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## Transition Implementation Group on IFRS S1 and IFRS S2

Date	<b>September 2024</b>
Topic	<b>Summary of Transition Implementation Group on IFRS S1 and IFRS S2 meeting held on 19 September 2024</b>
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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.

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## Summary of the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG) meeting held on 19 September 2024

1. The TIG held its fourth meeting on 19 September 2024. These notes summarise the discussions.
2. Agenda Paper 9C for the November 2024 meeting of the International Sustainability Standards Board (ISSB) provides the ISSB with a copy of this summary.
3. The discussions at the TIG meetings are based on agenda papers that provide an analysis of implementation questions received. These agenda papers provide a basis for TIG members, as market experts involved in the implementation of IFRS S1 and IFRS S2, to understand the implementation questions and share their views on the analysis.
4. TIG members discussed topics in the following staff papers:
  - (a) Agenda Paper 1 *Reporting on other questions submitted* (paragraphs 6–9 of this paper);
  - (b) Agenda Paper 2 *Identification of sustainability-related risks and consideration of risk mitigation activities* (paragraphs 10–23 of this paper);
  - (c) Agenda Paper 3 *Application of the jurisdictional relief to part of a reporting entity* (paragraphs 24–36 of this paper);

- (d) Agenda Paper 4 *Scope 3 Category 15 GHG emissions related to financial activities and asset classes that are not explicitly referenced in IFRS S2* (paragraphs 37–49 of this paper); and
  - (e) Agenda Paper 5 *Use of GWP values from the latest IPCC assessment when a jurisdictional authority mandates the use of a different GWP value* (paragraphs 50–57 of this paper).
5. TIG members also received a copy of the submissions log, which includes all questions submitted to the TIG.<sup>1</sup>

### **Agenda Paper 1 *Reporting on other questions submitted***

6. Agenda Paper 1 summarises implementation questions submitted to the TIG that do not meet the TIG submission criteria.<sup>2</sup> These implementation questions were categorised in this paper as follows:
- (a) can be answered by applying the words in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*;
  - (b) do not relate to questions that arise when entities implement IFRS S1 and IFRS S2; or
  - (c) are being considered through a process other than a TIG discussion (such as proposed educational material).
7. During the discussion with TIG members, the staff explained the three types of papers that the TIG can expect going forward:
- (a) discussion papers (such as Agenda Papers 2–5 from the September 2024 TIG meeting);

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<sup>1</sup> TIG Agenda Papers and the submissions log can be found on the IFRS Foundation website: IFRS - [Transition Implementation Group on IFRS S1 and IFRS S2](#).

<sup>2</sup> The criteria for assessing the implementation questions discussed at the TIG meeting are specified in the TIG Terms of Reference, which can be found at <https://www.ifrs.org/groups/tig-ifrs-s1-and-ifrs-s2/submission-guidelines/>.

- (b) reporting on other questions submitted paper (such as Agenda Paper 1 from the September 2024 TIG meeting); and
- (c) the submissions log.

### ***TIG members discussion***

8. TIG members discussed the responses provided in Agenda Paper 1. Overall, TIG members expressed support for bringing this type of paper to the TIG and noted that the paper would be helpful to stakeholders implementing IFRS S1 and IFRS S2.
9. TIG members expressed agreement with the responses provided in Agenda Paper 1. They emphasised particular points in the responses provided and shared feedback that could be useful in applying IFRS S1 and IFRS S2. Specifically, TIG members provided insights on:
  - (a) submission number 14, which addresses the scope of the value chain for asset management entities. TIG members:
    - (i) noted this response was useful in clarifying that the fact an asset is managed by an entity but is not recognised in the entity's financial statements does not, by itself, determine whether the asset is a part of the entity's value chain. That is, assets not recognised as assets in the entity's financial statements could still be part of the entity's value chain.
    - (ii) emphasised that judgement is involved when an entity determines the scope of its value chain, including as it relates to relevance and materiality of information. An entity would consider its own facts and circumstances as it determines this scope to provide information required by the ISSB Standards.
  - (b) submission number 15, which addresses how an entity that participates in commercial banking activities should measure its absolute gross financed emissions for undrawn loan commitments. TIG members:

