

Resource Paper

Evolving Sustainability Reporting to Align with the ISSB Standards



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This resource paper provides an overview of the International Sustainability Standards Board (ISSB) Standards, considerations for companies looking at implementing them, and a closer examination of the differences between the climate-focused standard IFRS S2 and the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations. Frequently asked questions on the ISSB Standards are addressed first below.



Quick Reference: Common Questions

+ **How should I refer to these standards?**

Collectively, the standards developed by the International Sustainability Standards Board (ISSB) are known as the IFRS Sustainability Disclosures Standards or the ISSB Standards. Individually, the standards are named IFRS S1 (general) and IFRS S2 (climate). (see ISSB Standards Background)

+ **Are the ISSB Standards mandatory?**

It depends on the jurisdiction. The standards are designed to support voluntary reporting, but several jurisdictions have adopted them as legal requirements. (see Trends in Adoption Around the World)

+ **What is the benefit of transitioning to the ISSB Standards if they are not mandatory?**

The ISSB Standards are intended to capture sustainability-related risks and opportunities for an audience focused on financial effects of those risks and opportunities. For established Global Reporting Initiative (GRI) reporters that have focused on impact materiality disclosures, the ISSB Standards can provide important information covering the financial materiality lens. For established TCFD reporters, the ISSB Standards – specifically IFRS S2 – represent an evolution of a climate reporting framework that results in more comprehensive disclosures. (see Evolving Reporting to Align with ISSB Standards)

+ **Can I still use the TCFD Recommendations?**

Yes. The TCFD Recommendations remain a widely implemented and accepted reporting framework, and some recent regulations such as California's SB261 allow companies to comply by aligning with either TCFD or IFRS S2 reporting. (see SASB and TCFD as Building Blocks of ISSB and Evolving Reporting to Align with ISSB Standards)



Quick Reference: Common Questions

+ **How do the TCFD Recommendations and IFRS S2 differ?**

IFRS S2 is an expansion of the TCFD Recommendations, asking for information on the same topics, but generally in a greater level of detail. All of the key TCFD disclosures are covered by IFRS S2. (see Comparing TCFD and IFRS S2)

+ **Do I still need to use the SASB Standards if I report with the ISSB Standards?**

Yes – in some circumstances depending on how the topics covered in the SASB Standards apply to your company. IFRS S1 directs you to include relevant SASB disclosures in addition to disclosures required by the ISSB Standards. However, it is possible for a company to conclude that the disclosure topics covered by the SASB Standards are not relevant, in which case the SASB Standards would not apply. (see SASB and TCFD as Building Blocks of ISSB)

+ **How can a company claim alignment with the ISSB Standards?**

To formalize alignment with the ISSB Standards, companies must make an explicit and unreserved statement of compliance with all IFRS Sustainability Disclosure Standard requirements. Companies may not claim compliance unless all disclosure requirements are met.



Further Reading

For additional background, check out G&A's previous resource paper and quick reference guide introducing the IFRS Sustainability Disclosures Standards:

- + [IFRS Sustainability Standards Key Takeaways: What To Know About IFRS S1 & S2](#)
- + [IFRS Sustainability Standards Quick Reference Guide](#)





Context

Corporate sustainability reporting has undergone tremendous growth and change over the past several years with new reporting frameworks being developed, an increase in the number of companies conducting reporting, and consistent interest in sustainability information from stakeholder groups such as employees, investors, and customers.

Companies have a variety of sustainability reporting frameworks to consider, and in recent years, the frameworks have begun to converge. The absorption of the Task Force on Climate-Related Disclosures (TCFD) into the International Financial Reporting Standards (IFRS) Foundation is an example of this convergence and demonstrates ways that newer frameworks are being created to build and expand upon older ones in a more streamlined way.

This resource paper provides an overview of the IFRS Sustainability Disclosure Standards with a particular focus on IFRS S2 (climate), which fully incorporates the TCFD Recommendations. By highlighting key concepts and providing relevant context, we aim to guide companies' decisions on whether and how to implement the ISSB Standards in their sustainability reporting.

ISSB Standards Background

The International Financial Reporting Standards (IFRS) are used by many countries for required corporate financial reporting, including in Australia, Canada, and several European Union member states. These standards are the international equivalent to the Generally Accepted Accounting Principles (GAAP) used in the U.S. for annual financial reporting to the Securities and Exchange Commission (SEC).

