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## ISSB meeting

Date	<b>May 2026</b>
Project	<b>Nature-related Disclosures</b>
Topic	<b>Supplement to AP3A—Extracts from ISSB Standards and the accompanying Bases for Conclusions on the disclosure of information about the use of nature-related scenario analysis</b>
Contacts	<b>Miriël Iputo</b> ( <a href="mailto:miriel.iputo@ifrs.org">miriel.iputo@ifrs.org</a> ) <b>Yulia Feygina</b> ( <a href="mailto:yulia.feygina@ifrs.org">yulia.feygina@ifrs.org</a> )

This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board (ISSB). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the *ISSB Update*.

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## Introduction

1. This paper presents the requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* that either *specifically* refer to the disclosure of information about the use of scenario analysis or that *may result in* the disclosure of that information and related paragraphs from the respective Bases for Conclusions on those Standards side-by-side for ease of reference.
2. This paper accompanies Agenda Paper 3A *Information about the use of scenario analysis*. Agenda Paper 3A presents the International Sustainability Standards Board (ISSB) with the staff's analysis and recommendations regarding disclosure of information about an entity's use of nature-related scenario analysis, and asks the ISSB to decide if it agrees with the staff recommendations.

## Scenario analysis references in IFRS S1 and IFRS S2

### *Content in the Standards*

Content area	IFRS S1		IFRS S2	
	Para.	Extract	Para.	Extract
Strategy	41–42	<p>An entity shall disclose information that enables users of general purpose financial reports to understand its capacity to adjust to the uncertainties arising from sustainability-related risks. An entity shall disclose a qualitative and, if applicable, quantitative assessment of the resilience of its strategy and business model in relation to its sustainability-related risks, including information about how the assessment was carried out and its time horizon. When providing quantitative information, an entity may disclose a single amount or a range.</p> <p>Other IFRS Sustainability Disclosure Standards may specify the type of information</p>	22	<p>An entity shall disclose information that enables users of general purpose financial reports to understand the resilience of the entity's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities. The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances (see paragraphs B1–B18). In providing quantitative information, the entity may disclose a single amount or a range. Specifically, the entity shall disclose:</p>

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		an entity is required to disclose about its resilience to specific sustainability-related risks and how to prepare those disclosures, including whether a scenario analysis is required.		
Strategy			22(b)	<p>how and when the climate-related scenario analysis was carried out, including:</p> <ul style="list-style-type: none"> <li>(i) information about the inputs the entity used, including:               <ul style="list-style-type: none"> <li>(1) which climate-related scenarios the entity used for the analysis and the sources of those scenarios;</li> <li>(2) whether the analysis included a diverse range of climate-related scenarios;</li> <li>(3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;</li> <li>(4) whether the entity used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change;</li> <li>(5) why the entity decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;</li> <li>(6) the time horizons the entity used in the analysis; and</li> <li>(7) what scope of operations the entity used in the analysis (for example, the operating locations and business units used in the analysis);</li> </ul> </li> </ul>

Content area	IFRS S1		IFRS S2	
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				<p>(ii) the key assumptions the entity made in the analysis, including assumptions about:</p> <ol style="list-style-type: none"> <li>(1) climate-related policies in the jurisdictions in which the entity operates;</li> <li>(2) macroeconomic trends;</li> <li>(3) national- or regional-level variables (for example, local weather patterns, demographics, land use, infrastructure and availability of natural resources);</li> <li>(4) energy usage and mix; and</li> <li>(5) developments in technology; and</li> </ol> <p>(iii) the reporting period in which the climate-related scenario analysis was carried out (see paragraph B18).</p>
Risk management	44	To achieve this objective, an entity shall disclose information about:	25	To achieve this objective, an entity shall disclose information about:
	44(a)	the processes and related policies the entity uses to identify, assess, prioritise and monitor sustainability-related risks, including information about:	25(a)	the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks, including information about:
	44(a)(ii)	whether and how the entity uses scenario analysis to inform its identification of sustainability-related risks;	25(a)(ii)	whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks;
	44(b)	the processes the entity uses to identify, assess, prioritise and	25(b)	the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and