- (i) agreed with the response provided that, other than the requirements related to measurement of greenhouse gas (GHG) emissions in IFRS S2, including requirements to measure GHG emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard) and the Scope 3 measurement framework as set out in IFRS S2, IFRS S2 does not prescribe any specific measurement methodology for an entity to use in calculating its financed emissions.
  - (ii) noted that in the absence of prescribed methodology, entities are likely to use different methods to measure these GHG emissions. TIG members emphasised the requirements in paragraphs B61(d), B62(d) and B63(d) of IFRS S2 that require an entity to disclose the methodology it uses to calculate its financed emissions to provide transparency about the entity's measurement of financed emissions.
- (c) submission number 21, which addresses how an entity should reconcile the optionality provided in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) (GHG Protocol Corporate Value Chain Standard) with the requirements set out in IFRS S2. TIG members:
  - (i) emphasised that the GHG Protocol Corporate Standard is only applied to the extent it does not conflict with the requirements in IFRS S2.
  - (ii) expressed agreement that entities are required to use the Scope 3 measurement framework, as set out in paragraphs B38–B57 of IFRS S2, to measure their Scope 3 GHG emissions. It was also noted that the GHG Protocol Corporate Value Chain Standard is referenced in the definition of Scope 3 GHG emissions and in the requirements regarding the disclosure of Scope 3 GHG emissions categories—but is not required to be used to measure Scope 3 GHG emissions.
  - (iii) noted the importance of understanding the relationship between IFRS S2 and both the GHG Protocol Corporate Standard and the GHG Protocol Corporate Value Chain Standard.

## **Agenda Paper 2 *Identification of sustainability-related risks and consideration of risk mitigation activities***

10. Agenda Paper 2 addresses a submission about the application of the requirements in IFRS S1 related to the identification of sustainability-related risks that could reasonably be expected to affect an entity's prospects.
11. The submission questions whether and how an entity considers its risk mitigation activities when applying the requirements in IFRS S1 related to the identification of such sustainability-related risks.<sup>3</sup> In simple terms, the submission asks, if an entity has taken actions to mitigate a sustainability-related risk or plans to take such actions when identifying risks that could reasonably be expected to affect the entity's prospects, are such risks identified:
  - (a) after taking into consideration those mitigants, that is, on a 'net' basis; or
  - (b) ignoring those mitigants, that is, on a 'gross' basis?
12. Agenda Paper 2 sets out the requirements in IFRS S1 that are relevant to the submission:
  - (a) paragraph 1 of IFRS S1 sets out the objective of IFRS S1—to require an entity to disclose information about its sustainability-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; and
  - (b) paragraph 17 of IFRS S1 states that an entity is required to disclose material information about the sustainability-related risks (and opportunities) that could reasonably be expected to affect the entity's prospects.
13. The staff analysis in Agenda Paper 2 notes that IFRS S1 requires that an entity disclose information about all sustainability-related risks that *could reasonably be expected* to affect the entity's prospects. This means, when identifying sustainability-related risks that could reasonably be expected to affect an entity's prospects, the

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<sup>3</sup> This paper and Agenda Paper 2 uses the term 'risk mitigation activities'. This is intended to be used in the generic sense of actions taken to address risks. These actions may include, for example, in the case of climate-related risks both mitigation and adaptation efforts.

entity considers an external perspective. In particular, the entity needs to consider matters about which information, if misstated, omitted or obscured, could reasonably be expected to influence a decision by primary users. Thus, the perspective of primary users is a particular consideration for the entity.

14. The staff analysis notes that an entity might consider—among other things—how its risk mitigation activities affect whether a sustainability-related risk could reasonably be expected to affect its prospects. A risk mitigation activity could:
  - (a) affect *the extent to which an entity is exposed* to a sustainability-related risk, for example if the risk mitigation activity reduces the entity’s exposure to the risk or eliminates the risk entirely;<sup>4</sup> or
  - (b) change *the expectation of the effect* of a sustainability-related risk on an entity or change the extent to which the entity’s prospects are affected.
15. Therefore, risk mitigation activities could affect the expectation of whether and how a sustainability-related risk might affect an entity and how it might affect an entity’s prospects.
16. The staff considered some of the ways risk mitigation activities could affect the identification of a sustainability-related risk that could reasonably be expected to affect an entity’s prospects as outlined in paragraphs 16 and 17 of Agenda Paper 2, including:
  - (a) a circumstance in which an entity *has risk mitigation activities in place*, and how these risk mitigation activities could affect whether and how an entity identifies a sustainability-related risk that could reasonably be expected to affect its prospects. For example:
    - (i) despite having risk mitigation activities in place, the entity identifies a sustainability-related risk (paragraph 16(a) of Agenda Paper 2); and

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<sup>4</sup> Either for example, by changing the extent to which the entity can be affected by the risk or by protecting the entity if they are affected by the risk, such as by obtaining third party protection such as insurance.

