



**IFRS<sup>®</sup>**  
Sustainability

# **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**

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Guidance document





In June 2023 the International Sustainability Standards Board (ISSB) issued its inaugural Standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (ISSB Standards). The ISSB is committed to supporting the implementation of these Standards. The IFRS Foundation has developed this document as part of delivering on that commitment.

This document is intended to support the ISSB global baseline of sustainability-related financial disclosures. The document provides guidance to enable entities to provide high-quality information about their transition towards a lower-carbon and/or climate-resilient economy when applying IFRS S2. Jurisdictions adopting or otherwise using ISSB Standards can supplement the disclosures required by IFRS S2 with information aimed at meeting the needs of a broader group of stakeholders or specific jurisdictional information needs, to the extent that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

This document builds on the disclosure-specific material authored by the Transition Plan Taskforce (TPT). The IFRS Foundation assumed responsibility for this material in 2024 to reduce fragmentation in disclosures and enhance the quality and comparability of information provided by entities applying the requirements in IFRS S2.<sup>1</sup>

This document is not part of IFRS Standards and does not add to or otherwise change the requirements in the Standards. It was developed to aid stakeholders' understanding of our Standards. Views expressed in the document do not necessarily reflect those of the International Accounting Standards Board, the ISSB or the IFRS Foundation. The document should not be relied upon as professional or investment advice.

Terms defined in the Glossary are in *italics* the first time they appear in this document.

<sup>1</sup> The disclosure-specific material authored by the Transition Plan Taskforce (TPT) includes a sector-neutral Disclosure Framework for best-practice transition plan disclosures, implementation guidance and sector guidance. The TPT Disclosure Framework draws on the components of a good transition plan identified by the Glasgow Financial Alliance for Net Zero, as part of an effort to support the development of comparable transition plans in the private sector. Parties, including the G20 Sustainable Finance Working Group, the International Organization of Securities Commissions and the Financial Stability Board, have noted the importance of transparency and disclosure in supporting the credibility of the transition finance landscape. See, for example, the [2024 G20 Sustainable Finance Report](#), the [IOSCO Report on Transition Plans](#) and the Financial Stability Board's [The Relevance of Transition Plans for Financial Stability](#).

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## SECTION 1—INTRODUCTION

The objective of IFRS S2 *Climate-related Disclosures* is to provide *users of general purpose financial reports* with decision-useful information about *climate-related risks and opportunities*. IFRS S2 requires an *entity* to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

### Climate-related risks

An entity might pursue a range of mitigation and adaptation responses to manage *climate-related physical risks* and *climate-related transition risks*.<sup>2</sup>

**Mitigation** efforts, such as those intended to reduce *greenhouse gas* (GHG) emissions, are primarily associated with an entity's responses to transition risks. For example, an entity might adopt new technologies or change its *business model* to introduce new products and services that reduce its GHG emissions.

**Adaptation** responses are primarily associated with physical risks and involve an entity preparing for both the current and anticipated effects of climate change. For example, an entity might invest in changes to infrastructure to improve its resilience to physical risks.

### Climate-related opportunities

An entity might also take advantage of climate-related opportunities. For example, an entity might develop new products and services that meet shifting consumer needs or preferences and enhance the entity's brand reputation.

Climate-related risks and opportunities are distinct but are not always mutually exclusive. For example, changing consumer preferences towards lower-carbon products might pose a risk to the demand for an entity's products and, at the same time, present an opportunity for the entity to develop an alternative, lower-carbon product line or gain market share if it has such a product line.

### Strategy

In defining its strategy to create value and hence generate cash flows over the short, medium and long term, an entity **might** set a *strategic goal* related to its climate-related risks and opportunities.

#### Strategic goal

A goal related to an entity's transition towards a lower-carbon economy and/or climate-resilient economy. Such a climate-related strategic goal is referred to in this document simply as a 'strategic goal'.<sup>3</sup>

<sup>2</sup> In this document, the terms 'climate-related physical risks' and 'physical risks' are used interchangeably, as are 'climate-related transition risks' and 'transition risks'.

<sup>3</sup> For the purpose of this document, an entity's strategic goal is the overarching objective for its climate-related transition. The concept of 'strategic goal' is embedded in the TPT materials within the concept of 'strategic ambition'.

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An entity that has set a strategic goal considers its *climate-related transition*—that is, how the entity might implement and meet this goal.

Depending on the type of strategic goal it has set, an entity may consider its overall approach to respond to transition and physical risks and climate-related opportunities. In doing so, the entity's climate-related transition might cover its transition towards a lower-carbon economy and/or transition to a climate-resilient economy.

Two terms are commonly used in the context of climate-related transition.

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### Transition planning

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This term typically refers to the **strategic process** that an entity follows to set its transition-related goals and plan its actions for its transition towards a lower-carbon and/or climate-resilient economy.