With an eye to making sustainability reporting as consistent and comparable as financial reporting, the IFRS Foundation formed the International Sustainability Standards Board (ISSB) in 2021. The ISSB developed two global standards that companies can use to report sustainability information. Combined, these standards are referred to as the ISSB Standards or the IFRS Sustainability Disclosure Standards* and they are intended to be applied together:

IFRS S1

General Requirements for
Disclosure of Sustainability-related
Financial Information

IFRS S2

Climate-related Disclosures

The ISSB Standards were launched in June 2023 and became effective beginning in January 2024.

*throughout the rest of this paper we will refer to them as the ISSB Standards



Trends in Adoption Around the World

The ISSB Standards have been endorsed by the [International Organization of Securities Commissions \(IOSCO\)](#) which regulates over 95% of global securities markets. IOSCO has encouraged uptake of the ISSB Standards by its 130 member jurisdictions and has created a [dedicated network](#) to support adoption of the standards. Just as many countries require corporations to report financial information using the IFRS Accounting Standards, some countries [have adopted or are planning to adopt](#) the ISSB Standards for mandatory or voluntary corporate sustainability reporting.

We anticipate that the prominence and application of the ISSB Standards will continue to grow in the coming years, with the potential to reach levels of acceptance and implementation comparable to those of the GRI Standards.

In the United States, the use of the ISSB Standards has not been mandated under federal or state legislation. However, California's climate disclosure law (SB261) references the ISSB Standards and allows companies to implement them to fulfill climate risk disclosure requirements. Other state-level legislators are considering a similar approach. State laws on corporate disclosures are being developed in:

- + **New York:** Climate Corporate Data Accountability Act (Senate Bill 3456)
- + **New Jersey:** Climate Corporate Data Accountability Act (Senate Bill 4117)
- + **Illinois:** Climate Corporate Accountability Act (House Bill 3673)
- + **Washington:** Concerning Disclosure of Greenhouse Gas Emissions (Senate Bill 6092)

G&A tracks companies' use of the ISSB Standards as part of our annual reporting on the sustainability disclosure practices of Russell 1000® companies.



G&A Insight

We anticipate that the prominence and application of the ISSB Standards will continue to grow in the coming years, with the potential to reach levels of acceptance and implementation comparable to those of the GRI Standards.



SASB and TCFD as Building Blocks of ISSB

The ISSB Standards (IFRS S1 and IFRS S2) build upon the work of previous reporting initiatives, including the Climate Disclosure Standards Board (CDSB), the TCFD, the Value Reporting Foundation's (VRF's) Integrated Reporting Framework, and the VRF's Sustainability Accounting Standards Board (SASB) Standards. The ISSB Standards are an evolution of these frameworks which have been consolidated under the IFRS Foundation.

The ISSB Standards incorporate SASB and TCFD in distinct ways: the SASB Standards are included in IFRS S1 as supplementary disclosures for industry-specific topics, while IFRS S2 fully integrates all disclosure recommendations from the TCFD.

- + **SASB:** In August 2022, the VRF, which previously maintained the SASB Standards, merged with the IFRS Foundation. The ISSB now maintains the SASB Standards, and the ISSB Standards are designed to integrate SASB requirements. Specifically, the IFRS S1 requires a company to consider the SASB Standards that are relevant to its industry and disclose those applicable metrics in addition to the disclosures required by the ISSB Standards. Companies may conclude that none of the disclosure topics in the SASB Standards are relevant, and in this case no SASB disclosure would be necessary to include in the company's ISSB Standard disclosure.
- + **TCFD:** The TCFD Recommendations have been fully incorporated into the ISSB Standards. As stated by the IFRS Foundation, "a company applying IFRS S2 will provide all of the information covered by the TCFD recommendations."

TCFD officially disbanded in October 2023, and the IFRS Foundation now monitors TCFD reporting progress. The TCFD Recommendations remain a widely implemented and accepted reporting framework, even as the ISSB Standards mark ["the culmination of the work of the TCFD"](#)



ISSB Standards Key Concepts

The ISSB Standards were developed with several foundational concepts that establish the basis for disclosing sustainability information.