- (ii) due to its risk mitigation activities in place, the entity does not identify a sustainability-related risk (paragraph 16(b) and paragraph 16(c) of Agenda Paper 2).
  - (b) a circumstance in which an entity *has risk mitigation activities that are not in place, but are planned*, and how these planned risk mitigation activities could affect whether and how an entity identifies a sustainability-related risk that could reasonably be expected to affect its prospects. For example, an instance in which a sustainability-related risk is identified despite the entity planning specific risk mitigation activities that are not yet in place (paragraph 17(a) of Agenda Paper 2).
- 17. In response to the submission in Agenda Paper 2, the staff noted that IFRS S1 does not prescribe whether or how an entity is required to consider risk mitigation activities when identifying sustainability-related risks. It is the staff's view that whether and how an entity considers risk mitigation activities in the identification of sustainability-related risks depends on an entity's specific facts and circumstances. An entity is required to apply judgement when determining whether and how a sustainability-related risk could reasonably be expected to affect its prospects—including whether and how risk mitigation activities that are planned or already in place inform the identification of sustainability-related risks. In applying this judgement, the staff note that it is useful to consider the relevance and materiality of the information that would be provided.
- 18. The staff note that paragraphs 74 and 75 of IFRS S1 require an entity to provide information about judgements made in preparing sustainability-related financial disclosures, which include judgements made in identifying sustainability-related risks. As a result, if a judgement about how risk mitigation activities were considered when identifying sustainability-related risks represents one of the judgements that most significantly affected the information included in the disclosures, the entity is required to disclose information about that judgement.
- 19. Paragraphs 22–26 of Agenda Paper 2 include a 'Staff note' that analyses the requirements to disclose material information about an entity's identified

sustainability-related risks and how risk mitigation activities might inform this disclosure. Specifically, the staff note:

- (a) an entity identifies sustainability-related risks that could reasonably be expected to affect its prospects in order to then apply the requirement in paragraph 17 of IFRS S1 to *disclose material information about* such sustainability-related risks.
- (b) the ISSB Standards do not always prescribe whether or how an entity is required to consider or disclose information about risk mitigation activities when disclosing information about sustainability-related risks. For example, a disclosure requirement might:
  - (i) explicitly require disclosure of information about a sustainability-related risk that includes the effect of risk mitigation activities (paragraph 24(a) of Agenda Paper 2);
  - (ii) explicitly require disclosure of information about a sustainability-related risk without considering risk mitigation activities (paragraph 24(b) of Agenda Paper 2);
  - (iii) explicitly require disclosure of information about risk mitigation activities (paragraph 24(c) of Agenda Paper 2); or
  - (iv) not explicitly require disclosure of information about risk mitigation activities or their effect on a sustainability-related risk (paragraph 24(d) of Agenda Paper 2).
- (c) in all circumstances, an entity will need to apply judgement to determine the material information to disclose to meet the disclosure requirement and its related disclosure objectives.

### ***TIG members discussion***

20. TIG members discussed the analysis in Agenda Paper 2. Overall, TIG members expressed agreement with the staff analysis and staff view that whether and how an entity considers risk mitigation activities in the identification of sustainability-related



risks depends on an entity's specific facts and circumstances. TIG members agreed that IFRS S1 does not specifically prescribe whether or how an entity is required to consider risk mitigation activities when identifying sustainability-related risks that could reasonably be expected to affect an entity's prospects and judgement must be applied. This includes judgement about how risk mitigation activities that are planned or that are already in place inform the identification of sustainability-related risks.

21. TIG members emphasised particular points in the paper and shared feedback that could be useful in applying the requirements. Specifically, TIG members noted:
  - (a) as part of the entity's identification of sustainability-related risks that could reasonably be expected to affect the entity's prospects, the entity needs to consider whether an external party might reasonably expect that risk to affect the entity's prospects. That is, IFRS S1 does not state an entity identifies sustainability-related risks which the *entity itself* believes could affect its prospects. IFRS S1 states that such risks are identified when they *could reasonably be expected* to affect an entity's prospects. Ultimately, an entity is required to consider whether the information, that if omitted, misstated or obscured, could reasonably be expected to influence decisions made by primary users.
  - (b) entities are not likely to have a uniform approach to the assessment of whether a sustainability-related risk could reasonably be expected to affect their prospects or how risk mitigation activities affect this assessment. It will be necessary to apply judgement. TIG members emphasised that caution needs to be exercised when identifying sustainability-related risks 'net' of the effect of risk mitigation activities.
  - (c) entities will face a broad range of facts and circumstances beyond those presented as examples in paragraphs 16 and 17 of Agenda Paper 2.
  - (d) when an entity assesses each sustainability-related risk—including material information to provide regarding each sustainability-related risk—an entity might assess:

- (i) the nature of the risk—such as if the risk remains consistent period to period or if it is an evolving risk, or whether the entity has the ability to affect or control the risk through its mitigating activities;
    - (ii) the potential magnitude of the effect of the risk on the entity—such as the potential financial effect; and
    - (iii) the likelihood of the effect on the entity—such as whether it is highly likely or remote that the sustainability-related risk might affect the entity.
  - (e) when an entity considers its risk mitigation activities for a sustainability-related risk—both those risk mitigation activities that are planned and those already in place—the entity should also consider the nature and effectiveness of the risk mitigation activities. For example, as it relates to the:
    - (i) nature of a risk mitigation activity, an entity might consider whether the activity is a one-time mitigation effort, or an ongoing activity—and how this might affect the entity’s assessment of the risk in light of the risk mitigation activity; or
    - (ii) effectiveness of a risk mitigation activity, an entity might consider its planned risk mitigation activities, and any uncertainty that might exist related to the effectiveness of the mitigation activity once in place.
  - (f) an entity might also consider that regardless of its risk mitigation activities, the entity might not be able to sufficiently mitigate a sustainability-related risk to the point that the risk would not reasonably be expected to affect the entity’s prospects. That is, regardless of the risk mitigation activities in place, an entity’s prospects could reasonably be expected to be affected by that sustainability-related risk. For example, this could be due to the nature of the sustainability-related risk.
22. TIG members shared practical insights related to the identification of sustainability-related risks and the requirement to disclose material information about such risks. It was noted that:

- (a) although each sustainability-related risk and related risk mitigation activities require their own assessment, an entity should consider establishing a defined methodology or process to assess each sustainability-related risk and risk mitigation activity in a consistent manner.
- (b) for those that apply other sustainability reporting standards, such as European Sustainability Reporting Standards (ESRS), an entity would need to consider how this requirement compares to related requirements in those other standards and what that might mean for the processes that are put in place to meet the requirements for both sets of standards.
- (c) if an entity is making specific efforts to mitigate a given sustainability-related risk, this is likely to indicate that information about a sustainability-related risk and the risk mitigation activities might be material and therefore an entity should exercise caution in identifying a sustainability-related risk on a ‘net’ basis.
- (d) sustainability-related risks and the management of those risks will evolve over time. This means that the identification of sustainability-related risks is not a one-time assessment but is something an entity needs to reassess.
- (e) when an entity determines whether information is material about a sustainability-related risk and risk mitigation activities, it is required to consider paragraph 18 of IFRS S1 that states ‘information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports...’.
- (f) when disclosing information about a sustainability-related risk and risk mitigation activities, an entity is required to apply the requirements related to fundamental qualitative characteristics of useful sustainability-related financial information, including faithful representation of information in a complete, neutral and accurate manner (paragraphs D9–D15 of IFRS S1).
- (g) an entity is required to update its disclosures—including about its sustainability-related risks or risk mitigation activities—for any information

received after the end of the reporting period but before the date on which the sustainability-related financial disclosures are authorised for issue (paragraph 67 of IFRS S1).

23. TIG members also noted that while the examples provided in Agenda Paper 2 are useful to illustrate the principles of IFRS S1, they do not include all potential circumstances or considerations.

### **Agenda Paper 3 *Application of the jurisdictional relief to part of a reporting entity***

24. Agenda Paper 3 addresses a submission about the application of the relief in IFRS S2 that permits an entity to measure its GHG emissions using a method other than the GHG Protocol Corporate Standard in specific circumstances.<sup>5</sup>
25. The submission questions whether an entity is permitted to use the jurisdictional relief in the circumstance in which only *part of* the entity is required by a jurisdictional authority or exchange on which the entity is listed 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.<sup>6</sup> For example, if a subsidiary within a group is subject to such a requirement.
26. Agenda Paper 3 sets out the requirements in IFRS S1 and IFRS S2 that are relevant to the submission:
- (a) paragraphs 29(a)(ii) and B24 of IFRS S2 set out the requirements for an entity to measure GHG emissions in accordance with the GHG Protocol Corporate Standard, unless the entity is required by a jurisdictional authority to use a different method for measuring its GHG emissions;

