

# Factsheet Series—Climate resilience and climate-related scenario analysis requirements in IFRS S2

*Companies are required to provide information about their assessment of climate resilience and to use climate-related scenario analysis to inform that assessment.*

[IFRS S2 Climate-related Disclosures](#) requires a company to:

- disclose information that enables investors to **understand the resilience of its strategy and business model** to climate-related changes, developments and uncertainties, taking into consideration its identified climate-related risks and opportunities; and
- use climate-related scenario analysis (hereafter ‘scenario analysis’) to assess its climate resilience using an approach that is **commensurate with its circumstances**.

## Why IFRS S2 requires disclosures about climate resilience

Climate-related risks and opportunities that affect a company are often complex and their likelihood, magnitude and timing are uncertain. Investors need useful information that enables them to understand a company’s **climate resilience** when making their decisions.

**Climate resilience**<sup>1</sup> is a company’s capacity—strategically and operationally—to manage climate-related risks and benefit from climate-related opportunities, including its ability to respond and adapt to the transition and physical risks related to climate change.

## What information companies disclose about climate resilience

A company discloses **its assessment** of its climate resilience to enable investors to understand:

- **implications for its strategy and business model**, including how it would need to adjust or adapt to the effects identified through its assessment;
- **significant areas of uncertainty** considered; and
- its **capacity to adjust or adapt** its strategy and business model over the short, medium and long term.

A company also discloses how and when the **scenario analysis** that was used to inform its assessment was carried out, including information about the inputs used, key assumptions made in the analysis and the reporting period in which it was carried out.

**Scenario analysis**<sup>1</sup> is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. It allows a company to explore and develop an understanding of how climate-related risks and opportunities might affect its strategy and business model over time and its capacity to adjust or adapt.



Watch the [webcast](#) to learn about using scenario analysis to assess climate resilience when preparing sustainability-related financial disclosures in accordance with IFRS S2.

<sup>1</sup> Key terms are defined here for educational purposes only and are adapted from the formal definitions set out in Appendix A to the IFRS Sustainability Disclosure Standards.

## How companies assess their climate resilience

IFRS S2 includes application guidance on using scenario analysis to assess climate resilience. This guidance is grounded in [proportionality mechanisms](#) that enable a company to select an approach to scenario analysis that is **commensurate with its circumstances** and to consider **all reasonable and supportable information** available to it **without undue cost or effort**.