Fair Presentation

IFRS S1 and S2 are “fair presentation” standards, meaning that they require companies to disclose all relevant sustainability information that has the potential to affect the company's prospects. Information must be presented faithfully, completely, and neutrally. Additionally, information must be comparable, verifiable, timely, and understandable to allow relevant stakeholders to fully comprehend the company's sustainability-related risks and opportunities.

An important component of “fair presentation” is the disclosure of additional information. IFRS S1 explicitly states that if the requirements within the ISSB Standards are not sufficient to provide stakeholders with a full understanding of the company's risks and opportunities, then the company must disclose additional information. This ensures that relevant information is not left out of a disclosure simply because it is not covered by the Standards.

Connectivity

In recognition of the tangible economic effects that sustainability-related risks and opportunities can have on a business, the ISSB Standards are designed to be closely connected to financial reporting. Specifically, disclosures should cover the same reporting boundary as the reporter's financial disclosures, and connections between sustainability and financial statements should be clearly identified.

Materiality

IFRS S1 defines material information as *“sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.”* The primary audience for ISSB Standards disclosures consists of the major users of sustainability reporting, such as investors, shareholders, lenders, and other creditors. Therefore, it is expected that companies disclose all relevant information that could influence the decision-making of these users. In other sustainability reporting frameworks, this focus is referred to as **financial materiality**.



In 2023, the [ISSB published guidance](#) further defining materiality, discussing materiality considerations that should be addressed, and outlining the basic steps for identifying and disclosing material information.



Interoperability

As previously noted, the ISSB Standards build on earlier sustainability standards, including SASB and TCFD. In addition, the ISSB has sought close alignment with other established reporting frameworks, including the Global Reporting Initiative (GRI) Standards and the European Sustainability Reporting Standards (ESRS).

GRI

The ISSB works closely with the Global Sustainability Standards Board (GSSB), which is responsible for the GRI Standards. Both groups have committed to [collaborating](#) on optimizing the use of GRI and ISSB Standards together and working to align disclosures where feasible. The two frameworks are complementary due to ISSB's focus on financial materiality and GSSB's focus on impact materiality.

The two organizations periodically announce new alignments. Most recently, in June 2025, the GSSB granted [equivalence](#) between the respective disclosures on greenhouse gas (GHG) emissions: GRI 102: Climate Change 2025 and IFRS S2.

ESRS

The European Financial Reporting Advisory Group (EFRAG), responsible for developing and maintaining the ESRS, is a member of the Advisory Forum for the IFRS Sustainability Standards. EFRAG and ISSB have worked closely to strengthen interoperability between the two frameworks and released initial [interoperability guidance](#) in May 2024.

More recently, more recently, as part of the Omnibus Package's simplification effort, the European Commission directed EFRAG to revise and streamline the ESRS. In drafting the revisions, EFRAG identified six focus areas for simplification – one of which was enhanced interoperability with global reporting standards, particularly the ISSB Standards.



G&A Insight

We expect the eventual ESRS revisions to show high levels of alignment with the ISSB Standards.



Further Reading

For more on the Omnibus Package and ESRS revisions see G&A's recent issue briefs outlining major changes:

- + [Moving Forward: Staying Ahead of the EU Omnibus Proposal on Sustainability Reporting](#)
- + [Double Materiality is Changing: Highlighting New Revisions from EFRAG](#)



Evolving Reporting to Align with ISSB Standards

For companies assessing whether and/or how to apply the ISSB Standards, whether in addition to existing reporting or as their first corporate sustainability reporting framework, several elements of the transition are important to keep in mind.

Emerging Focus on Double Materiality

The concept of double materiality has come to the forefront of corporate sustainability reporting in the past several years, driven in large part by Europe's Corporate Sustainability Reporting Directive (CSRD). While many companies may not be subject to the CSRD or required to report using the double materiality approach of the ESRS, adopting double materiality as a foundation for comprehensive sustainability reporting is increasingly appealing. For long-time GRI reporters in particular – who are already accustomed to an impact materiality lens – the inclusion of ISSB Standards into their reporting practices supports a robust approach that brings together both impact and financial materiality. This ultimately represents a more comprehensive picture of both social and environmental impacts and as well as financially relevant sustainability-related risks and opportunities.