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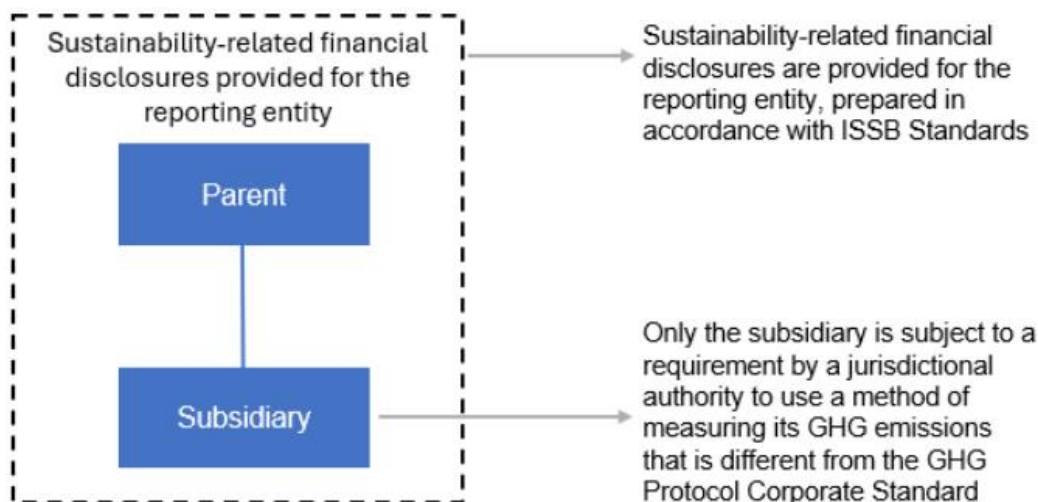
<sup>5</sup> The relief in IFRS S2 is referred to as the 'jurisdictional relief' in this paper, Agenda Paper 3 and Agenda Paper 5.

<sup>6</sup> Throughout this paper, the terms 'jurisdictional authority' and 'exchange on which the entity is listed' are referred to as the 'jurisdictional authority'.

- (b) paragraphs B29–B30 of IFRS S1 set out the requirements related to the aggregation and disaggregation of information in sustainability-related financial disclosures; and
- (c) paragraph BC88 of the Basis for Conclusions on IFRS S2 explains the ISSB’s decision to introduce the jurisdictional relief. The Basis for Conclusions summarises the considerations of the ISSB in developing IFRS S1 and IFRS S2 and thus provide useful context to understand the requirements in the Standards, but do not in themselves establish requirements—said differently, the Basis for Conclusions does not override the requirements of IFRS S1 and IFRS S2.

27. A simplified fact pattern is used in Agenda Paper 2 to explain the question. The fact pattern involves a parent and a subsidiary that operate in different jurisdictions (paragraph 14 of Agenda Paper 3) and is provided in Figure A from Agenda Paper 3.<sup>7</sup>

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



28. Applying the fact pattern in Figure A to the submission, the submission questions whether the reporting entity—which includes both the parent and subsidiary—can

<sup>7</sup> Other circumstances might exist in which only part of an entity is subject to such jurisdictional requirements and the entity uses the jurisdictional relief, which is summarised in Appendix A of Agenda Paper 3.

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 a reporting entity measure part of its GHG emissions using a measurement method that is different from the GHG Protocol Corporate Standard and measure the remaining balance of its GHG emissions using the GHG Protocol Corporate Standard. The result of this application means that an entity might measure its GHG emissions using multiple measurement methods.

29. The fact that a reporting entity could have operations (for example, subsidiaries) in more than one jurisdiction, and therefore be subject to different jurisdictional requirements related to the measurement of GHG emissions, results in the question about 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.
30. The staff analysis in Agenda Paper 3 notes the intention of the jurisdictional relief, as provided in 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—to report using the ISSB Standards—and another method to measure its GHG emissions—for jurisdictional reporting purposes.
31. The staff analysis considers the application of the question to the specific fact pattern provided in the submission, and in doing so notes that even if only part of the entity is subject to a requirement from a jurisdictional authority, the entity itself is subject to that requirement.
32. In response to the submission in Agenda Paper 3, it is the staff's view that the jurisdictional relief is applicable if the entity, in whole or in part, is subject to a requirement from a jurisdictional authority to use a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard. The staff view

also states that 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 in accordance with IFRS S2.

33. Based on the staff view, an entity's GHG emissions disclosures could be comprised of amounts calculated using different measurement methods—some measured using the GHG Protocol Corporate Standard, and some measured using a different measurement method. The staff note that an entity must apply the applicable disclosure requirements in ISSB Standards to ensure that this information is understood by users of general purpose financial reports (see paragraph 25 of Agenda Paper 3), such as:
- (a) disclosing the applicable method the entity has used to measure its GHG emissions if the entity is not using the GHG Protocol Corporate Standard;
  - (b) not aggregating information if doing so would obscure information that is material; and
  - (c) considering the qualitative characteristics of sustainability-related financial information, which includes the understandability and comparability of information.