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		monitor sustainability-related opportunities;		how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities;
-	Appendix A	<b>scenario analysis</b> A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty.		
Strategy			B1	Paragraph 22 requires an entity to use climate-related scenario analysis to assess its climate resilience, using an approach that is commensurate with its circumstances.[...] The entity is required to use an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. Paragraphs B2–B18 provide guidance on how an entity uses scenario analysis to assess the entity’s climate resilience. Specifically:
Strategy			B1(b)	paragraphs B8–B15 set out the factors the entity shall consider when determining an appropriate approach to climate-related scenario analysis; and
Strategy			B1(c)	paragraphs B16–B18 set out additional factors for the entity to consider when determining its approach to climate-related scenario analysis over time.
Strategy			B8	An entity shall determine an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. The determination of the approach shall be informed by the assessments of the entity’s exposure to climate-related risks and opportunities (see paragraphs B4–B5) and its available skills, capabilities

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				and resources (see paragraphs B6–B7). Making such a determination involves: (a) selecting inputs to the climate-related scenario analysis (see paragraphs B11–B13); and (b) making analytical choices about how to carry out the climate-related scenario analysis (see paragraphs B14–B15).
Strategy			B11	When an entity selects the inputs to use in its climate-related scenario analysis, the entity shall consider all reasonable and supportable information—including scenarios, variables and other inputs—available to the entity at the reporting date without undue cost or effort. The inputs used in scenario analysis might include information that is qualitative or quantitative, and is obtained from an external source or developed internally. For example, publicly available climate-related scenarios—from authoritative sources—that describe future trends and a range of pathways to plausible outcomes are considered to be available to the entity without undue cost or effort.
Strategy			B12	When selecting scenarios, variables and other inputs to use in climate-related scenario analysis, an entity might, for example, use one or more climate-related scenarios—including international and regional scenarios—that are publicly and freely available from authoritative sources. The entity shall have a reasonable and supportable basis for using a particular scenario or set of scenarios. For example, an entity with operations concentrated in a jurisdiction where emissions are regulated—or are likely to be regulated in the future—might determine that it is appropriate to carry out its analysis using a scenario consistent with an orderly transition to a lower-carbon economy or consistent with relevant jurisdictional commitments to the latest international agreement

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				on climate change. Elsewhere, for example, an entity with heightened exposure to physical climate-related risks might determine that it is appropriate to carry out its analysis using a localised climate-related scenario that takes into account current policies.
Strategy			B13	In considering whether the selected inputs are reasonable and supportable, an entity shall consider the objective of paragraph 22, which requires the entity to disclose information that enables users of general purpose financial reports to understand the resilience of the entity's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities. This means that the inputs to the entity's climate-related scenario analysis shall be relevant to the entity's circumstances, for example, to the particular activities the entity undertakes and the geographical location of those activities.
			B14	An entity's resilience assessment will be informed not only by the individual inputs to its climate-related scenario analysis, but also by the information it develops in combining those inputs to carry out the analysis. The entity shall prioritise the analytical choices (for example, whether to use qualitative analysis or quantitative modelling) that will enable it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. For example, if an entity is able—without undue cost or effort—to incorporate multiple carbon price pathways associated with a given outcome (for example, a 1.5 degree Celsius outcome), this analysis is likely to strengthen the entity's resilience assessment, assuming such an approach is warranted by the entity's risk exposure.
			B15	Quantitative information will often enable an entity to carry out a more robust assessment of its climate resilience. However, qualitative