IFRS S2 does not define 'transition planning' and does not prescribe how an entity should manage its business, including the processes or policies it should follow. Instead, the requirements in IFRS S2 are intended to ensure that entities are transparent about the climate-related processes and policies they have in place and provide *material information* that is useful for users of general purpose financial reports.

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### Transition plan

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A *climate-related transition plan* is the **outcome** of the transition planning process.<sup>4</sup> IFRS S2 defines a climate-related transition plan as '*an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.*'

Depending on the type of strategic goal the entity has set, the information about the entity's climate-related transition plan may vary.

A transition plan is developed based on current and historical information, including information about past events, current conditions and forecasts of future conditions. *Scenario analysis* can be used to set targets and measure performance with metrics.

Entities that have decided to develop a transition plan might be at different stages of the process.

These stages might include:

- entities that have not started a transition planning process and therefore have not developed a transition plan;
- entities that are in the transition planning process—that is, they are developing a transition plan but they have not finalised it; and
- entities that have already developed a transition plan.

An entity that has developed a transition plan might decide to publish it voluntarily, for example, to meet investor expectations, or due to legal or regulatory requirements. Alternatively, an entity might not publish its transition plan but instead develop it for management information purposes only. These varied approaches highlight that transition plans might be developed for, and be used by, distinct user groups.

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<sup>4</sup> In this document, 'climate-related transition plan' and 'transition plan' are used interchangeably.

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## IFRS S2 and transition planning

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IFRS S2:

- sets out disclosure requirements;
- includes several disclosure requirements related to transition planning (as explored in this document);
- requires an entity to provide information about its transition planning because the information relates to disclosures about the entity's climate-related risks and opportunities; and
- does not require an entity to have a transition plan nor require an entity to publish a transition plan as long as the requirements in IFRS S2 are met.

## SECTION 2—ABOUT THIS GUIDANCE DOCUMENT

The International Sustainability Standards Board (ISSB) is committed to supporting the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (ISSB Standards). The IFRS Foundation has developed this document as part of delivering on that commitment.

### 2.1—Purpose of this document

IFRS S2 includes several disclosure requirements related to transition planning (see Section 3—*How to apply the disclosure requirements in IFRS S2*) but does not require an entity to have a transition plan or to publish a formal transition plan document.

**The purpose of this document is to guide entities in reporting information about their climate-related transition when applying the requirements in IFRS S2, as part of wider sustainability-related disclosures in their general purpose financial reports.**

This document does **not add to or otherwise change the requirements** in IFRS S2.

This document does not provide guidance on the transition planning process—for example, how to develop a transition plan.<sup>5</sup>

This document explains the disclosure requirements in IFRS S2 related to an entity's approach to respond to transition and physical risks and climate-related opportunities, including information about the entity's transition plan, if it has one, and how the entity might apply these requirements.

This document:

- identifies the disclosure requirements in IFRS S2 about an entity's climate-related transition; and
- provides guidance to help entities disclose relevant information about the entity's climate-related transition.

This document has been developed building on the disclosure-specific material authored by the Transition Plan Taskforce (TPT) material (see Section 2.4—*Relationship to disclosure-specific material authored by the Transition Plan Taskforce*).

Appendix B—*Mapping IFRS S2 to the TPT Disclosure Framework* describes the requirements in IFRS S2 that are relevant to an entity's climate-related transition and maps these requirements to the disclosure-specific material authored by the TPT (*TPT materials*). This appendix might be helpful to entities that have already applied the TPT materials and are implementing IFRS S2. The appendix would enable these entities to identify information in their transition plans relevant to comply with IFRS S2.

<sup>5</sup> Some organisations, such as the UN Sustainable Stock Exchanges Initiative (<https://sseinitiative.org/publications>), work on guidance for transition planning to aid entities in developing a process for their transition plans. Other resources about transition planning include: *Transition Planning Cycle*, Transition Plan Taskforce, 2024, <https://itpn.global/wp-content/uploads/2024/12/TransitionPlanning-Cycle.pdf>; and international standards under development by the International Organization for Standardization (ISO) on net zero (ISO 14060) and on net zero transition planning for financial institutions (ISO 32212).

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## 2.2—Who should read this document

### Entities that do not have a strategic goal

This document provides guidance on disclosing information about an entity's climate-related transition and is therefore not targeted at an entity that has not set a strategic goal. However, all entities applying IFRS S2 do need to provide material information about their climate-related risks and opportunities that is useful to primary users of general purpose financial reports. This information includes information about the effects of such risks and opportunities on their strategy, such as the targets they have set or are required to set by law or regulation, and their approach to risk management.