Figure 1—Using scenario analysis to assess climate resilience

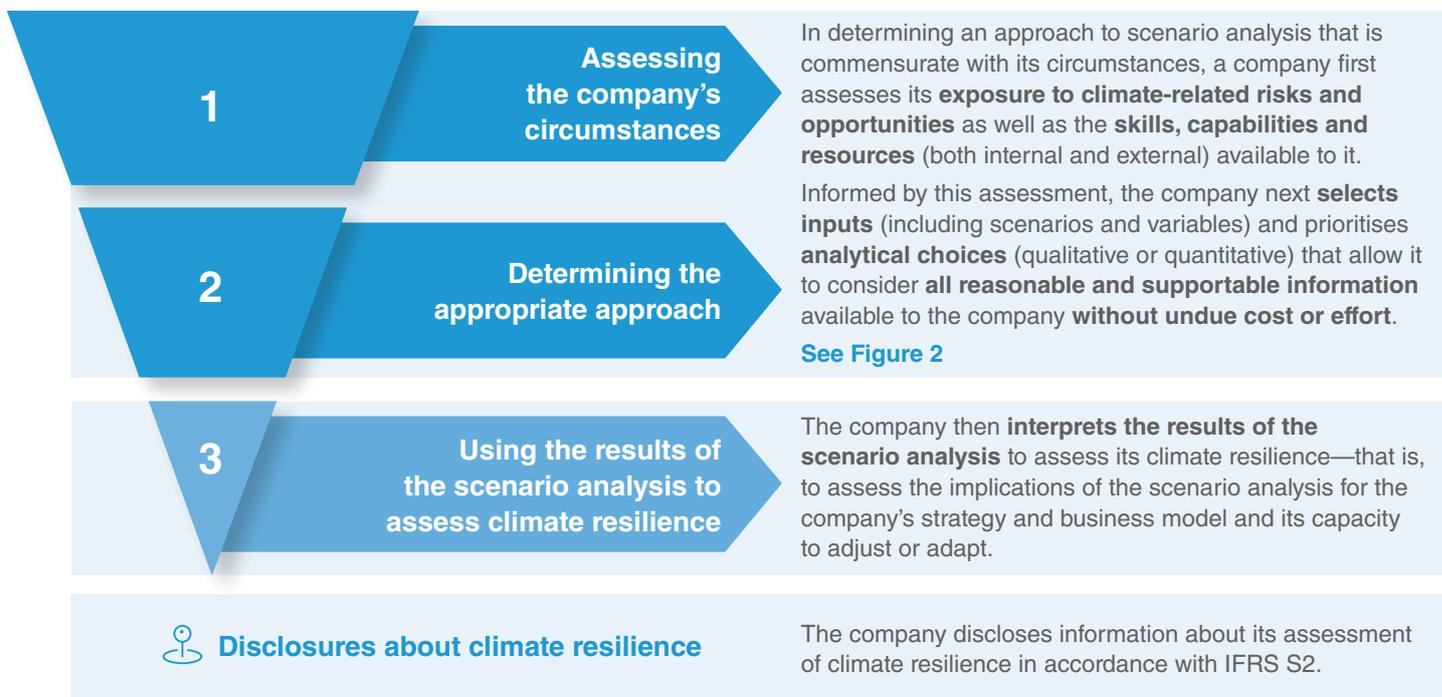
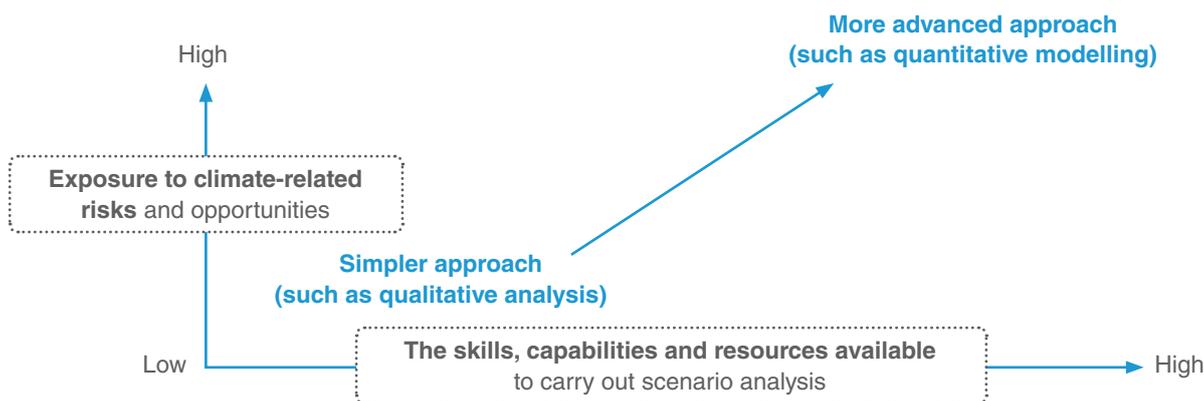


Figure 2—Using an approach to scenario analysis commensurate with a company's circumstances



### Additional considerations when using scenario analysis to assess climate resilience:

- A company's approach to scenario analysis and its circumstances are likely to change over time.
- A company assesses its climate resilience annually, however it is not required to update its scenario analysis on an annual basis. It—at a minimum—updates its scenario analysis in line with its strategic planning cycle and reassesses its circumstances each time.

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