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				information (including scenario narratives), either alone or combined with quantitative data, can also provide a reasonable and supportable basis for the entity's resilience assessment.
			B16	Climate-related scenario analysis is an evolving practice and, therefore, the approach that an entity uses is likely to change over time. As described in paragraphs B2–B7, the entity shall determine its approach to climate-related scenario analysis based on its particular circumstances, including the entity's exposure to climate-related risks and opportunities and the skills, capabilities and resources available for the scenario analysis. Those circumstances are also likely to change over time. Therefore, the entity's approach to climate-related scenario analysis need not be the same from one reporting period or strategic planning cycle to the next (see paragraph B18).
			B17	An entity might use a simpler approach to climate-related scenario analysis, such as qualitative scenario narratives, if such an approach is appropriate to the entity's circumstances. For example, if an entity does not currently have the skills, capabilities or resources to carry out quantitative climate-related scenario analysis but has a high degree of exposure to climate-related risk, the entity might initially use a simpler approach to climate-related scenario analysis, but would build its capabilities through experience and, therefore, would apply a more advanced quantitative approach to climate-related scenario analysis over time. An entity with a high degree of exposure to climate-related risks and opportunities, and with access to the necessary skills, capabilities or resources, is required to apply a more advanced quantitative approach to climate-related scenario analysis.
			B18	Although paragraph 22 requires an entity to disclose information about its climate resilience at each reporting date, the entity might carry out its

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				<p>climate-related scenario analysis in line with its strategic planning cycle, including a multi-year strategic planning cycle (for example, every three to five years). Therefore, in some reporting periods the entity’s disclosures in accordance with paragraph 22(b) could remain unchanged from the previous reporting period if the entity does not conduct a scenario analysis annually. The entity shall—at a minimum—update its climate-related scenario analysis in line with its strategic planning cycle. However, an assessment of the entity’s resilience is required to be carried out annually to reflect updated insight into the implications of climate uncertainty for the entity’s business model and strategy. As such, an entity’s disclosure in accordance with paragraph 22(a)—that is, the results of the entity’s resilience assessment—shall be updated at each reporting period.</p>

**Content in the Basis for Conclusions**

Section header	IFRS S1		IFRS S2	
	Para.	Extract	Para.	Extract
Background—Proportionality			BC15	The ISSB developed a range of mechanisms to respond to these ‘proportionality’ challenges, and made a number of decisions intended to support the application of IFRS S2 by a wide range of entities. The proportionality mechanisms were used in requirements that are included in both IFRS S1 and IFRS S2. [...] The proportionality mechanisms were also used in specific requirements that are included only in IFRS S2. These requirements are associated with climate-related scenario analysis [...]
Strategy—Current and anticipated financial effects	BC113	The ISSB decided to clarify the relationship between the disclosure requirements for information about resilience and the disclosure requirements for information about current and anticipated financial effects. The ISSB noted that the two sets of requirements are distinct and are intended to serve different information needs. The requirements on the resilience of an entity’s strategy and business model are intended to inform users of general purpose financial reports about the entity’s ability to cope with and withstand the	BC56	The ISSB decided to clarify the relationship between the disclosure requirements for information about climate resilience and the disclosure requirements for information about current and anticipated financial effects. The ISSB noted that the two sets of requirements are distinct and are intended to serve different information needs. The requirements related to the climate resilience of an entity’s strategy and business model are intended to inform users of general purpose financial reports about the entity’s ability to cope with and withstand the effects of climate-related risks and uncertainties in different scenarios. The requirements related to the current and anticipated financial effects of climate-related risks and opportunities are intended to provide information about the effects of these risks and opportunities on an entity’s financial performance, financial position and cash flows. The requirements can be applied independently. However, a resilience assessment can inform the disclosures of current and anticipated financial effects and vice versa.

Section header	IFRS S1		IFRS S2	
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		<p>effects of sustainability-related risks and related uncertainties in different scenarios. The requirements on the current and anticipated financial effects of sustainability-related risks and opportunities are intended to provide information about the effects of these risks and opportunities on an entity’s financial performance, financial position and cash flows. The requirements can be applied independently. An entity is not required to carry out a resilience assessment to determine the anticipated financial effects of sustainability-related risks and opportunities. However, if the entity does carry out a resilience assessment, the entity might find that assessment useful and relevant in determining the anticipated financial effects of sustainability-related risks and opportunities.</p>		

