and an explanation for those revisions.

An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance. **[IFRS S2:35]**



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For each greenhouse gas emissions target disclosed, an entity shall disclose: [IFRS S2:36]

- a) which greenhouse gases are covered by the target.
- b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target.
- c) whether the target is a gross greenhouse gas emissions target or net greenhouse gas emissions target. If the entity discloses a net greenhouse gas emissions target, the entity is also required to separately disclose its associated gross greenhouse gas emissions target
- d) whether the target was derived using a sectoral decarbonisation approach.
- e) the entity's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits the entity shall disclose information including:

- 1. the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;
- 2. which third-party scheme(s) will verify or certify the carbon credits;
- 3. the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and
- 4. any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credits the entity plans to use (for example, assumptions regarding the permanence of the carbon offset).



## IV. INDUSTRY-BASED GUIDANCE

Industry-based Guidance on Implementing IFRS S2 suggests possible ways to apply some of the disclosure requirements in IFRS S2. The guidance does not create additional requirements. Specifically, the guidance suggests ways to identify and disclose information about climate-related risks and opportunities associated with particular business models, activities or other common features that characterise participation in an industry. In applying IFRS S2, an entity is required to refer to and consider the applicability of the information set out in the guidance. [\[IFRS S2:IB1\]](#)

The industry-based guidance has been derived from Sustainability Accounting Standards Board (SASB) Standards, which are maintained by the ISSB. Because the guidance is industry-based, only a subset is likely to apply to any entity. [\[IFRS S2:IB2\]](#)

1. Note: Refer to IFRS S2 Part B (Accompanying Guidance on Climate-related Disclosures) for industry/sector specific guidance





## V. EFFECTIVE DATE

The ISSB decided that setting an effective date for annual reporting periods beginning on or after 1 January 2024 is consistent with the ISSB's current pace in meeting users' urgent need for sustainability-related and climate-related financial disclosures. The ISSB also decided to permit early application of IFRS S2, but clarified that early application is allowed only for entities applying both IFRS S1 and IFRS S2 at the same time. The ISSB decided that if an entity applies the Standards early, it is required to disclose that fact.

### **[IFRS S2:BC163]**

- a) the entity should disclose its measurement of greenhouse gas emissions for the period ending on 31 December 2024 using the method other than the GHG Protocol Corporate Standard (meaning the entity does not need to recalculate its 2024 greenhouse gas emissions using the GHG Protocol Corporate Standard);
- b) for the avoidance of doubt, the entity should disclose its measurement of greenhouse gas emissions for the period ending on 31 December 2025 using the GHG Protocol Corporate Standard; and
- c) the entity should disclose the approach it uses to measure its greenhouse gas emissions (noting the different approaches used in 2024 and 2025).

An entity need not disclose its Scope 3 greenhouse gas emissions as part of its sustainability-related financial disclosures in the first annual reporting period in which the entity applies IFRS S2. **[IFRS S2:BC171]**

If an entity takes advantage of the Scope 3 greenhouse gas emissions relief, the entity is permitted to continue to use that relief for the purposes of presenting that information as comparative information in subsequent reporting periods. **[IFRS S2:BC173]**



## VI. TRANSITION

The ISSB decided to provide relief for an entity from the requirement to disclose comparative information in the first annual reporting period in which it applies IFRS S2. Permitting an entity to report on only that period enables it to provide users of general purpose financial reports with the information they need sooner. [\[IFRS S2:BC165\]](#)

The ISSB decided to introduce a relief available to an entity if it has been using a method for measuring greenhouse gas emissions that is different from the GHG Protocol Corporate Standard in the annual reporting period immediately preceding the date of the entity's initial application of IFRS S2. In those cases, the entity need not use the GHG Protocol Corporate Standard in the first annual reporting period in which it applies IFRS S2. This relief is available to an entity using a method other than the GHG Protocol Corporate Standard, even if the entity is not required to use that method by a jurisdictional authority. For the avoidance of doubt, this relief is temporary and available only in the first annual reporting period in which an entity applies IFRS S2. In other words, if an entity uses a method for measuring its greenhouse gas emissions that is different from the GHG Protocol Corporate Standard in the annual reporting period immediately preceding the entity's date of initial application of IFRS S2, it is permitted to continue using its existing method for the first annual reporting period in which the entity applies IFRS S2. [\[IFRS S2:BC167\]](#)

If an entity takes advantage of this relief, the entity is permitted to continue to use that relief for the purposes of presenting that information as comparative information in subsequent reporting periods. For example, if an entity's date of initial application is 1 January 2024 and it measures its greenhouse gas emissions using a method other than the GHG Protocol Corporate Standard, the entity is permitted to use this method in its annual reporting period ending on 31 December 2024. For the period ending on 31 December 2025 (the following year): [\[IFRS S2:BC168\]](#)

- a) the entity should disclose its measurement of greenhouse gas emissions for the period ending on 31 December 2024 using the method other than the GHG Protocol Corporate Standard (meaning the entity does not need to recalculate its 2024 greenhouse gas emissions using the GHG Protocol Corporate Standard);
- b) for the avoidance of doubt, the entity should disclose its measurement of greenhouse gas emissions for the period ending on 31 December 2025 using the GHG Protocol Corporate Standard; and
- c) the entity should disclose the approach it uses to measure its greenhouse gas emissions (noting the different approaches used in 2024 and 2025).

An entity need not disclose its Scope 3 greenhouse gas emissions as part of its sustainability-related financial disclosures in the first annual reporting period in which the entity applies IFRS S2. [\[IFRS S2:BC171\]](#)

If an entity takes advantage of the Scope 3 greenhouse gas emissions relief, the entity is permitted to continue to use that relief for the purposes of presenting that information as comparative information in subsequent reporting periods. [\[IFRS S2:BC173\]](#)



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