
Transition Implementation Group on IFRS S1 and IFRS S2

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Topic **Application of the jurisdictional relief to part of a reporting entity**

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This paper has been prepared to summarise a public meeting of the Transition Implementation Group on IFRS S1 and IFRS S2. It does not purport to represent the views of any individual member of the International Sustainability Standards Board or staff. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards.

Introduction

1. We have received a submission about the application of the relief in IFRS S2 *Climate-related Disclosures* that permits an entity to measure its greenhouse gas (GHG) emissions using a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard). Specifically, the submission questions whether an entity is permitted to use the relief in a circumstance in which only part of the entity is required by a jurisdictional authority to use a method for measuring its GHG emissions other than the GHG Protocol Corporate Standard.
2. The objective of this paper is to provide background and analysis to support discussion by the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG).
3. The TIG provides a public forum for the discussion of implementation questions related to the IFRS Sustainability Disclosure Standards and to provide information for the ISSB to determine what, if any, action will be needed to address those questions.
4. This paper:
 - (a) sets out the relevant requirements in IFRS S1 and IFRS S2;
 - (b) summarises the implementation question raised in the submission;
 - (c) outlines the staff's analysis related to the implementation question; and
 - (d) asks the members of the TIG for their views on the question raised.

Relevant requirements

5. The following paragraphs set out the main requirements in IFRS S1 and IFRS S2 and the Basis for Conclusions on IFRS S2 related to the implementation question.
6. Paragraph 29 of IFRS S2 sets out the requirements related to the measurement and disclosure of GHG emissions. This includes the requirement to measure GHG emissions in accordance with the GHG Protocol Corporate Standard unless ‘the entity’ is required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its GHG emissions (referred to in this paper as the ‘jurisdictional relief’):

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

- (a) greenhouse gases—the entity shall:
 - (i) disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent (see paragraphs B19–B22), 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...

7. Paragraph B24 of IFRS S2 sets out the requirements associated with the jurisdictional relief:

B24 An entity is required to use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) **unless the entity is required** by a jurisdictional authority or an exchange on which it is

listed to use a different method for measuring its greenhouse gas emissions. **If the entity is required** by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its greenhouse gas emissions, **the entity is permitted** to use this method rather than using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) for as long as the jurisdictional or exchange requirement applies to **the entity [emphasis added]**.

8. Paragraph B25 of IFRS S2 refers to the application of the jurisdictional relief:

B25 In some circumstances, an entity might be subject to a requirement in the jurisdiction in which it operates to disclose its greenhouse gas emissions for a specific part of the entity or for some of its greenhouse gas emissions (for example, only for Scope 1 and Scope 2 greenhouse gas emissions). In such circumstances, the jurisdictional requirement does not exempt the entity from applying the requirements in this Standard to disclose the entity's Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for the entity as a whole.

9. Paragraph B26 of IFRS S2 requires that an entity disclose, among other things, the applicable method the entity has used to measure its GHG emissions if the entity is not using the GHG Protocol Corporate Standard:

B26 Paragraph 29(a)(iii) requires an entity to disclose the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions. As part of this requirement, the entity shall include information about:

- (a) ...
- (b) the applicable method if the entity is not using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and the measurement approach the entity uses (see paragraph B28); ...

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10. The Basis for Conclusions accompany but are not part of IFRS Sustainability Disclosure Standards. The Basis for Conclusions summarise the considerations of the ISSB in developing Standards and thus provide useful context to understand the requirements in Standards, but do not in themselves establish requirements.
11. Paragraph BC88 of the Basis for Conclusions on IFRS S2 explains the ISSB’s decision to introduce the jurisdictional relief:

BC88 The GHG Protocol Corporate Standard is the most commonly used standard globally for measuring greenhouse gas emissions, and is directly referenced in many jurisdictions, including Brazil, India, Mexico, the Philippines and the UK. However, some jurisdictions require entities to report their emissions in accordance with national measurement schemes. These jurisdictions include Australia, China, France, Japan, South Korea and Taiwan. Entities in these jurisdictions—and other jurisdictions that require an entity to use other approaches for measuring greenhouse gas emissions—could incur additional costs in meeting the requirements in IFRS S2. **To respond to this issue, the ISSB confirmed that if an entity is required by a jurisdictional authority or an exchange on which the entity is listed to use a method of measuring greenhouse gas emissions that differs from the GHG Protocol Corporate Standard, the entity is permitted to use that method. The ISSB agreed to this relief to avoid duplicative reporting and agreed that it only applies if an entity would otherwise be required to use both the GHG Protocol Corporate Standard and another method to measure its greenhouse gas emissions as a result of applying IFRS S2 [emphasis added].**

