



IFRS[®]

Sustainability

Republished November 2024

Comparison

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

This document is not part of IFRS Sustainability Disclosure Standards and does not add to or change the requirements in the Standards. It was developed to aid stakeholders' understanding of the Standards.

This educational material was first published in July 2023. The educational material has been updated to reflect updates to the TCFD guidance dated October 2021 and minor editorial changes.



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 in which 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 similarities and differences between IFRS S2 and the TCFD’s core recommendations, recommended disclosures and guidance. For aspects that differ, differences take three forms. Specifically, IFRS S2:

- uses **different wording** to capture the same information as the TCFD recommendations. In these instances, the requirements in IFRS S2 are broadly consistent with the TCFD recommendations.
- requires the provision of information that is in line with the TCFD recommendations, but that is **more detailed**.
- **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
<p>Governance</p> <p>Disclose the company’s governance around climate-related risks and opportunities.</p>	<p>Governance</p> <p>Disclose information that enables users of general purpose financial reports to 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 recommended disclosure a).</p> <p>IFRS S2 requires the disclosure of more detailed information—for example, how a governance body’s or individual’s responsibilities for climate-related risks and opportunities are reflected in terms of reference, mandates, role descriptions and other related policies applicable to that body or individual.</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 recommended disclosure b).</p>

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TCFD recommendations, recommended disclosures and guidance	IFRS S2
<p>Strategy</p> <p>Disclose the actual and potential impacts of climate-related risks and opportunities on the company’s businesses, strategy and financial planning where such information is material.</p>	<p>Strategy</p> <p>Disclose information that enables users of general purpose financial reports to 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 company has identified over the short, medium and long term.</p>	<p>IFRS S2 is broadly consistent with recommended disclosure a).</p> <p>IFRS S2 also requires a company to refer to and consider the applicability of industry-based disclosure topics in its industry-based guidance in identifying climate-related risks and opportunities.</p> <p>IFRS S2 also requires disclosure of more detailed information about 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
<p>Recommended disclosure b)</p> <p>Describe the impact of climate-related risks and opportunities on the company’s businesses, strategy and financial planning.</p>	<p>IFRS S2 is broadly consistent with recommended disclosure b).</p> <p>IFRS S2 requires disclosure of more detailed information describing the effects of climate-related risks and opportunities. For example, how a company has responded to, and plans to respond to, the identified risks and opportunities, any transition plans it has and how it plans to achieve its climate-related targets.</p> <p>In the requirements related to the current and anticipated effects of climate-related risks and opportunities on a company’s financial position, financial performance and cash flows, IFRS S2 sets out criteria for circumstances in which quantitative and qualitative information is required. Companies are permitted to disclose only qualitative information in some circumstances—for example, if a company cannot separately identify the effects of the risk or opportunity or if the level of measurement uncertainty involved is too high.</p> <p>IFRS S2 requires a company preparing disclosures on the anticipated financial effects of climate-related risks and opportunities to use all reasonable and supportable information that is available at the reporting date without undue cost or effort. IFRS S2 also provides that a company use an approach that is commensurate with the company’s circumstances in preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity.</p>

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TCFD recommendations, recommended disclosures and guidance	IFRS S2
<p>Recommended disclosure c)</p> <p>Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>IFRS S2 is broadly consistent with recommended disclosure c). However, IFRS S2 does not specify particular scenarios for a company to use in its climate-related scenario analysis.^(a)</p> <p>IFRS S2 requires a company to provide additional information regarding its resilience on:</p> <ul style="list-style-type: none"> • significant areas of uncertainty the company has considered in its assessment; • the company's capacity to adjust and adapt its strategy and business model over time; and • how and when the company has carried out its climate-related scenario analysis. <p>IFRS S2 provides that a company carrying out climate-related scenario analysis use an approach that is commensurate with the company's circumstances and consider all reasonable and supportable information that is available at the reporting date without undue cost or effort.</p>
<p>(a) IFRS S2 does not specify particular scenarios for a company to use in its climate-related scenario analysis because the relevant scenarios would depend on the company's facts and circumstances, including the nature and location of its operations and the physical and transition risks to which it is exposed. IFRS S2 requires a company to select scenarios that are relevant to its circumstances in order to provide useful information to users of general purpose financial reports and to explain which climate-related scenarios it has used, including whether they are related to transition or physical risks and whether the company used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change.</p>	