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Strategy— Climate resilience			BC59	The requirements in IFRS S2 make a distinction between the concepts of ‘resilience assessment’ and ‘scenario analysis’. A resilience assessment is management’s assessment of a range of plausible but uncertain climate outcomes, the implications for the entity’s business model and strategy and its capacity to adapt or respond. Scenario analysis is the analytical exercise used to inform that assessment. The disclosures required by paragraph 22(b) of IFRS S2 relate to the approach used by the entity to carry out scenario analysis, whereas the requirements in paragraph 22(a) of IFRS S2 specifically refer to disclosures about the assessment of resilience based on that scenario analysis. In making this distinction, the ISSB emphasised that an entity is not required to disclose the results of its scenario analysis, but is instead required to disclose its interpretation of those results.
Strategy— Climate resilience			BC60	Paragraph 22(a) of IFRS S2 requires disclosures related to the significant areas of uncertainty considered in an entity’s assessment of its climate resilience. For example, the entity might disclose that its resilience assessment is subject to significant uncertainty arising from the effects of future climate-driven migration, which might affect the stability of its supply chain or the resilience of its assets and operations in particular geographies. As the time horizon considered in the scenario analysis increases, the degree of judgement required to interpret its results also increases.
Strategy— Climate resilience			BC61	Paragraph 22(b)(ii) of IFRS S2 lists particular required disclosures related to the key assumptions an entity made in carrying out its climate-related scenario analysis. Although IFRS S2 requires these specific disclosures, the ISSB observed that an entity might make assumptions in carrying out its climate-related scenario analysis

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				that should be disclosed if material, because the assumptions listed in paragraph 22(b)(ii) of IFRS S2 are not exhaustive. This is reflected in the overarching objective of the disclosures in paragraph 22.
			BC62	The Exposure Draft proposed that an entity would be required to use climate-related scenario analysis to assess its climate resilience unless it is 'unable to do so'. This proposed requirement would have allowed an entity to use an alternative method to assess its climate resilience if it is unable to use climate-related scenario analysis. This proposal was designed to respond to concerns that climate-related scenario analysis might be too challenging, especially for an entity that lacks the skills, capabilities and resources to carry out such analysis. Respondents to the Exposure Draft provided mixed feedback on this proposal, including on the effectiveness of the 'unable to do so' wording. Some respondents were concerned that the wording would allow entities to opt out of using climate-related scenario analysis. Others were unclear about what criteria to consider in determining whether an entity is 'able' or 'unable' to carry out climate-related scenario analysis. Respondents also expressed an array of views on the various methods that might or might not be considered to constitute climate-related scenario analysis.
Strategy— Climate resilience			BC63	The ISSB made several related decisions to reduce confusion, enhance clarity and retain an appropriate degree of proportionality for entities, whose circumstances vary. The ISSB decided to remove the wording 'unable to do so' from the requirements on climate resilience in IFRS S2 and to confirm that an entity is required to use climate-related scenario analysis to assess its

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				climate resilience. The ISSB also decided to clarify that climate-related scenario analysis encompasses a range of practices, from qualitative scenario narratives to sophisticated quantitative modelling. The ISSB also decided that an entity is required to use an approach to climate-related scenario analysis that is commensurate with its circumstances.
Strategy— Climate resilience			BC64	<p>The ISSB recognised a need to provide additional guidance to respond to concerns that scenario analysis might create undue cost or effort, especially for entities with fewer skills, capabilities or resources. Therefore, the ISSB agreed to provide application guidance to accompany IFRS S2, which is designed to support an entity in determining an approach to climate-related scenario analysis that is commensurate with its circumstances. The application guidance (paragraphs B1–B18 of IFRS S2) draws on the range of practice outlined in documents published by the TCFD, including Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities (2017) and Guidance on Scenario Analysis for Non-Financial Companies (2020). The application guidance in IFRS S2 requires an entity to use an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort, taking into consideration:</p> <ul style="list-style-type: none"> <li>(a) the entity’s exposure to climate-related risks and opportunities; and</li> <li>(b) the skills, capabilities and resources available to the entity to enable it to carry out the climate-related scenario analysis.</li> </ul>