12. Paragraphs B29–B30 of IFRS S1 set out the requirements related to the aggregation and disaggregation of information in sustainability-related financial disclosures:

B29 When an entity applies IFRS Sustainability Disclosure Standards, it shall consider all facts and circumstances and decide how to aggregate and

disaggregate information in its sustainability-related financial disclosures. **The entity shall not reduce the understandability of its sustainability-related financial disclosures by** obscuring material information with immaterial information or by **aggregating material items of information that are dissimilar to each other [emphasis added]**.

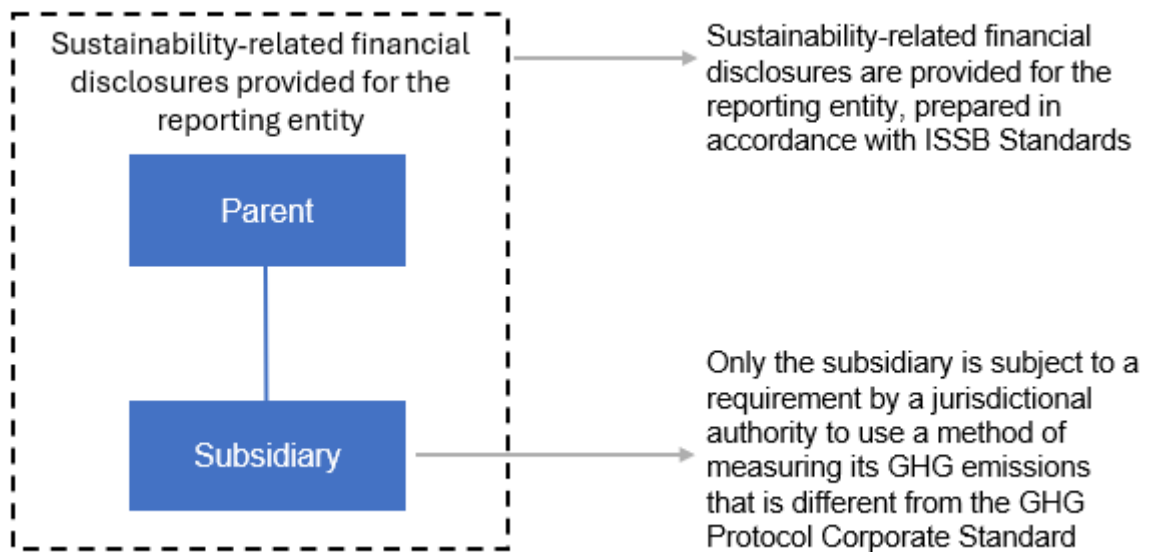
B30 An entity shall not aggregate information if doing so would obscure information that is material. Information shall be aggregated if items of information have shared characteristics and **shall not be aggregated if they do not have shared characteristics**. The entity might need to disaggregate information about sustainability-related risks and opportunities, for example, by geographical location or in consideration of the geopolitical environment. For example, to ensure that material information is not obscured, an entity might need to disaggregate information about its use of water to distinguish between water drawn from abundant sources and water drawn from water-stressed areas **[emphasis added]**.

Implementation question received

13. This paper addresses a submission that questions whether an entity is permitted to use the jurisdictional relief in a circumstance in which only part of the entity is required by a jurisdictional authority to use a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard, but another part of the entity is not subject to such requirement.
14. A simple fact pattern is used to explain the question, which is depicted in Figure A:
 - (a) the parent and subsidiary operate in different jurisdictions.
 - (b) the parent produces consolidated financial statements that provide information about both the parent and the subsidiary. Therefore, the reporting entity includes both the parent and the subsidiary.
 - (c) sustainability-related financial disclosures are provided for this reporting entity and are prepared in accordance with the ISSB Standards.

- (d) the subsidiary is required by a jurisdictional authority to use a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard. The parent is not subject to such a requirement.