ISSB Standards Transition Relief for Disclosures

IFRS S1 and S2 are intended to be applied together. IFRS S1 requires disclosures on risks and opportunities related to relevant sustainability topics while IFRS S2 focuses solely on climate-related risks and opportunities. The ISSB has recognized that many companies may have more robust existing reporting around the topic of climate change as compared to other sustainability topics such as biodiversity or circularity. Therefore, to ease the transition to ISSB alignment, the Standards allow for reporting on only IFRS S2 (climate) during a company's first reporting cycle:

"In the first annual reporting period in which an entity applies this Standard, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2)."

– IFRS S1, Appendix E

The ISSB Standards mark a shift in how companies approach sustainability – elevating it from a peripheral concern to a financially material, strategic priority. Adjusting to this approach could be challenging, and this transition relief offers a more gradual path to adoption, which may help companies develop and refine strategies for integrating financial considerations into their sustainability disclosures.



The TCFD Recommendations as an Intermediary Step

The transition relief discussed above has led to a great deal of focus on IFRS S2, which is highly aligned with TCFD. According to the IFRS Foundation, *"a company applying IFRS S2 will provide all of the information covered by the TCFD recommendations."*

A comparison of the frameworks shows that IFRS S2 can be read as an expansion of the TCFD Recommendations with no significant changes to the core TCFD disclosures (see Comparing TCFD and IFRS S2 below). For experienced TCFD reporters, IFRS S2 represents a natural progression of climate-related risk and opportunity disclosures by enhancing their depth and decision-usefulness for investors and other stakeholders.

However, if a company does not already publish climate-focused disclosures, they may prefer to first establish reporting using TCFD and later expand into IFRS S2. This stepping stone approach gives companies the ability to establish sound climate risk reporting with TCFD and then grow their disclosures with IFRS S2. The TCFD Recommendations continue to be used by hundreds of companies and remain highly relevant as emerging regulations such as California's SB261 allow compliance with either TCFD or IFRS S2 disclosures.



G&A Insight

TCFD reports are still issued by hundreds of companies each year and remain relevant in many regards. However, we advise companies to begin the transition to IFRS S2 to keep pace with its increasing adoption around the world.



Comparing TCFD and IFRS 2

This section outlines the key differences between the TCFD Recommendations and the ISSB Standards, specifically in the context of climate-related reporting under IFRS S2. The TCFD Recommendations are organized into four main pillars with supporting disclosures and guidance for each pillar.



Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosures

- a. Describe the board's oversight of climate-related risks and opportunities.
- b. Describe management's role in assessing and managing climate-related risks and opportunities.



Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material.

Recommended Disclosures

- a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
- c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.



Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks.

Recommended Disclosures

- a. Describe the organization's process for identifying and assessing climate-related risks.
- b. Describe the organization's process for managing climate-related risks.
- c. Describe how processes for identifying, assessing, and managing climate-related risks and integrated into the organization's overall risk management.



Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Recommended Disclosures

- a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.



IFRS S2 is structured into the same four pillars: Governance, Strategy, Risk Management, and Metrics and Targets. Differences between the two frameworks take three forms:

- Exact wording:** IFRS S2 uses different wording than TCFD, but requests information on the same topics
- Level of detail:** IFRS S2 requests information that is consistent with TCFD, but is more detailed
- Additional Requirements:** IFRS S2's guidance on providing each disclosure differs from TCFD's guidance – IFRS S2 may include additional requirements for completing each disclosure

The tables below map IFRS S2 disclosures against the TCFD Recommendations to identify similarities and differences. *Note that the requirements for TCFD and IFRS S2 are summarized and are not word-for-word.*



