
Transition Implementation Group on IFRS S1 and IFRS S2

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Topic **Reporting on other questions submitted**

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

Introduction

1. This paper summarises questions submitted to the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG) that do not meet the submission criteria for questions submitted to the TIG.
2. The submissions in this paper are all categorised as questions that can be answered applying the words in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.
3. The criteria established for the TIG state that questions submitted to the TIG should meet the following criteria:
 - (a) must be related to, or arise from, the implementation of IFRS S1 and/or IFRS S2;
 - (b) may result in possible diversity in practice; and
 - (c) are expected to be pervasive, that is, relevant to a wide group of stakeholders.
4. Submissions not summarised in this paper are those that are discussed in a separate agenda paper.

Questions that can be answered applying the words in IFRS S1 and IFRS S2

Sub. #	Topic	Question	Response
23	Information about asset manager financed emissions	Does the requirement in paragraph B37 of IFRS S2 to disclose additional information about financed emissions included in an entity's measure of Scope 3 greenhouse gas (GHG) emissions contradict the requirement in paragraph B61(a) of IFRS S2 for an entity that participates in asset management activities to disaggregate financed emissions by Scope 1, Scope 2 and Scope 3 GHG emissions? That is, are an asset manager's Scope 3 financed emissions required to be: - disaggregated between Scope 1, Scope 2 and Scope 3; or, - categorised under the entity's Scope 1, Scope 2 and Scope 3 GHG emissions?	Paragraph B37 of IFRS S2 requires that additional information be provided about the financed emissions that are included in the Scope 3 GHG emissions of asset managers. Paragraph B61 of IFRS S2 sets out the additional information required to be provided. Specifically, paragraph B37 of IFRS S2 states that 'an entity that participates in one or more financial activities associated with asset management, commercial banking and insurance shall disclose additional information about the financed emissions associated with those activities as part of the entity's disclosure of its Scope 3 greenhouse gas emissions (see paragraphs B58-B63).' Appendix A of IFRS S2 defines financed emissions as 'the portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty. These emissions are part of Scope 3 Category 15 (investments) as defined in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).' For an entity that participates in asset management activities, financed emissions include GHG emissions attributed to assets under management. Therefore, paragraph B61(a) requires an asset manager to disaggregate its financed emissions by Scope 1, Scope 2 and Scope 3.
24	Organisation and presentation of sustainability-related financial disclosures	How should disclosures prepared applying ISSB Standards be identified and organised within an entity's sustainability report, particularly when they are provided alongside other information that is not required by ISSB Standards? Do ISSB Standards require references to be provided to specific ISSB Standards' disclosure requirements,	The relevant requirements to answer this question are found in the following paragraphs of IFRS S1: - paragraph 60 requires that sustainability-related financial disclosures be included in the general purpose financial reports; - paragraph 62 requires that the information required by ISSB Standards is clearly identifiable and not obscured by additional information; and - paragraph 59 requires that sources of guidance applied by the entity to prepare its sustainability-related financial disclosures be disclosed (such as the particular industry and metrics applied when SASB Standards are used). Beyond this, ISSB Standards are not prescriptive about the location of disclosures nor is there a requirement to include references to the specific paragraphs in ISSB Standards that are relevant to a particular disclosure.

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		for example references to metrics in IFRS S2?	Guidance about these requirements is provided as part of the educational material Sustainability-related Risks and Opportunities and the Disclosure of Material Information (refer to Page 18 and Appendix C which provide considerations to help an entity make material information required by ISSB Standards clearly identifiable and distinguishable from immaterial information provided to satisfy law, regulation or other requirements). In addition, requirements related to the provision of useful information in Appendix D of IFRS S1 are relevant to how an entity identifies, organises and presents its sustainability-related financial disclosures: a) paragraph D26 states that an enhancing qualitative characteristic of useful sustainability-related financial information is understandability, specifically that ‘sustainability-related financial information shall be clear and concise.’; b) paragraph D27 states that ‘the clearest form a disclosure can take will depend on the nature of the information and might include tables, graphs or diagrams in addition to narrative text.’; and c) paragraph D31 states that ‘the completeness, clarity and comparability of sustainability-related financial information all rely on information being presented as a coherent whole. For sustainability-related financial information to be coherent, it shall be presented in a way that explains the context and the connections between the related items of information.’
25	Information about asset manager financed emissions	Is an entity that participates in asset management activities and provides additional information about its financed emissions in accordance with paragraph B61 of IFRS S2 required to provide a breakdown of its financed emissions by asset class?	There is no explicit requirement for an entity that participates in asset management activities to provide a breakdown by asset class as part of the requirements to provide additional information about its financed emissions. However, an entity might decide to disaggregate its assets under management in applying the requirements of aggregation and disaggregation in IFRS S1 (paragraphs B29-B30). This is illustrated in examples 4-5 of the <i>Accompanying Guidance on IFRS S2 Climate-related Disclosures</i>. In example 4, the entity identifies differing risk exposures between active and passive strategies and decides that disaggregating information about its financed emissions by active and passive strategies is necessary to provide material information to users of general purpose financial reports. In example 5, the entity identifies that each asset class is affected differently by climate-related risks and opportunities and decides that disaggregating information about its financed emissions by long-term bonds and publicly traded equities is necessary to provide material information to users of general purpose financial reports. This is in contrast to the specific requirement to disaggregate financed emissions by asset class as set out in paragraph B62(a)(ii) of IFRS S2 for entities that participate in commercial banking activities and in paragraph B63(a)(ii) of IFRS S2 for entities that participate in financial activities associated with insurance activities.

