



IFRS[®]

Sustainability

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Comparison

IFRS S2 *Climate-related Disclosures* with the TCFD Recommendations

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Introduction

The requirements in IFRS S2 *Climate-related Disclosures* issued by the International Sustainability Standards Board (ISSB) integrate, and are consistent with, the four core recommendations and 11 recommended disclosures published by the Task Force on Climate-related Financial Disclosures (TCFD).¹ Areas where IFRS S2 differs from the TCFD recommendations reflect differences between IFRS S2 and the TCFD's guidance, not the TCFD's core recommendations or recommended disclosures.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* sets out overarching requirements for a company to disclose information about sustainability-related risks and opportunities. The core content requirements in IFRS S1 also integrate the TCFD recommendations.

Building on IFRS S1, IFRS S2 sets out supplementary requirements that relate specifically to climate-related risks and opportunities. IFRS S1 sets out the general requirements for how a company discloses that information, and specific requirements for providing a complete set of sustainability-related financial disclosures. For example, IFRS S1 sets out requirements on the aggregation and disaggregation of information that also apply to disclosures required by IFRS S2. Hence, companies may be required to disclose information beyond the TCFD's core recommendations when they apply IFRS S1.

The following tables summarise some differences between the core content requirements in IFRS S2, including associated application guidance, and the TCFD's core recommendations, recommended disclosures and guidance. These differences take three forms. Specifically, IFRS S2:

- uses **different wording** to capture the same information as the TCFD recommendations. In other words, in these cases, the requirements in IFRS S2 are described as being broadly consistent with the TCFD recommendations;
- requires **more detailed** information that is in line with the TCFD recommendations; and
- **differs** from the TCFD *guidance*—but not from the TCFD overall recommendations—mainly by providing some **additional** requirements and guidance.

¹ The TCFD framework consists of four core recommendations (governance, strategy, risk management, metrics and targets), 11 supporting recommended disclosures, and all-sector and sector-specific guidance. The guidance informs implementation of the recommendations but is not part of the formal recommendations.

TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Governance</p> <p>Disclose the organization’s governance around climate-related risks and opportunities.</p>	<p>Governance</p> <p>Understand the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.</p>
<p>Recommended Disclosure a)</p> <p>Describe the board’s oversight of climate-related risks and opportunities.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure a).</p> <p>IFRS S2 requires the disclosure of more detailed information, for example, how the governance body(s)’ or individual(s)’ responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s).</p>
<p>Recommended Disclosure b)</p> <p>Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure b).</p>

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TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Strategy</p> <p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.</p>	<p>Strategy</p> <p>Understand a company’s strategy for managing climate-related risks and opportunities.</p>
<p>Recommended Disclosure a)</p> <p>Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure a).</p> <p>IFRS S2 additionally requires a company to refer to and consider the applicability of industry-based disclosure topics in the industry-based guidance in identifying climate-related risks and opportunities.</p> <p>IFRS S2 also requires disclosure of more detailed information around where in the company’s business model and value chain risks and opportunities are concentrated.</p>

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TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure b)</p> <p>Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.</p>	<p>IFRS S2 is broadly consistent with the Recommended Disclosure b).</p> <p>In describing the effects of climate-related risks and opportunities, IFRS S2 requires more detailed information. For example, in disclosing how a company has responded to, and plans to respond to, the identified risks and opportunities, the company is required to disclose any transition plans it has and how the company plans to achieve its climate-related targets.</p> <p>In providing disclosures about the current and anticipated effects of the risks and opportunities on a company’s financial position, financial performance and cash flows, IFRS S2 sets out criteria for when quantitative and qualitative information is required. Disclosure of only qualitative information is permitted under some circumstances, for example, when a company cannot separately identify the effects of the risk or opportunity or when the level of measurement uncertainty involved is too high.</p> <p>When preparing disclosures on the anticipated financial effects, IFRS S2 requires a company to use all reasonable and supportable information that is available at the reporting date without undue cost or effort and requires the use of an approach that is commensurate with the company’s circumstances.</p>