### Entities that are in the transition planning process or have already developed a formal transition plan

An entity that has set a strategic goal about how it intends to respond to transition and physical risks and climate-related opportunities might be in the transition planning process or might have already developed a formal transition plan applying another standard or framework (for example, applying the TPT transition planning materials).

This document will be most useful to these entities because they will be developing their strategic thinking on this topic and will have some familiarity with transition plans already. The document may assist in two ways:

- **Guidance on information to disclose applying IFRS S2**—For entities that have a strategic goal and are in the transition planning process, this document provides useful material to identify the information related to transition towards a lower-carbon and/or climate-resilient economy to disclose in accordance with IFRS S2.
- **Opportunity to enhance existing disclosures by applying IFRS S2**—For entities that have a strategic goal and have already developed a formal transition plan applying another standard or framework, this document might enable them to enhance their disclosures such that they are prepared in accordance with IFRS S2. By applying IFRS S2, these entities would provide users of general purpose financial reports with decision-useful information about the transition and physical risks to which they are exposed. The entities would also provide information about how they are responding, or plan to respond, to those risks, as part of their transition plans, including through mitigation or adaptation activities.



## 2.3—Disclosing information about an entity’s climate-related transition in accordance with IFRS S2

Transition planning is a strategic process. The requirements in IFRS S2 related to strategy include requirements to disclose information about an entity’s transition towards a lower-carbon and/or climate-resilient economy, if an entity has a strategic goal. Such requirements in IFRS S2 include disclosure of information about:

- how an entity has responded to, and plans to respond to, climate-related risks and opportunities;
- how an entity’s business model is changing, or is expected to change;
- what direct and indirect mitigation and adaptation efforts an entity is implementing or planning to implement;
- what plan, if any, an entity has in place for its transition towards a lower-carbon economy, including the key assumptions the entity has used in developing its plan and dependencies on which the plan relies;
- how an entity plans to achieve its climate-related targets, including any GHG targets;
- how an entity is resourcing, or plans to resource, its response to climate-related risks and opportunities; and
- what progress an entity has made against its previously reported plans.<sup>6</sup>

### Case A—Entity with a strategic goal, but no formal transition plan

Consider the case of an entity that has a strategic goal but no formal transition plan. Applying IFRS S2, the entity discloses information about

how it implements its strategic goal, including how the entity mitigates and adapts to transition and physical risks and responds to climate-related opportunities. In disclosing this information, the entity provides users of its general purpose financial reports with information about its climate-related transition in the absence of a formal transition plan. For example, in applying IFRS S2, the entity might determine that it is relevant to disclose information on how it implements its strategic goal. This information might include information on anticipated changes to the entity’s business model, or on the entity’s anticipated direct and indirect mitigation and adaptation efforts, as they relate to pursuit of its strategic goal. In this case, the entity provides users of its general purpose financial reports with information about its approach to climate-related transition in the absence of a formal transition plan.

### Case B—Entity with a strategic goal and a formal transition plan

Consider the case of an entity that has a strategic goal and has developed a formal transition plan (which the entity might or might not publish). The entity’s disclosures will reflect this approach. Applying IFRS S2, the entity discloses:

- that it has a transition plan, providing information about the formal transition plan, including information about key assumptions used in developing its transition plan, and the dependencies on which the transition plan relies; and
- other information on how it plans to achieve its strategic goal as it would in the case of an entity that has a strategic goal but does not have a formal transition plan.

<sup>6</sup> See paragraph 14 of IFRS S2 *Climate-related Disclosures*.

IFRS S2 does not require an entity to disclose its transition plan. Rather IFRS S2 requires an entity to provide information about the entity's strategy to meet its transition plan if it has one. In providing this information, an entity could determine that it would be appropriate to include its formal transition plan in the general purpose financial reports or cross-refer to its formal transition plan document (if that plan is publicly available).

An entity might disclose its formal transition plan for a variety of reasons, including circumstances in which:

- the entity concludes that such a plan allows the entity to more clearly articulate its thinking, providing all transition-related information to primary users in one place (including in order to meet the requirements in IFRS S2); and
- local law or regulation in a particular jurisdiction requires the entity to disclose a formal transition plan.

### *Efficient reporting*

In disclosing information about its climate-related transition, an entity might refer to information disclosed in accordance with other requirements in IFRS S2. For example, an entity might:

- highlight connections between information about its GHG emissions and its target to reduce GHG emissions; or
- refer to its resilience assessment to the extent that the assessment has informed the entity's climate-related transition or related disclosures.

## **2.4—Relationship to disclosure-specific material authored by the Transition Plan Taskforce**

This document is intended to support the ISSB global baseline of sustainability-related financial disclosures. The document provides guidance to enable entities to provide high-quality information about their transition towards a lower-carbon and/or climate-resilient economy when applying IFRS S2.