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26	Measurement of financed emissions	Is an entity required to use the measurement methodology issued by Partnership for Carbon Accounting Financials (PCAF) in measuring its financed emissions?	No. IFRS S2 requires entities to measure greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) but does not specify a particular approach for the measurement of financed emissions. The relevant requirements related to the measurement and disclosure of Scope 3 greenhouse gas emissions are found in the following paragraphs of IFRS S2: (a) paragraph 29(a)(i) requires an entity to ‘disclose its absolute gross greenhouse gas emissions generated during the reporting period’ classified as Scope 1 greenhouse gas emissions, Scope 2 greenhouse gas emissions, and Scope 3 greenhouse gas emissions; (b) paragraph 29(a)(ii) requires an entity to ‘measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its greenhouse gas emissions’; (c) paragraphs B38-B57 set out the requirements associated with the Scope 3 measurement framework; (d) paragraph 29(a)(vi)(1) requires an entity to disclose ‘the categories included within the entity’s measure of Scope 3 greenhouse gas emissions, in accordance with the <i>Scope 3 categories</i> described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)’; and (e) paragraph 29(a)(vi)(2) requires an entity to disclose ‘additional information about the entity’s Category 15 greenhouse gas emissions or those associated with its investments (<i>financed emissions</i>), if the entity’s activities include asset management, commercial banking or insurance’. As part of these disclosures, paragraphs B61(d), B62(d) and B63(d) require an entity to disclose the methodology the entity used to calculate its financed emissions. Other than the requirements related to measurement as described above, IFRS S2 does not prescribe any specific methodology for an entity to use in calculating its financed emissions. Paragraph BC125 of the Basis for Conclusions on IFRS S2 explains that: ‘The application guidance is intended to enhance consistent and comparable disclosure of financed emissions information while allowing for innovation. It is also intended to enable the market to converge on measurement methodologies for different asset classes as they emerge and gain acceptance, such as those developed by the Partnership for Carbon Accounting Financials. Although the requirements support the use of different measurement

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			approaches, they also provide users of general purpose financial reports with the information necessary to understand an entity's exposures and the approaches the entity has used to measure its financed emissions.'
27	Asset manager subsidiary	If an entity that participates in insurance activities also participates in asset management activities via a subsidiary, is the entity required to provide disclosures about transition risk and financed emissions for the assets that are managed by its subsidiary (ie the asset management subsidiary)?	When providing sustainability-related financial disclosures that relate to consolidated financial statements (ie a group), IFRS S1 requires that the information reflect the sustainability-related risks and opportunities of the group. Thus, that information would be required to include material information about the sustainability-related risks and opportunities of subsidiaries in the group.¹ Additional information required to be provided about financed emissions in accordance with IFRS S2 applies when an entity undertakes particular activities. An entity (whether a single company or a group) could undertake more than one activity.² ¹ Paragraph B38 of IFRS S1 states that 'paragraph 20 requires that sustainability-related financial disclosures shall be for the same reporting entity as the related financial statements. For example, consolidated financial statements prepared in accordance with IFRS Accounting Standards provide information about the parent and its subsidiaries as a single reporting entity. Consequently, that entity's sustainability-related financial disclosures shall enable users of general purpose financial reports to understand the effects of the sustainability-related risks and opportunities on the cash flows, access to finance and cost of capital over the short, medium and long term for the parent and its subsidiaries.' That is, an entity that consists of a parent and subsidiaries (group) is required to include information about the sustainability-related risks and opportunities that could reasonably be expected to affect the group's prospects and materiality is assessed in the context of the sustainability-related financial disclosures as a whole. ² Paragraph 29(a)(vi)(2) of IFRS S2 requires 'additional information about the entity's Category 15 greenhouse gas emissions or those associated with its investments (<i>financed emissions</i>), if the entity's activities include asset management, commercial banking or insurance (see paragraphs B58–B63)' [emphasis added]. Therefore, an entity that participates in both asset management and insurance activities must apply the relevant paragraphs in B58–B63 of IFRS S2 for its asset management and insurance activities.
28	Transition relief in IFRS S2	Does the transition relief in paragraph C5 of IFRS S2 apply to the current year information in the second	No. This relief does not apply to <i>current year</i> information in the second year that an entity applies ISSB Standards. It only applies to the <i>comparative information</i> disclosed in the second year that an entity applies ISSB Standards. The transition relief in paragraph C5 of IFRS S2 states that 'if an entity uses the relief in paragraph C4(a) or paragraph C4(b), the entity is permitted to continue to use that relief for the purposes of presenting that information as comparative information in subsequent reporting periods' [emphasis added].