Governance

Legend

- Exact wording
- Level of detail
- Additional Requirements
- Significant difference

| TCFD Recommendations | IFRS S2 |
|---|---|
| <p>Disclose the organization's governance around climate-related risks and opportunities.</p> <p>a. Describe the board's oversight of climate-related risks and opportunities.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Process and frequency board or board committees are informed about climate-related issues <input type="checkbox"/> Whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures <input type="checkbox"/> How the board monitors and oversees progress against goals and targets for addressing climate-related issues <p>b. Describe management's role in assessing and managing climate-related risks and opportunities.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Assigned climate-related responsibilities to management-level positions or committees; and, if so, whether these report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues <input type="checkbox"/> A description of the associated organizational structure(s) <input type="checkbox"/> Processes by which management is informed about climate-related issues <input type="checkbox"/> How management (through specific positions and/or management committees) monitors climate-related issues. | <p>Disclose information that enables users of general-purpose financial reports to understand the governance processes, controls, and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.</p> <div style="border: 1px solid #ccc; padding: 5px; margin-top: 10px;"> </div> <p>Broadly consistent – Uses different wording to capture the same information</p> <p>Contains additional requirements:</p> <ul style="list-style-type: none"> <input type="checkbox"/> How responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to the governance body(s) or individual(s) responsible for climate-related risks and opportunities; <input type="checkbox"/> How the governance body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; |



Strategy

Legend

- = Exact wording
- + Level of detail
- + Additional Requirements
- ! Significant difference

TCFD Recommendations

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.

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

- Description of the relevant short-, medium-, and long-term time horizons
- Description of the specific climate-related issues potentially arising in each time horizon (short, medium, and long term) that could have a material financial impact on the organization
- Description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization.
- Organizations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate.

b. Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.

- Discuss how identified climate-related issues have affected businesses, strategy, and financial planning.
- Describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time.
- Describe the impact of climate-related issues on their financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities). If climate-related scenarios were used to inform strategy and financial planning, such scenarios should be described.
- Organizations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition.

IFRS S2

Disclose information that enables users of general-purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities.



Broadly consistent – Uses different wording to capture the same information

Requires more detailed information on where in business model and value chain risks and opportunities are concentrated:

- Description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain
- Description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated

Contains additional requirements:

- Consider the applicability of industry based disclosure topics in the [Industry-based Guidance on Implementing IFRS S2](#)



Broadly consistent – Uses different wording to capture the same information

Requires more detailed information on where in business model and value chain risks and opportunities are concentrated:

- Current and anticipated direct and indirect mitigation and adaptation efforts
- Any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies
- How the entity plans to achieve any climate-related targets, including any greenhouse gas emissions targets.

Contains additional requirements:

- Specific criteria for when a company is required to disclose quantitative vs. qualitative information in relation to effects of risks and opportunities on financial position and performance.
- In disclosing anticipated financial effects, companies are required to use all reasonable and supportable information available at the reporting date without undue cost or effort and use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures.



Legend

-  Exact wording
-  Level of detail
-  Additional Requirements
-  Significant difference

TCFD Recommendations

IFRS S2

c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

- Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks



Broadly consistent – Uses different wording to capture the same information

Contains additional requirements:

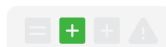
- In carrying out climate-related scenario analysis, companies are required to use an approach that is commensurate with the company's circumstances and consider all reasonable and supportable information that is available at the reporting date without undue cost or effort.

Significant difference

- IFRS S2 does not prescribe specific scenarios for companies to use in scenario analysis

d. Organizations should consider discussing:

- Where strategies may be affected by climate-related risks and opportunities;
- How strategies might change to address such potential risks and opportunities;
- Potential impact of climate-related issues on financial performance and position
- Climate-related scenarios and associated time horizon(s) considered



Requires more detailed information regarding resilience:

- Significant areas of uncertainty considered in the entity's assessment of its climate resilience
- Capacity to adjust or adapt strategy and business model to climate change over the short, medium and long term
- How and when the climate-related scenario analysis was carried out, including
 - Information about inputs used
 - Key assumptions made
 - Reporting period the scenario analysis was carried out in



Risk Management

Legend

-  Exact wording
-  Level of detail
-  Additional Requirements
-  Significant difference

TCFD Recommendations

Disclose how the organization identifies, assesses, and manages climate-related risks.

a. Describe the organization's processes for identifying and assessing climate-related risks.

- Describe risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks.
- Describe consideration of existing and emerging regulatory requirements related to climate change as well as other relevant factors considered.
- Consider disclosing the following:
 - Processes for assessing the potential size and scope of identified climate-related risks
 - Definitions of risk terminology used or references to existing risk classification frameworks used

b. Describe the organization's processes for managing climate-related risks.

