

Factsheet Series—Proportionality Digest

Proportionality mechanisms help companies with different levels of capabilities and preparedness to apply the ISSB Standards

[IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) and [IFRS S2 Climate-related Disclosures](#) include proportionality mechanisms to support *all* companies in all jurisdictions to apply the ISSB Standards, including small and medium-sized companies in developing markets.

Why do ISSB Standards include proportionality mechanisms?

Proportionality mechanisms address key challenges which companies might face related to:

- **resource constraints,**
- **data availability,** and
- **specialist availability.**

These mechanisms **are not available for all requirements**, they help companies to apply specific requirements in the ISSB Standards that they might **otherwise find challenging to apply.**

Proportionality mechanisms support companies in:

- Providing disclosures for specific requirements where there might be a **high level of judgment or uncertainty.**
- Applying the specific requirements in a way that is **proportionate to a company's circumstances.**

The proportionality mechanisms do not exempt companies from providing disclosures nor introduce additional disclosure requirements.

What are the two proportionality mechanisms?

- ➔ **Use all reasonable and supportable information that is available at the reporting date without undue cost or effort**

This mechanism clarifies the information that a company is required to use in the preparation of its sustainability-related financial disclosures. In circumstances when this mechanism applies, it establishes parameters for:

- the type of information to consider (**'reasonable and supportable information that is available at the reporting date'**); and
- the effort required to obtain such information (**'without undue cost or effort'**).

A company will need to assess what constitutes undue cost or effort in obtaining information.

- ➔ **Commensurate with the skills, capabilities and resources that are available to the company**

This mechanism helps a company to apply specific requirements in a way that is proportionate to its circumstances. This mechanism is applied in two ways to specific requirements such that a company is:

- required to use an approach that is commensurate with its circumstances, including the skills, capabilities and resources available to it in meeting a requirement, and/or
- permitted to adjust the information to be provided when meeting a specific disclosure requirement if the company does not have the skills, capabilities or resources to provide particular information.

How can companies make use of the proportionality mechanisms to apply relevant requirements in IFRS S1 and IFRS S2?

Each proportionality mechanism is included in specific requirements in the ISSB Standards. These requirements are summarised in **Table 1**.

→ Use all reasonable and supportable information that is available at the reporting date without undue cost or effort

This proportionality mechanism:

- clarifies that the assessment of what is undue cost or effort depends on a company's specific circumstances and requires a balanced consideration of the costs and efforts for the company and the benefits of the resulting information for investors.
- emphasises that a company is required to use relevant and appropriate information.
- clarifies that a company is not required to undertake exhaustive searches for information.

→ Commensurate with the skills, capabilities and resources that are available to the company

This proportionality mechanism:

- clarifies that a company can undertake a simpler approach to climate-related scenario analysis such as qualitative scenario analysis, if such an approach is appropriate to the company's circumstances, which includes consideration of a company's exposure to climate-related risks and opportunities and the skills, capabilities and resources available to the company for such scenario analysis.
- clarifies that a company does not need to provide quantitative information about anticipated financial effects of a sustainability-related risk or opportunity **if it does not have the skills, capabilities or resources to provide that quantitative information**.
- clarifies that a company's circumstances are likely to change over time, and so will its assessment of them.

Table 1—Proportionality mechanisms in IFRS S1 and IFRS S2

IFRS S1 and IFRS S2 requirements	Reasonable and supportable information available [...] without undue cost or effort	Commensurate with the skills, resources and capabilities that are available to the company
Identification of sustainability-related risks and opportunities	✓	
Scope of the value chain	✓	
Anticipated financial effects	✓	✓
Approach to climate-related scenario analysis	✓	✓
Measurement of Scope 3 GHG emissions	✓	
Metrics in cross-industry metric categories (IFRS S2.29(b)-(d) and IFRS S2.30)	✓	

▶ Watch the [webcast](#) to learn about proportionality mechanisms and how they support companies in preparing sustainability-related financial disclosures.

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