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		reporting period for which ISSB Standards are applied?	The reliefs in paragraph C4 can be applied in the first annual reporting period in which an entity applies IFRS S2 and allow an entity to use one or both of the following reliefs: (a) ‘if, in the annual reporting period immediately preceding the date of initial application of this Standard, the entity used a method for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is permitted to continue using that other method; and (b) an entity is not required to disclose its Scope 3 greenhouse gas emissions (see paragraph 29(a)) which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about its financed emissions (see paragraph 29(a)(vi)(2) and paragraphs B58-B63).’ Therefore, paragraph C5 permits an entity that uses the relief in paragraph C4(a) or paragraph C4(b) to continue to use that relief for the purposes of presenting comparative information in subsequent reporting periods. This means the relief does not apply to information about the current reporting period in the second year in which an entity applies ISSB Standards. For example, for an entity that utilises both of the reliefs provided in paragraph C4 of IFRS S2 in its first year of application of ISSB Standards, the relief in paragraph C5 would result in the following disclosures related to GHG emissions in the entity’s first and second years of applying the ISSB Standards: <i>First year of applying ISSB Standards:</i> the entity discloses its GHG emissions measured using a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard) and does not disclose Scope 3 GHG emissions for the current reporting period. <i>Second year of applying ISSB Standards:</i> the entity discloses its GHG emissions measured using the GHG Protocol Corporate Standard and includes Scope 3 GHG emissions for the current reporting period. Comparative GHG emissions information reflects what was disclosed in the first year of applying the ISSB Standards, that is, Scope 1 and Scope 2 GHG emissions calculated using the method other than the GHG Protocol Corporate Standard applied in the prior period.
29	Statement of compliance	When an entity makes a statement of compliance in accordance with paragraph 72 of IFRS S1, are there requirements:	The relevant requirements related to the disclosure of a statement of compliance are in paragraph 72 of IFRS S1: ‘An entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards shall make an explicit and unreserved statement of compliance. An entity shall not describe

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		- to use particular words; - for the statement to be signed by specific individuals; and - to have a separate statement for IFRS S2?	sustainability-related financial disclosures as complying with IFRS Sustainability Disclosure Standards unless they comply with all the requirements of IFRS Sustainability Disclosure Standards.’ The ISSB Standards do not specify particular wording that must be used in a statement of compliance. The statement of compliance is part of the sustainability-related financial disclosures. The statement of compliance requires compliance with ‘all the requirements of IFRS Sustainability Disclosure Standards’ and thus relates to and requires compliance with all requirements in IFRS S1 and IFRS S2¹. ¹ Noting that in the first year of application of ISSB Standards, an entity may elect to report only climate-related risks and opportunities in accordance with IFRS S2 (paragraph E5 of IFRS S1).
31	Commercially sensitive information	Does the relief from disclosing commercially sensitive information about a sustainability-related opportunity provided in IFRS S1 apply to IFRS S2?	Yes; as explained in paragraph BC6 of the Basis for Conclusions on IFRS S1, ‘IFRS S1 sets out the general requirements that an entity is required to apply to assert compliance with IFRS Sustainability Disclosure Standards ... An entity applying IFRS Sustainability Disclosure Standards would apply the requirements in IFRS S1 in conjunction with other Standards (for example, an entity applying IFRS S2 would refer to IFRS S1 to decide how to aggregate or disaggregate information).’ Therefore, the requirements in IFRS S1 apply to the provision of information about all sustainability-related risks and opportunities, including climate-related risks and opportunities, that could reasonably be expected to affect an entity’s prospects. The educational material Applying IFRS S1 when reporting only climate-related disclosures accordance with IFRS S2 further explains that the relief from disclosing commercially sensitive information is available to entities that adopt a climate-first approach. The educational material states that the requirements in IFRS S1 apply to IFRS S2 ‘insofar as they relate to the disclosure of information on climate-related risks and opportunities.’ Additionally, Table 1 specifies that paragraphs B34-B37 of IFRS S1 about commercially sensitive information are applicable to an entity that is disclosing information on <i>only</i> its climate-related risks and opportunities. While this educational material is specifically referring to the climate-first approach, this explanation confirms the applicability of this paragraph in IFRS S1 when applying IFRS S2.