This document builds on the TPT materials, with some aspects tailored to ensure that entities globally can refer to this document when applying the requirements in IFRS S2 related to the disclosure of information about transition towards a lower-carbon and/or climate-resilient economy.

In developing this document, the IFRS Foundation has adjusted aspects of TPT materials that differ from the focus of IFRS S2, including:

- normative statements beyond disclosure;<sup>7</sup>
- policy-oriented or jurisdiction-specific statements;<sup>8</sup> and
- disclosure outside the ISSB's remit.<sup>9</sup>

IFRS S2 is limited to providing disclosure requirements, whereas the TPT materials also provide guidance on what a good practice climate-related transition plan should cover and complementary detailed guidance.

When applying IFRS S2 an entity that has a strategic goal on how it intends to respond to transition and physical risks and climate-related opportunities, and thus contribute to its transition towards a lower-carbon and/or climate-resilient economy, discloses how it plans to achieve its goal.

7 Normative statements suggest expectations or prescriptions about how an entity should manage its business, for example, statements about how an entity should prepare its transition plan rather than providing disclosure requirements.

8 Policy-oriented or jurisdiction-specific statements could be inconsistent with the ISSB's international purview and policy-neutral position. For example, sector guidance materials referring to UK-specific laws, regulations and other instruments could create challenges for entities operating outside the UK.

9 Disclosures that fall outside of the ISSB's remit include disclosures intended to meet the information needs of a range of users. The ISSB's focus is to provide decision-useful information to primary users of general purpose financial reports—that is, existing and potential investors, lenders and other creditors.

### Background information about TPT

The TPT was created by the UK government to develop a framework for transition plan disclosures:

- in October 2023 the TPT published its disclosure framework, informed by international feedback from regulators, multilateral bodies and other stakeholders;
- in April 2024 the TPT published sector-specific materials, including detailed transition plan guidance materials for seven sectors; and
- in October 2024 the TPT completed its work and disbanded.

The IFRS Foundation assumed responsibility for the disclosure-specific materials authored by the TPT (13 resources). These materials can help entities with their disclosures about their transition towards a lower-carbon and/or climate-resilient economy.<sup>10</sup>

The TPT Disclosure Framework is designed to be consistent with, and builds on, IFRS S2. IFRS S2 includes several requirements that are relevant to an entity's transition towards a lower-carbon and/or climate-resilient economy (including the requirement in paragraph 14(a)(iv) of IFRS S2 that an entity disclose information about any climate-related transition plan it has in place).

## 2.5—Considerations when applying ISSB Standards

The purpose of this document is to guide an entity in providing information about the entity's transition towards a lower-carbon and/or climate-resilient economy. When an entity applies the requirements in IFRS S2, broader requirements in ISSB Standards are also relevant.

### 2.5.1—IFRS S1 requirements applicable to disclosures about an entity's climate-related transition

An entity disclosing information about its transition towards a lower-carbon and/or climate-resilient economy applies the relevant requirements in IFRS S1.

The applicable requirements in IFRS S1 relate to:

- conceptual foundations, such as:
  - fair presentation;
  - material information and primary users of the information;
  - reporting entity; and
  - connected information;
- general requirements, such as:
  - location of disclosures;
  - comparative information; and
  - timing of reporting; and
- judgement, measurement uncertainty and errors.

This document highlights some of the main aspects of these requirements in IFRS S1 but does not explain all these requirements in detail.<sup>11</sup>

<sup>10</sup> The TPT materials are available on the [IFRS Sustainability Knowledge Hub](https://www.ifrs.org/content/dam/ifrs/sustainability/issb-standards/applying-ifrs-s1-reporting-only-climate-related-disclosures-accordance-ifrs-s2.pdf). The International Transition Plan Network (<https://itpn.global/>) has assumed responsibility for other legacy Transition Plan Taskforce content, including guidance on the transition planning process.

<sup>11</sup> Educational material about the requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* that are applicable when an entity discloses information on only climate-related risks and opportunities in accordance with IFRS S2 is available on the IFRS Foundation website: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/applying-ifrs-s1-reporting-only-climate-related-disclosures-accordance-ifrs-s2.pdf>.

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### *Material information and primary users of the information*

In applying ISSB Standards, an entity discloses material information about the sustainability-related risks and opportunities that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium or long term.

Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports. Primary users are existing and potential investors, lenders and other creditors.

In identifying the information to disclose about an entity's transition towards a lower-carbon and/or climate-resilient economy, in accordance with IFRS S2, the entity applies the approach to materiality set out in IFRS S1. Materiality judgements focus on information that, if not provided, could reasonably be expected to influence the decisions of primary users of general purpose financial reports.

Although the role of ISSB Standards is to enable entities to provide sustainability-related financial information for capital markets globally, this information might also be useful for many other stakeholders.