Section header	IFRS S1		IFRS S2	
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Strategy— Climate resilience			BC65	<p>The greater an entity’s exposure to climate-related risks and opportunities and the more skills, capabilities and resources available to carry out climate-related scenario analysis, the more sophisticated the form of analysis the entity would be required to use to support its resilience assessment. An entity with fewer resources and relatively low risk exposure might develop a scenario narrative focused on a key product, business unit or operating location. However, a larger entity with high risk exposure and greater analytical experience might carry out sophisticated quantitative modelling using a range of scenarios to capture multiple risk transmission channels across its own operations and throughout its value chain. If an entity does not currently have the skills and capabilities to carry out a more sophisticated form of climate-related scenario analysis but has a high degree of exposure to climate-related risk, the entity might initially use a simpler approach to climate-related scenario analysis. The ISSB emphasised that if an entity’s climate-related risk exposure warrants a more sophisticated approach to scenario analysis, the entity cannot use a lack of skills or capabilities to justify using a less sophisticated approach if it has the resources available to obtain or develop those skills or capabilities. The ISSB expects this guidance will enable entities to develop their skills and capabilities and strengthen their disclosures over time through a process of learning and iteration. For example, as an entity’s capabilities develop so will its assessment of what is considered ‘undue’ in terms of cost or effort.</p>

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Strategy— Climate resilience			BC66	The ISSB decided not to specify the particular scenarios that an entity would be required to use in its climate-related scenario analysis because the relevant scenarios would depend on the entity’s facts and circumstances, including the nature and location of its operations and the physical and transition risks to which it is exposed. Instead, the ISSB confirmed that an entity is required to explain which climate-related scenarios it has used, including whether they are related to transition or physical risks. IFRS S2 also requires disclosure of whether a diverse range of climate-related scenarios was used in the analysis, meaning entities are required to disclose information such as the number of scenarios used and whether the scenarios cover different outcomes or pathways. For example, if an entity considered both orderly and disorderly transition scenarios, the entity could disclose that fact.
Strategy— Climate resilience			BC67	The ISSB agreed that specifying which scenarios an entity should use would not be practical, might quickly become outdated and could lead to the disclosure of information that does not reflect the entity’s specific circumstances or management’s view of what is plausible. Therefore, the ISSB decided not to require the use of scenarios consistent with the latest international agreement on climate change or particular science-based scenarios. However, the ISSB also agreed that the scenarios selected by an entity must be relevant to its circumstances in order to provide useful information to users of general purpose financial reports. The ISSB also agreed to consider developing additional educational materials to support entities in selecting relevant scenarios in applying IFRS S2.

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Strategy— Climate resilience			BC68	The ISSB decided that an entity would be permitted to carry out scenario analysis to coincide with a multi-year strategic planning cycle rather than updating the analysis at every reporting date. However, the ISSB confirmed that the information required by paragraph 22 of IFRS S2 must be disclosed annually. An entity is required to assess its climate resilience on an annual basis to reflect updated insight into the implications of climate uncertainty for the entity’s business model. In this regard, the information required by paragraph 22(a) of IFRS S2 would be updated in each reporting period, whereas the information required by paragraph 22(b) of IFRS S2 might remain unchanged from one reporting period to the next if climate-related scenario analysis has not been carried out.
Strategy— Climate resilience			BC69	The ISSB acknowledged that climate-related scenario analysis can be used to inform a variety of other disclosures required by IFRS S2, including the identification and assessment of risks and opportunities, the anticipated financial effects associated with those risks and opportunities, and the plans an entity might develop to transition to a lower-carbon economy. However, the use of scenario analysis is required only in the context of the entity’s resilience assessment.
Risk management			BC72	Some respondents to the Exposure Draft suggested that climate-related scenario analysis can provide a useful input to the identification and assessment of climate-related risks and opportunities. The ISSB decided to introduce an additional requirement for an entity to describe whether and how it uses climate-related scenario analysis to inform the process described in paragraphs 24–26 of IFRS S2.