Figure A: Reporting entity’s sustainability-related financial disclosures and its GHG emissions reporting



- 15. Applying this fact pattern to the submission, the submission questions whether the measurement of GHG emissions for the purposes of providing sustainability-related financial disclosures for the reporting entity—which include GHG emissions for both the parent and the subsidiary—can include the GHG emissions measured by the subsidiary using the method required in the subsidiary’s jurisdiction, which is different from the GHG Protocol Corporate Standard. Said differently, can the reporting entity measure part of its GHG emissions using a measurement method that is different from the GHG Protocol Corporate Standard and measure the balance of its GHG emissions using the GHG Protocol Corporate Standard.¹

Staff analysis

- 16. Paragraph 29(a)(ii) requires that an *entity* measure its GHG emissions in accordance with the GHG Protocol Corporate Standard unless required by a jurisdictional authority or an

¹ The example in this fact pattern is one of many potential cases, refer to Appendix A of this paper for more information.

exchange on which the entity is listed to use a different method for measuring its GHG emissions. Similarly, paragraph B24 refers several times to ‘the entity’ being subject to a jurisdictional requirement to measure its GHG emissions using a method that is different from the GHG Protocol Corporate Standard and the *entity* using the jurisdictional relief.

17. The fact that a reporting entity could have operations (for example, some subsidiaries) in more than one jurisdiction, and therefore be subject to different jurisdictional requirements related to the measurement of GHG emissions, raises the question about the scenarios in which the jurisdictional relief can be applied. That is, can the jurisdictional relief be applied:
- (a) if the entity, *in whole or part*, is subject to such a requirement from a jurisdictional authority; or
 - (b) *only* if the *entire* reporting entity is subject to such a requirement from a jurisdictional authority.

ISSB intention for introducing a jurisdictional relief

18. The intention of the jurisdictional relief, as explained in paragraph BC88 of the Basis for Conclusions on IFRS S2, is to avoid duplicative reporting if an entity would otherwise be required to use both the GHG Protocol Corporate Standard and another method to measure its GHG emissions.

Application of the jurisdictional relief to the fact pattern

19. The question is whether the fact that part of the entity is subject to a requirement from a jurisdictional authority to use a method for measuring its GHG emissions that is different from the GHG Protocol Corporate Standard means that:
- (a) the jurisdictional relief is applicable, as ‘the entity is subject to the requirement’ from the jurisdictional authority; or
 - (b) the jurisdictional relief is not applicable, as the entity (as a whole) is not subject to the requirement from the jurisdictional authority. The jurisdictional relief only refers to ‘*the entity*’ being subject to particular requirements. It does not explicitly refer to circumstances in which *part of an entity* is required by a jurisdictional authority to use

a method of measuring GHG emissions that is different from the GHG Protocol Corporate Standard.

20. Some may consider that paragraph B25 of IFRS S2 is relevant to the submission, as it refers to jurisdictional requirements that are applicable to part of an entity. However, it is the staff's view that paragraph B25 of IFRS S2 is not relevant to the submission because the paragraph refers only to whether particular GHG emissions (in total or in part) are *disclosed*. That is, it addresses whether the jurisdictional relief can exempt an entity from the requirement to *disclose* GHG emissions for a specific part of the entity or exempt an entity from the requirement to *disclose* its total GHG emissions, which, it cannot. Paragraph B25 does not address requirements related to the *method used to measure* GHG emissions.

Staff view

21. In the fact pattern provided, *the entity* that is reporting its GHG emissions *is subject to a jurisdictional requirement* to use an approach for measuring GHG emissions that is different from the GHG Protocol Corporate Standard, albeit only in part. Therefore, it is the staff view that the jurisdictional relief is applicable if the entity, in whole or part, is subject to such a requirement from a jurisdictional authority.
22. This approach would provide relief that would otherwise not be available if the jurisdictional relief were limited to only those situations in which the entire entity were subject to such a jurisdictional requirement. This narrow reading, in the staff view, might significantly reduce the relief provided.
23. The requirement in paragraph B24 of IFRS S2 states if an entity is required by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its GHG emissions, the entity is permitted to use this method rather than using the GHG Protocol Corporate Standard. Therefore, if an entity applies this relief to the applicable *part of an entity*, it is only that *part of the entity* that is permitted to measure GHG emissions using the different method. The remaining part of the entity is required to measure its GHG emissions using the GHG Protocol Corporate Standard.
24. The staff notes however that transparency about the use of different measurement methods is an important consideration, such as those described in paragraphs 25–26 of this paper.