### *Location of disclosures*

ISSB Standards require that an entity provide sustainability-related (including climate-related) disclosures as part of its general purpose financial reports. Sustainability-related financial disclosures must be clearly identified and cannot be obscured by additional information that is not required to be provided by ISSB Standards. In other words, the additional information provided cannot be communicated in a way that would have a similar effect for primary users of omitting or misstating the material information.

An entity is permitted to include the information required by an ISSB Standard in sustainability-related financial disclosures by cross-reference to another report published by the entity, subject to specific requirements.

Therefore, an entity could disclose information about its transition towards a lower-carbon economy by cross-reference to another report published by the entity (for example, to a formal transition plan document), provided that:

- the cross-referenced information is available on the same terms and at the same time as the sustainability-related financial disclosures;
- the complete set of sustainability-related financial disclosures is not made less understandable by including information by cross-reference;
- the sustainability-related financial disclosures clearly identify the report (for example, a formal transition plan document) within which that information is located and explain how to access that report; and
- the cross-reference is to a precisely specified part of that report (for example, a formal transition plan document).<sup>12</sup>

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<sup>12</sup> See paragraphs 63 and B45–B47 of IFRS S1.



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### 2.5.2—Building block approach

ISSB Standards are intended to create a comprehensive global baseline of sustainability-related financial disclosures to meet the information needs of users of general purpose financial reports and, thereby, of global capital markets. This document is intended to support the ISSB global baseline by providing information to enable entities to provide high-quality information about their transition towards a lower-carbon and/or climate-resilient economy when applying IFRS S2.

In the context of information about an entity's transition towards a lower-carbon and/or climate-resilient economy, entities and jurisdictions can supplement the disclosures required by IFRS S2 with information aimed at meeting the needs of a broader group of stakeholders or specific jurisdictional information needs, to the extent that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.<sup>13</sup>

For example, a jurisdictional authority might:

- further build on the TPT materials for the provision of information related to an entity's contribution to an economy-wide transition; or
- require that entities operating in the jurisdiction disclose information on how their GHG targets will enable global warming to be limited to 1.5 degrees Celsius, in line with the *latest international agreement on climate change*.

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<sup>13</sup> See paragraph 62 of IFRS S1.

### SECTION 3—HOW TO APPLY THE DISCLOSURE REQUIREMENTS IN IFRS S2

As discussed in Section 2—*About this guidance document*, an entity that has a strategic goal on how it intends to respond to transition and physical risks and climate-related opportunities, and thus contribute to its transition towards a lower-carbon and/or climate-resilient economy, discloses information about how it plans to achieve its goal applying several requirements in IFRS S2.

This section:

- identifies the disclosure requirements in IFRS S2 about an entity’s climate-related transition applicable to an entity that has a strategic goal; and
- provides guidance, including illustrative examples, to help entities disclose relevant information about their climate-related transition.

This guidance does **not add to or otherwise change the requirements** in IFRS S2.

This section is organised in the same way as the requirements in IFRS S2, which are structured around core content related to:







- governance;
- strategy; and
- metrics and targets.<sup>14</sup>

For each core content element, this section:

- identifies the disclosure requirements in IFRS S2 about an entity’s climate-related transition; and
- illustrates how an entity might apply these requirements.

The section includes examples of aspects an entity might consider if operating in one of the seven sectors that are part of the sector guidance documents authored by the TPT.<sup>15</sup>

These sectors are:

	Asset managers
	Asset owners
	Banks
	Electric utilities and power generators
	Food and beverage
	Metals and mining
	Oil and gas

14 This document does not discuss the risk management core element because the requirements in IFRS S2 related to risk management do not include specific aspects related to disclosures about an entity’s climate-related transition.

15 The TPT sector guidance documents analyse in detail the aspects an entity operating in one of seven sectors might consider in disclosing information about its transition plan. Section 4—*Sector Summary* refers to additional sector-specific resources.

## 3.1—Governance

This section:

- identifies governance-related disclosure requirements in IFRS S2 that are relevant to an entity's disclosures of information about its climate-related transition;<sup>16</sup> and
- provides guidance on how the entity might apply these requirements.

This section builds on the disclosure sub-elements of the TPT Disclosure Framework 5.1 Board oversight and reporting, 5.2 Management roles, responsibility and accountability, 5.4 Incentives and remuneration and 5.5 Skills, competencies and training (see Figure 1 in Appendix B—*Mapping IFRS S2 to the TPT Disclosure Framework*).

### Paragraph 5 of IFRS S2

The objective of climate-related financial disclosures on governance is to enable 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.

### Requirements in IFRS S2

#### Paragraph 6 of IFRS S2

To achieve this objective, an entity shall disclose information about:

- (a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about:
  - (i) how responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);
  - (ii) how the 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;
  - (iii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;

*continued ...*

<sup>16</sup> This section also considers disclosure requirements that are presented in IFRS S2 within the core element of metrics and targets but that are also related to disclosures about governance associated with an entity's climate-related transition.