- Describe processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations.

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.

IFRS S2

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.



Broadly consistent – Uses different wording to capture the same information

Requires more detailed information on risk identification and assessment process:

- Inputs and parameters used (for example, information about data sources and the scope of operations covered in the processes)
- Whether and how climate-related scenario was used
- Whether and how the entity has changed the processes it uses compared with the previous reporting period

Contains additional requirements:

- Processes used to identify, assess, prioritise and monitor climate-related opportunities



Broadly consistent – Information requested in TCFD disclosures a) and b) are combined in IFRS S2



Broadly consistent – Uses different wording to capture the same information

Contains additional requirements:

- 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.



Metrics and Targets

Legend

-  Exact wording
-  Level of detail
-  Additional Requirements
-  Significant difference

TCFD Recommendations

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

- Provide the key metrics used to measure and manage climate related risks and opportunities as well as metrics consistent with the cross-industry, climate-related metric categories. Consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant.
- Consider describing whether and how related performance metrics are incorporated into remuneration policies.
- Where relevant, provide internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy.
- Metrics should be provided for historical periods to allow for trend analysis. Consider providing forward-looking metrics for the cross-industry, climate-related metric categories consistent with business or strategic planning time horizons. Should provide a description of the methodologies used to calculate or estimate climate-related metrics.

IFRS S2

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.



Broadly consistent – Uses different wording to capture the same information (requires the same categories of cross-industry metrics as the TCFD guidance)

Contains additional requirements:

- Disclosure of relevant industry-based metrics based on consideration of Industry-based Guidance on Implementing IFRS S2



Metrics and Targets *(continued)*

Legend

-  Exact wording
-  Level of detail
-  Additional Requirements
-  Significant difference

TCFD Recommendations

IFRS S2

b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

- Provide Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks. All organizations should consider disclosing Scope 3 GHG emissions.
- GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. As appropriate, consider providing related, generally accepted industry-specific GHG efficiency ratios.
- GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, should provide a description of the methodologies used to calculate or estimate the metrics.



Broadly consistent – Information requested in TCFD disclosures a) and b) are combined in IFRS S2

Contains additional requirements:

- Scope 1 and Scope 2 emissions disaggregated between the consolidated accounting group and other investees
- 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
- Disclosures of Scope 3 financed emissions if entity has activities in asset management, commercial banking or insurance, or insurance
- Information about the measurement approach, inputs and assumptions the company has used in measuring Scope 3 GHG emissions – IFRS S2 sets out a Scope 3 measurement framework to provide guidance for preparing Scope 3 emissions disclosures

Significant differences:

- TCFD requires disclosure of Scope 1 and Scope 2 emissions independent of materiality and Scope 3 emissions as appropriate, but the ISSB Standards only require disclosure of material information.
- 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.



Metrics and Targets

Legend

- = Exact wording
- + Level of detail
- + Additional Requirements
- ! Significant difference

TCFD Recommendations

c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

- Describe key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with the cross-industry, climate related metric categories. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy.
- In describing their targets, consider including the following:
 - Whether the target is absolute or intensity based
 - Time frames over which the target applies
 - Base year from which progress is measured
 - Key performance indicators used to assess progress against targets.
- Organizations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available.
- Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.

IFRS S2



Broadly consistent – Uses different wording to capture the same information

Requires more detailed information on GHG emissions targets:

- Which GHGs are covered by the target
- Whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target
- Whether the target is a gross GHG emissions target or net GHG emissions target
- Whether the target was derived using a sectoral decarbonization approach
- Planned use of *carbon credits* to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target

Contains additional requirements:

- How the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.
- Whether the target and the methodology for setting the target has been validated by a third party.



Wrapping Up

As political priorities around the world evolve, the regulatory landscape continues to shift in response. But for businesses, accounting for sustainability-related risks and opportunities remains a sound strategy for being prepared to meet both short-term and long-term challenges. The ISSB Standards exist to help companies take these risks and opportunities into consideration as part of their overall approach to financial planning and risk management. Aligning with IFRS S1 and S2 can help companies and investors make better-informed decisions and be more prepared for future regulatory and market changes.



Navigating the way to sustainability

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