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TCFD recommendations, recommended disclosures and guidance	IFRS S2
<p>Risk management</p> <p>Disclose how the company identifies, assesses and manages climate-related risks.</p>	<p>Risk management</p> <p>Disclose information that enables users of general purpose financial reports to understand the processes a company has used 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 company's processes for identifying and assessing climate-related risks.</p>	<p>IFRS S2 is broadly consistent with recommended disclosure a).</p> <p>IFRS S2 requires disclosure of more detailed information—for example:</p> <ul style="list-style-type: none"> • what input parameters a company uses to identify risks (such as 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 the company has changed the processes used to identify, assess, prioritise and monitor risks compared with the prior reporting period. <p>IFRS S2 also requires additional disclosures on the processes a company uses to identify, assess, prioritise and monitor opportunities.</p>

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TCFD recommendations, recommended disclosures and guidance	IFRS S2
<p>Recommended disclosure b) Describe the company's processes for managing climate-related risks.</p>	<p>IFRS S2 is broadly consistent with recommended disclosure b). The risk management disclosure requirements in IFRS S2 focus on a company providing information about the processes it uses to identify, assess, prioritise and monitor climate-related risks and opportunities.^(a)</p>
<p>Recommended disclosure c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management.</p>	<p>IFRS S2 is broadly consistent with recommended disclosure c). IFRS S2 requires additional disclosures on the extent to which, and how, the processes a company uses to identify, assess, prioritise and monitor opportunities are integrated into and inform the company's overall risk management process.</p>
<p>(a) 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.</p>	

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TCFD recommendations, recommended disclosures and guidance	IFRS S2
<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>Disclose information that enables users of general purpose financial reports to 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 company 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 the TCFD guidance.</p> <p>IFRS S2 also requires disclosure of industry-based metrics relevant to a company's business model and activities.</p> <p><i>The Industry-based Guidance on Implementing IFRS S2</i> is required to be considered in providing this information.</p>

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TCFD recommendations, recommended disclosures and guidance	IFRS S2
<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 recommended disclosure b). However, whereas the TCFD recommendations include the disclosure of Scope 1 and Scope 2 GHG emissions ‘independent of materiality’, and Scope 3 GHG emissions ‘as appropriate’, ISSB Standards require a company to disclose information only if it is material.^(a)</p> <p>IFRS S2 requires additional disclosures related to a company’s GHG emissions, including:</p> <ul style="list-style-type: none"> • 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; • disclosure of Scope 2 GHG emissions using a location-based approach and providing information about any contractual instruments that is necessary to inform users’ understanding; • disclosure of Scope 3 GHG emissions, including additional information about the company’s financed emissions if the company has activities in asset management, commercial banking or insurance; and • information about the measurement approach, inputs and assumptions the company has used in measuring Scope 3 GHG emissions. <p>IFRS S2 also sets out a Scope 3 measurement framework to provide guidance for preparing Scope 3 GHG emissions disclosures.</p> <p>IFRS S2 does not require a company to disaggregate its GHG emissions disclosures by the constituent gases. However, 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
<p>Recommended disclosure c)</p> <p>Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.</p>	<p>IFRS S2 is broadly consistent with 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 a company's planned use of carbon credits to achieve its 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 the company monitors progress against each target, including whether the target was derived using a sectoral decarbonisation approach.</p>
<p>(a) The TCFD provided guidance to support companies in developing climate-related financial disclosures consistent with the recommendations and recommended disclosures it published in 2017. In 2021 the TCFD updated its guidance Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures to encourage companies to disclose information about Scope 1 and Scope 2 GHG emissions independent of an assessment of materiality.</p>	

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