### ***TIG members discussion***

34. TIG members discussed the analysis in Agenda Paper 3. Many TIG members expressed agreement with the staff analysis and staff view that the jurisdictional relief can be applied to a whole entity or part. However, some TIG members questioned whether this is sufficiently clear in IFRS S2 including noting that the Basis for Conclusions on IFRS S2 which provides rationale for the decisions made by the ISSB does not address the application of this relief in the context of a reporting entity that represents a group.
35. TIG members emphasised particular points in the paper and shared feedback that could be useful regarding the application of the requirements. Specifically:

- (a) while many TIG members expressed agreement with the staff’s analysis and view, some noted that this is not the only possible reading or interpretation of whether the jurisdictional relief could be applied in the circumstance outlined in the submission. TIG members noted the requirement might be read or interpreted to mean that the jurisdictional relief is only applicable if the whole entity is subject to the jurisdictional authority requirement.
  - (b) in the specific context of the jurisdictional relief requirement, the requirement can be read as the staff have outlined in the paper. Further, that in the Standards the word ‘entity’ refers to the ‘reporting entity’ and that the staff’s view does not imply anything different to that. However, some TIG members noted the risk of unintended consequences. More specifically, noting that it is important that the staff view is understood to be applicable only in the specific context of this particular relief. It does not mean that the ISSB’s definition of a reporting entity is different to that otherwise used throughout IFRS Accounting and Sustainability Disclosure Standards.
  - (c) that the jurisdictional relief permits an entity to use different measurement methods for the measurement of its GHG emissions but does not require that the jurisdictional relief is applied; that is, an entity can choose not to apply the jurisdictional relief.
36. TIG members shared practical insights related to the jurisdictional relief and an entity’s disclosure of its GHG emissions. They noted:
- (a) when an entity prepares its disclosures, it is required to disclose the approach it uses to measure its GHG emissions (paragraph 29(a)(iii) of IFRS S2).
  - (b) jurisdictional requirements related to the measurement of GHG emissions often have important implications for both the jurisdiction itself and entities based within it—for instance, for purposes of a jurisdiction’s GHG emissions-related goals or for GHG emissions-related costs.
  - (c) when an entity prepares GHG emissions disclosures in a circumstance in which only part of the entity is subject to a jurisdictional requirement, it should consider the requirements related to enhancing qualitative characteristics of



useful sustainability-related financial information, such as comparability (paragraphs D17–D20 of IFRS S1) and understandability (paragraphs D26–D33 of IFRS S1) of its disclosures. An entity might also consider how its disclosures compare with other entities, particularly those with similar activities or operating within the same industry.

- (d) when an entity applies the jurisdictional relief, it must consider the requirements related to the aggregation and disaggregation of information (paragraphs B29 and B30 of IFRS S1). Said differently, if an entity measures its GHG emissions using the GHG Protocol Corporate Standard, as well as an alternative method for measuring as required by a jurisdictional authority, it will need to consider if aggregating those GHG emissions might obscure material information.

### ***Agenda Paper 4 Scope 3 Category 15 GHG emissions related to financial activities and asset classes that are not explicitly referenced in IFRS S2***

- 37. Agenda Paper 4 addresses a submission about the application of the requirements in IFRS S2 related to Scope 3 Category 15 GHG emissions in circumstances in which those GHG emissions relate to asset classes and financial activities that are not explicitly referenced in IFRS S2, specifically:
  - (a) asset class: derivatives; and
  - (b) financial activities: underwriting activities in the insurance and reinsurance industries and investment bank activities in the investment banking industry.
- 38. Agenda Paper 4 sets out the requirements in IFRS S2 that are relevant to the submission:
  - (a) paragraph 29(a)(i)(3) of IFRS S2 requires that an entity disclose its Scope 3 GHG emissions.

- (b) paragraph 29(a)(i)(3) of IFRS S2 is complemented by paragraph B32 that specifies that an entity must consider all 15 categories of Scope 3 GHG emissions as described in the GHG Protocol Corporate Value Chain Standard.
  - (c) paragraphs B58–B63 of IFRS S2 set out additional requirements for an entity that participates in one or more of the following financial activities: asset management, commercial banking, and insurance. Specifically, these requirements relate to the provision of additional information about Scope 3 Category 15 GHG emissions or those associated with its investments, also known as ‘financed emissions’.
  - (d) paragraphs B62–B63 of IFRS S2 requires an entity that participates in commercial banking or insurance activities to disaggregate absolute gross financed emissions by Scope 1, Scope 2 and Scope 3 GHG emissions for each industry by asset class. The requirements specify the asset classes to disaggregate by, and ‘include’ loans, project finance, bonds, equity investments, and undrawn loan commitments.
39. As part of explaining the rationale for the submitted question, the submission references the Basis for Conclusions on IFRS S2, and notes the ISSB’s decisions:
- (a) not to proceed with the proposal for an entity to include derivatives when calculating its financed emissions (paragraph BC127 of the Basis for Conclusions on IFRS S2);
  - (b) not to require disclosure of the ‘associated emissions’ of underwriting portfolios in the insurance and reinsurance industries (paragraph BC129 of the Basis for Conclusions on IFRS S2); and
  - (c) not to proceed with the proposed requirements for an entity engaged in financial activities associated with investment banking to disclose information about its ‘facilitated emissions’ (paragraph BC129 of the Basis for Conclusions on IFRS S2).
40. The staff analysis in Agenda Paper 4 notes that IFRS S2:

- (a) requires an entity to disclose Scope 3 Category 15 GHG emissions associated with financial activities or asset classes and does not exclude any particular activities or asset classes; and
  - (b) requires an entity that participates in asset management, commercial banking, or insurance activities to disclose additional information about Scope 3 Category 15 GHG emissions including those associated with particular asset classes. The use of the term ‘include’ in paragraphs B62–B63 of IFRS S2 means that an entity should not read the list of asset classes as an exhaustive list of assets that could be considered.
41. The staff note that, as is always the case in the application of ISSB Standards, information is required to be disclosed when it is material, as defined in IFRS S1.
42. The staff analysis in this paper refers to paragraphs BC127 and BC129 from the Basis for Conclusions on IFRS S2 and note that these paragraphs explain the rationale for why the ISSB did not proceed with specific proposals that were included in the Exposure Draft of IFRS S2 related to derivatives and facilitated emissions, and the ISSB decision to not require specific disclosures related to associated emissions.
43. Therefore, an entity is required to disclose its Scope 3 GHG emissions—without any explicit exemption for specific asset classes or financial activities. However, the Basis for Conclusions on IFRS S2 references ISSB decisions not to proceed with specific disclosure requirements related to some particular types of Category 15 GHG emissions.
44. Despite the wording in the Basis for Conclusions on IFRS S2, the staff note that the Basis for Conclusions on IFRS S2 cannot override the requirements in IFRS S2. This includes the requirement in paragraph 29(a)(i) of IFRS S2 to disclose Scope 3 GHG emissions, without explicitly excluding any asset classes or financial activities from Scope 3 Category 15 GHG emissions.
45. The staff acknowledge what is included in the Basis for Conclusions of IFRS S2 on this topic, however the Basis for Conclusions cannot override the requirements in IFRS S2. Therefore, it is the staff’s view that because there is no explicit limitation on

the types of financial activities or asset classes that must be included in the measurement of an entity's Scope 3 GHG emissions, the GHG emissions associated with the following financial activities and assets classes are required to be disclosed when applying IFRS S2:

- (a) financed emissions associated with derivatives;
- (b) associated emissions of underwriting portfolios in the insurance and reinsurance industries; and
- (c) facilitated emissions associated with investment banking financial activities.

46. The staff note the following considerations when applying these requirements:

- (a) as with all disclosure requirements, the ISSB Standards only require the disclosure of material information; and
- (b) in rare cases in which an entity determines it is impracticable to estimate Scope 3 GHG emissions, the entity shall disclose how it is managing its Scope 3 GHG emissions (paragraph B57 of IFRS S2).

### ***TIG members discussion***

47. TIG members discussed the analysis in Agenda Paper 4. Many TIG members expressed agreement with the staff analysis and staff view of the requirements related to the disclosure of Scope 3 GHG emissions as set out by IFRS S2. However, some TIG members questioned whether the requirements in IFRS S2, particularly in the light of paragraphs BC127 and BC129 of the Basis for Conclusions on IFRS S2, are sufficiently clear.

48. TIG members emphasised particular points in the paper and shared feedback that could be useful regarding the application of the requirements. Specifically, TIG members noted that the Basis for Conclusions on IFRS S2 is helpful in better understanding contextual information related to IFRS S2, as they summarise considerations made by the ISSB in their development of IFRS S2. However, TIG members agreed that the Basis for Conclusions on IFRS S2 accompanies, but is not part of, IFRS S2, and do not override the requirements of IFRS S2. Given this, some

TIG members noted the information included within BC127 and BC129 of the Basis for Conclusions on IFRS S2 could create confusion for those using the Standards.