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TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure c)</p> <p>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure c). However, IFRS S2 does not specify the particular scenarios that a company would be required to use in its climate-related scenario analysis.</p> <p>IFRS S2 requires additional information regarding resiliency on:</p> <ul style="list-style-type: none"> • significant areas of uncertainty considered by the company in its assessment; • a company's capacity to adjust and adapt its strategy and business model over time; and • details on how and when the climate-related scenario analysis was carried out. <p>In using climate-related scenario analysis, IFRS S2 requires the use of an approach that is commensurate with the company's circumstances and a consideration of all reasonable and supportable information that is available at the reporting date without undue cost or effort.</p>

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TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Risk Management</p> <p>Disclose how the organization identifies, assesses and manages climate-related risks.</p>	<p>Risk Management</p> <p>Understand the processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including, whether and how those processes are integrated into and inform the company's overall risk management process.</p>
<p>Recommended Disclosure a)</p> <p>Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure a).</p> <p>IFRS S2 requires disclosure of more detailed information, for example:</p> <ul style="list-style-type: none"> • the input parameters it uses to identify risks (for example, data sources, the scope of operations covered and the detail used in assumptions); • whether and how the company uses climate-related scenario analysis to inform its identification of risks; and • whether it has changed the processes used to identify, assess, prioritise and monitor risks compared to the prior reporting period. <p>IFRS S2 also explicitly requires additional disclosures on the processes used to identify, assess, prioritise and monitor opportunities.</p>
<p>Recommended Disclosure b)</p> <p>Describe the organization's processes for managing climate-related risks.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure b). The risk management disclosure requirements in IFRS S2 focus on providing information about the processes used to identify, assess, prioritise and monitor climate-related risks and opportunities.²</p>

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² Information that enables users of general purpose financial reports to understand a company's strategy for managing risks and opportunities is required by the strategy disclosure requirements of IFRS S2.

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TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure c)</p> <p>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization’s overall risk management.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure c).</p> <p>IFRS S2 explicitly requires additional disclosures on the extent to which, and how, the processes used to identify, assess, prioritise and monitor opportunities are integrated into and inform the company’s overall risk management process.</p>

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TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Metrics and Targets</p> <p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>	<p>Metrics and Targets</p> <p>Understand a company’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.</p>
<p>Recommended Disclosure a)</p> <p>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>IFRS S2 requires the same categories of cross-industry metrics as does the TCFD guidance.</p> <p>In addition, IFRS S2 requires disclosure of industry-based metrics relevant to a company’s business model and activities.</p>

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TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure b)</p> <p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure b).</p> <p>IFRS S2 requires additional disclosures related to a company’s GHG emissions, including:</p> <ul style="list-style-type: none"> • a separate disclosure of Scope 1 and Scope 2 GHG emissions for (1) the consolidated accounting group, and (2) associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; • Scope 2 GHG emissions using a location-based approach and information about any contractual instruments that is necessary to inform users’ understanding; • Scope 3 GHG emissions disclosures, including additional information about the company’s financed emissions if the company has activities in asset management, commercial banking or insurance; and • information about measurement approach, inputs and assumptions used in measuring Scope 3 GHG emissions. <p>In addition, IFRS S2 sets out a Scope 3 measurement framework to provide guidance for preparing Scope 3 GHG emissions disclosures.</p> <p>While IFRS S2 does not explicitly require a company to disaggregate its GHG emissions disclosures by the constituent gases, IFRS S1 includes requirements on disaggregation that would result in the disclosure of the constituent gases being required if such disaggregation provides material information.</p>

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TCFD Recommendations, Recommended Disclosures and Guidance	IFRS S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure c)</p> <p>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>	<p>IFRS S2 is broadly consistent with the TCFD Recommended Disclosure c).</p> <p>IFRS S2 differs from the TCFD guidance in, for example, requiring disclosures about how the latest international agreement on climate change has informed the target and whether the target has been validated by a third party.</p> <p>IFRS S2 requires disclosure of more detailed information on GHG emissions targets, including additional information about the planned use of carbon credits to achieve a company's net GHG emissions targets.</p> <p>IFRS S2 also includes additional requirements to disclose information about the approach to setting and reviewing each target, and how it monitors progress against each target, including whether the target was derived using a sectoral decarbonisation approach.</p>

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