Disclosure considerations using the jurisdictional relief when part(s) of the entity is required by a jurisdictional authority to use a method for measuring its GHG emissions that is different from the GHG Protocol Corporate Standard

25. Based on the staff view, an entity's GHG emissions disclosures could be comprised of amounts calculated using different methods—that is, some measured using the GHG Protocol Corporate Standard, and others measured using a different method. The staff notes an entity must apply the applicable disclosure requirements to ensure that this information is understood by users of the general purpose financial reports. In such circumstances the entity:
- (a) in accordance with paragraph B26 of IFRS S2, would be required to disclose the applicable method the entity has used to measure its GHG emissions if the entity is not using the GHG Protocol Corporate Standard, including the measurement approach the entity uses.
 - (b) in accordance with paragraphs B29–B30 of IFRS S1, cannot aggregate information if doing so would obscure information that is material. This means that an entity would disaggregate total GHG emissions when necessary to provide material information in accordance with IFRS S1, by:
 - i. GHG emissions measured using the GHG Protocol Corporate Standard; and
 - ii. GHG emissions measured using a method(s) that is *different from* the GHG Protocol Corporate Standard.²
 - (b) considers the qualitative characteristics of sustainability-related financial information, as set out in IFRS S1, which includes the understandability and comparability of the information, which are enhancing characteristics of useful sustainability-related financial information.
26. This paper uses a simplified fact pattern. Other circumstances might exist in which only part of an entity is subject to such jurisdictional requirements and the entity uses the jurisdictional relief, as summarised in Appendix A of this paper.

² In principle, there could be more than one 'different method' that falls within (b)(ii), thus requiring further disaggregation.

Question for the TIG members

27. The staff present the following question for the TIG members.

Question for TIG members

1. What are your views on the question and analysis presented above?

Appendix A

A.1 This paper uses a simplified fact pattern. Other circumstances might exist in which only part of an entity is subject to a jurisdictional requirement to measure its GHG emissions using a method that is different from the GHG Protocol Corporate Standard. Examples of such circumstances are summarised in in Table A applying the staff view.

Table A: Examples of application of the jurisdictional relief in different circumstances

Requirement from jurisdictional authority related to measurement of GHG emissions	Staff view of the reporting entity's measurement of GHG emissions	Related disclosure considerations
Composition of reporting entity: parent and subsidiary		
Only the parent is required to use a method that is different from the GHG Protocol Corporate Standard and this requirement does not extend to subsidiary.	<ul style="list-style-type: none"> Permitted to measure the parent's GHG emissions using a method that is different from the GHG Protocol Corporate Standard. Required to measure the subsidiary's GHG emissions using the GHG Protocol Corporate Standard. 	<ul style="list-style-type: none"> Required to disclose information about how GHG emissions were measured, including that a method that is different from the GHG Protocol Corporate Standard was used. Required to disaggregate GHG emissions based on different measurement methods if aggregation of those GHG emissions would obscure material information.
Only the subsidiary is required to use a method that is different from the GHG Protocol Corporate Standard and this requirement does not extend to parent.	<ul style="list-style-type: none"> Required to measure the parent's GHG emissions using the GHG Protocol Corporate Standard. Permitted to measure the subsidiary's GHG emissions using a method that is different from the GHG Protocol Corporate Standard. 	
The entire reporting entity is subject to a requirement to measure GHG emissions using a method that is different from the GHG Protocol Corporate Standard with such requirement being imposed by a particular jurisdiction on the parent or a subsidiary (for example, the subsidiary's operations in a particular jurisdiction give rise to a requirement to measure GHG emissions for the entire reporting entity using a method that is different from the GHG Protocol Corporate Standard).	<ul style="list-style-type: none"> Permitted to measure the entire reporting entity's GHG emissions using a method that is different from the GHG Protocol Corporate Standard. 	
Composition of reporting entity: An entity without subsidiaries but with 'branches' that have operations in other jurisdictions		
Branch is required to use a method that is different from the	<ul style="list-style-type: none"> Required to measure GHG emissions using the GHG Protocol Corporate 	<ul style="list-style-type: none"> Required to disclose information about

<p>GHG Protocol Corporate Standard.</p>	<p>Standard for GHG emissions excluding the branch.</p> <ul style="list-style-type: none"> Permitted to measure the branch’s GHG emissions using a method that is different from the GHG Protocol Corporate Standard. 	<p>how GHG emissions were measured, including that a method that is different from the GHG Protocol Corporate Standard was used.</p>
<p>The entity, excluding the branch, is required to use a method that is different from the GHG Protocol Corporate Standard.</p>	<ul style="list-style-type: none"> Permitted to use a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard for the entity excluding the branch. Required to measure the branch’s GHG emissions using the GHG Protocol Corporate Standard. 	<ul style="list-style-type: none"> Required to disaggregate GHG emissions based on different measurement methods if aggregation of those GHG emissions would obscure material information.