## Requirements in IFRS S2

- (iv) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; and
  - (v) how the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities, and monitors progress towards those targets (see paragraphs 33–36 of IFRS S2), including whether and how related performance metrics are included in remuneration policies (see paragraph 29(g) of IFRS S2).
- (b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:
  - (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and
  - (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.

### Paragraph 29(g) of IFRS S2

An entity shall disclose information relevant to the cross-industry metric categories of:

...

- (g) remuneration—the entity shall disclose:
  - (i) a description of whether and how climate-related considerations are factored into executive remuneration (see also paragraph 6(a)(v) of IFRS S2); and
  - (ii) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations.

### Paragraph 34(b) of IFRS S2

An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:

...

- (b) the entity's processes for reviewing the target;

...



### 3.1.1—Body(s) or individual(s) responsible for a strategic goal

In providing information about how an entity reviews and approves a strategic goal related to its climate-related transition, and how responsibilities for that strategic goal are reflected, for example, in the terms of reference, mandates and role descriptions, the entity might determine that it is relevant to disclose whether the entity has appointed a specific member of the relevant governance body(s), or sub-committee, to be accountable for that strategic goal.

In showing how effective governance processes are in developing the strategic goal, overseeing target-setting and monitoring progress towards targets, an entity might determine that it is relevant to provide information about the methods used by the body(s) or individual(s) for review, approval and monitoring.

Disclosures about how the body(s) or individual(s) takes the strategic goal into account in overseeing the entity's strategy will help the entity communicate the extent to which the strategic goal is integrated into the entity's strategy and wider decision-making. An entity might determine that it is relevant to provide information on the extent to which the strategic goal is considered by the body(s) or individual(s) in making other decisions and overseeing other activities—for example, in:

- reviewing and guiding business strategy, and risk management processes;
- making decisions on major transactions and plans of action;
- setting budgets; or
- defining performance objectives.

### 3.1.2—Management's role in the processes used for a strategic goal

In disclosing information about the role of a body(s) or individual(s) in defining a strategic goal, an entity might determine that it is relevant to provide information about:

- how the individuals responsible for implementing the strategic goal are being brought together from various teams and functions, to promote cross-business ownership of the strategic goal; and
- what escalation processes are in place to enable challenges or concerns related to the strategic goal to be communicated to the relevant governance body(s) or individual(s).

If an entity has controls and procedures in place to support oversight of its strategic goal, the entity might determine that it is relevant to disclose:

- information on controls used to monitor the strategic goal and progress against the goal by internal assurance functions such as internal audit, and how the controls are integrated with other functions; and
- information on whether aspects of the entity's disclosures on its strategic goal are externally assured or verified and, if so:
  - the nature of the assurance or verification; and
  - the subject matter that is assured or verified.

In providing information about whether a strategic goal is subject to shareholder approval, an entity might determine that it is relevant to disclose whether decisions are subject to a vote and, if so, whether the vote is binding or advisory.

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### 3.1.3—Incentive and remuneration linked to a strategic goal

In disclosing information about the percentage of executive management remuneration linked to metrics related to a strategic goal, the approach might vary throughout the entity's executive population. In such cases, the disclosure of averages or ranges may provide relevant information in the entity's summary of practice.

In describing whether and how remuneration and incentive structures for all employees are aligned with the strategic goal, an entity might determine that it is relevant to include:

- information about whether remuneration and incentive structures relate to the entire workforce, or only to some roles or teams;
- the metric(s) used;
- the proportion or number of employees whose performance-related pay is aligned with the metric(s); and
- the incentive vehicle in which the metric(s) exists (for example, annual bonus and/or long-term incentive plan).

### 3.1.4—Skills, competencies and knowledge to implement a strategic goal

An entity disclosing information about how it assesses whether it has the appropriate skills, competencies and knowledge to achieve the strategic goal related to its transition towards a lower-carbon and/or climate-resilient economy might determine that it is relevant to provide information about:

- how it has assessed the skills and knowledge required to act successfully;
- how it has mapped its skills and knowledge against the needs identified; and
- what important skill and knowledge gaps it has identified.

An entity disclosing information about actions that it is taking, or plans to take, to acquire or develop these skills might determine that it is relevant to provide information about:

- recruitment efforts; and
- internal training programmes and other efforts to upskill its workforce.

An entity disclosing information about actions that it is taking, or plans to take, to provide the governance body(s) or individual(s) and executive management with access to skills, competencies and knowledge might determine that it is relevant to provide information about:

- board effectiveness assessments;
- internal or external training or engagement sessions; and
- regular briefings on climate-related transition issues.