49. TIG members shared practical insights related to the requirement to disclose Scope 3 GHG emissions in IFRS S2. It was noted that:
- (a) standard practice and protocols related to the measurement of associated, facilitated and financed emissions—especially as it relates to derivatives—are still developing, and as such, presents a risk of diversity in practice.
  - (b) as it relates to the measurement of GHG emissions, an entity is required to provide information about its measurement approach, inputs and assumptions used in accordance with paragraph 29(a)(iii) of IFRS S2, which might result in information being provided about the method used to measure GHG emissions.
  - (c) an entity can only determine that it is impracticable to measure its Scope 3 GHG emissions after it has made every reasonable effort to estimate these GHG emissions. TIG members noted that impracticability is regarded as being a ‘high hurdle’.<sup>8</sup>

### ***Agenda Paper 5 Use of GWP values from the latest IPCC assessment when a jurisdictional authority mandates the use of a different GWP value***

50. Agenda Paper 5 addresses a submission about the application of the requirements in IFRS S2 related to the conversion of GHG emissions into carbon dioxide (CO<sub>2</sub>) equivalent values using global warming potential (GWP) values from the latest Intergovernmental Panel on Climate Change (IPCC) assessment if a jurisdictional authority mandates the use of different GWP values.
51. The submission questions whether the jurisdictional relief that allows the use of a different method for measuring GHG emissions when an entity is required by a

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<sup>8</sup> The ISSB based the definition of ‘impracticable’ in IFRS S1 on the definition in IAS 1, confirming that the term is used in a manner consistent with IFRS Accounting Standards. Accordingly, IFRS S1 sets a high threshold for how an entity determines whether it is ‘impracticable’ to meet the requirements.

jurisdictional authority or an exchange on which it is listed to use a method for measuring its GHG emissions other than the GHG Protocol Corporate Standard, can be applied to relieve an entity from the requirement in IFRS S2 to use GWP values from the latest IPCC assessment, if an entity is required by a jurisdictional authority to use different GWP values.

52. Agenda Paper 5 sets out the requirements in IFRS S2 that are relevant to the submission:
- (a) paragraphs 29(a)(ii) and B24 of IFRS S2 sets out the requirements for an entity to measure GHG emissions in accordance with the GHG Protocol Corporate Standard, unless the entity is required by a jurisdictional authority to use a different method for measuring its GHG emissions.
  - (b) paragraph B21 of IFRS S2 states that if an entity uses direct measurement to measure its GHG emissions, the entity is required to convert the seven constituent gases into CO<sub>2</sub> equivalent values using GWP values based on a 100-year time horizon from the latest IPCC assessment available at the reporting date (referred to in this paper as ‘GWP values from the latest IPCC assessment’).
  - (c) paragraph B22 of IFRS S2 states that if an entity uses emission factors to estimate its GHG emissions, the entity shall use emissions factors that best represent the entity’s activity. If these emissions factors:
    - (i) have already converted the constituent gases into CO<sub>2</sub> equivalent values, the entity is not required to recalculate the emission factors using GWP values based on a 100-year time horizon from the latest IPCC assessment available at the reporting date; and
    - (ii) are not converted into CO<sub>2</sub> equivalent values, then the entity shall use the GWP values based on a 100-year time horizon from the latest IPCC assessment available at the reporting date.
53. The staff note that, except in the circumstances set out in paragraphs B21 and B22 of IFRS S2, there are no stated exemptions from the requirement in IFRS S2 to use GWP values from the latest IPCC assessment.

54. In response to the submission in Agenda Paper 5, it is the staff's view that the jurisdictional relief applies only to the requirement to use the GHG Protocol Corporate Standard as a method for measuring GHG emissions and does not apply to other requirements set out in IFRS S2. Therefore, the jurisdictional relief cannot be applied to the requirement in IFRS S2 to use GWP values from the latest IPCC assessment.
55. This means, if an entity is required by a jurisdictional authority to use GWP values that are different from the GWP values from the latest IPCC assessment, the entity is required to convert GHG emissions into CO<sub>2</sub> equivalent values using GWP values from the latest IPCC assessment. This is true regardless of whether the jurisdictional authority requires a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard.

### ***TIG members discussion***

56. TIG members discussed the analysis in Agenda Paper 5. Overall, TIG members expressed agreement with the staff analysis and staff view that the jurisdictional relief cannot be applied to the requirement in IFRS S2 to use GWP values from the latest IPCC assessment.
57. TIG members emphasised particular points in the paper and shared feedback that could be useful in applying the requirements. Specifically, TIG members noted that when an entity measures its GHG emissions as required by a jurisdictional authority and uses GWP values other than values from the latest IPCC assessment, an entity would only be required to remeasure its GHG emissions in accordance with IFRS S2 if the information provided by the remeasurement is material.

### **Next steps**

58. This TIG summary will be presented to the ISSB at its November 2024 meeting. The next meeting of the TIG will be scheduled. The TIG submissions log, included in the

September TIG meeting materials, summarises implementation questions received as at 4 September 2024.