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## Example 1—For the oil and gas sector



### Skills, competencies and knowledge

This example illustrates some of the information that could be relevant for an entity operating in the oil and gas sector to disclose about the skills, competencies and knowledge required to implement its strategic goal.

The entity might determine that it is relevant to disclose:

- information about any planned changes to the composition of the workforce (including contractors) to achieve its strategic goal, with specific reference to any change in the technical roles required.
- information about any training and/or education its management and wider workforce is taking, or plans to take, to achieve its strategic goal, with clear reference to operational and business model changes across business areas. Depending on the goal, information might refer to business areas such as:
  - reducing methane emissions;
  - eliminating non-emergency flaring and venting;
  - electrifying operational facilities with low- and zero-carbon electricity;
  - expanding the use of low emissions hydrogen in refineries;
  - equipping oil and gas processes with carbon capture, utilisation and storage;
  - providing and/or using carbon dioxide removals;
  - installing infrastructure to produce low-carbon fuels; and
  - installing infrastructure to generate low- and zero-carbon electricity.

## 3.2—Strategy

This section:

- identifies strategy-related disclosure requirements in IFRS S2 that are relevant to an entity's disclosures of information about its climate-related transition; and
- provides guidance on how the entity might apply these requirements.

This section builds on the disclosure elements of the TPT Disclosure Framework 1. Foundations, 2. Implementation strategy and 3. Engagement strategy (see Figure 1 in Appendix B—*Mapping IFRS S2 to the TPT Disclosure Framework*).

### Paragraph 8 of IFRS S2

The objective of climate-related financial disclosures on strategy is to enable users of general purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities.

### Paragraph 9(a) of IFRS S2

Specifically, an entity shall disclose information to enable users of general purpose financial reports to understand:

- (a) the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects (see paragraphs 10–12 of IFRS S2);

...

Given the strategic nature of climate-related transition, there is more content for entities to consider for this core content element than for governance or metrics and targets.

This section covers:

- disclosure requirements in IFRS S2 that apply when an entity has a formal transition plan (see Section 3.2.1—*Climate-related transition plan*); and
- other requirements in the strategy section of IFRS S2 about:
  - business model and value chain (see Section 3.2.2—*Business model and value chain, mitigation and adaptation efforts*);
  - strategy and decision-making (see Section 3.2.3—*Plans to achieve any climate-related targets* and Section 3.2.4—*Funding the implementation of a strategic goal*);
  - financial position, financial performance and cash flows (see Section 3.2.5—*Effects of implementing a strategic goal on an entity's financial position*, Section 3.2.6—*Effects of implementing a strategic goal on an entity's financial performance and cash flows* and Section 3.2.7—*Quantitative and/or qualitative information about current and anticipated financial effects*); and
  - climate resilience (see Section 3.2.8—*Scenario analysis*).



### 3.2.1—Climate-related transition plan

This section identifies the disclosure requirements in IFRS S2 related to **any** formal transition plan an entity has developed for its transition towards a lower-carbon economy and provides guidance on how the entity might apply these requirements. Depending on the type of strategic goal the entity has set, the information about an entity's climate-related transition plan may vary.

#### Requirements in IFRS S2

##### Paragraph 9(c) of IFRS S2

Specifically, an entity shall disclose information to enable users of general purpose financial reports to understand:

...

- (c) the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan (see paragraph 14 of IFRS S2);

...

##### Paragraph 14(a)(iv) of IFRS S2:

An entity shall disclose information that enables users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose:

- (a) information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the entity shall disclose information about:

...

- (iv) 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;

...

---

### *Dependencies of the transition plan*

An entity's transition plan might have dependencies. Dependencies are critical factors and conditions for an entity's transition plan to be implemented.

Such dependencies might include:

- dependencies on the entity's workforce (for example, on workers' ability to successfully implement changes in the entity's operations);
- dependencies on specific ecosystem services (for example, on water availability, regulation of water quality or regulation of hazards, such as floods);
- dependencies on an emission removal technology that is necessary for an entity to meet its GHG emissions targets; and
- dependencies on a minimum level of resource availability that is required for the entity to implement its transition plan.

An entity providing information about whether and how it has identified, assessed and taken into account such dependencies might determine that it is relevant to disclose information about:

- what dependencies it has identified;
- how it has assessed these dependencies, including the scope and methodology of the assessment (for example, which business operations it has considered in the assessment); and
- how it has taken these dependencies into account in its strategic goal, including how they might have resulted in changes to its objectives and priorities.

### **Example 2—For the food and beverage sector**



#### **Dependencies of the transition plan**

This example illustrates some of the information that could be relevant for an entity operating in the food and beverage sector to disclose about dependencies on which the entity's transition plan relies.

The entity might determine that it is relevant to disclose information related to dependencies on producers in its value chain such as:

- a widespread geographic footprint of operations;
- a prevalence of seasonal and undocumented work; and
- a proportion of small-scale and self-employed farmers in the value chain.

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### *Key assumptions used in developing the transition plan*

The key assumptions used in developing a transition plan are likely to vary among entities, depending on their size, sector and geographical location.

IFRS S2 requires that an entity provide information about key assumptions it has used in developing its transition plan. In meeting this requirement the entity might determine that it is relevant to provide information about the timeframe over which any key assumptions are expected to occur.

Depending on the approach an entity has taken, the entity might determine that it is relevant to disclose key assumptions about:

- policy and regulatory action (for example, existing or future subsidies for research and development, incentives for demand-side behaviours or government action on climate adaptation);
- decarbonisation (for example, the speed of grid decarbonisation or the availability of important low-carbon inputs at scale);
- macroeconomic trends (for example, labour availability, cost of borrowing, inflation or interest rates);
- microeconomic and financial factors (for example, availability of finance, relative prices, cost of capital, margins on major activities or expected capital expenditure needs to acquire, maintain and upgrade fixed assets);
- technological developments (for example, speed of technological innovation or costs of vital technologies);
- reliability of data (for example, information about asset location, exposure to physical and transition risks or emissions data);
- shifts in client and consumer demand (for example, projected demand for new and existing products and services);
- the level of temperature changes over the short, medium and long term;
- the physical impacts of the changing climate, and their regional and spatial implications (for example, expected changes in precipitation patterns, water availability, temperatures and extreme weather events, and the expected impacts of these changes on assets and/or supply chains); and
- the effectiveness of adaptation efforts and possible limits to adaptation (for example, resilience of assets and/or supply chains to changes in precipitation patterns, droughts, floods, heatwaves and other extreme weather events).

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### Example 3A—For the electric utilities and power generators sector



#### Key assumptions used in developing the transition plan

This example illustrates some of the information that could be relevant for an entity operating in the electric utilities and power generators sector to disclose about key assumptions the entity has made in developing its transition plan.

The entity might determine that it is relevant to disclose key assumptions it has made about:

- the availability of equipment and materials;
- permitting and grid access; and
- electricity demand and pricing.

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### Example 3B—For the metals and mining sector



#### Key assumptions used in developing the transition plan

This example illustrates some of the information that could be relevant for an entity operating in the metals and mining sector to disclose about key assumptions the entity has made in developing its transition plan.

The entity might determine that it is relevant to disclose key assumptions it has made about:

- materials demand;
- availability and pricing of natural resources (excluding minerals) upon which materials production is reliant (for example, water, land, tailings and waste management);
- changes to operations (for example, mine opening or closure);
- electricity grid mix and/or carbon intensity;
- emissions intensity of other energy inputs; and
- the expected role of GHG-neutralising measures, including assumptions relating to permanence and leakage.

### 3.2.2—Business model and value chain, mitigation and adaptation efforts

This section identifies the disclosure requirements in IFRS S2 regarding what effects the entity's climate-related transition has on its business model and value chain, and the mitigation and adaptation efforts associated with its climate-related transition. This section also provides guidance on how the entity might apply these requirements.

#### Requirements in IFRS S2

##### Paragraph 9(b) of IFRS S2

Specifically, an entity shall disclose information to enable users of general purpose financial reports to understand:

...

- (b) the current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain (see paragraph 13 of IFRS S2);

...

##### Paragraph 13 of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain. Specifically, the entity shall disclose:

- (a) a description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain; and
- (b) a description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).

##### Paragraph 14(a)(i)–(iii) of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose:

- (a) information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the entity shall disclose information about:
  - (i) current and anticipated changes to the entity's business model, including its resource allocation, to address climate-related risks and opportunities (for example, these changes could include plans to manage or decommission carbon-, energy- or water-intensive operations; resource allocations resulting from demand or supply-chain changes; resource allocations arising from business development through capital expenditure or additional expenditure on research and development; and acquisitions or divestments);

*continued ...*

## Requirements in IFRS S2

- (ii) current and anticipated direct mitigation and adaptation efforts (for example, through changes in production processes or equipment, relocation of facilities, workforce adjustments, and changes in product specifications);
- (iii) current and anticipated indirect mitigation and adaptation efforts (for example, through working with customers and supply chains);
- ...

### Business model and value chain

In providing information about how an entity's business model is changing, or is expected to change, the entity might determine that it is relevant to disclose information about:

- downstream changes, such as:
  - changes in the entity's portfolio of products and services offered (for example, moving from oil and gas production to renewable electricity generation and retail, or shifting from a 'fast' fashion product portfolio to a 'slow' fashion product portfolio); and
  - entrance or exit from specific markets;
- changes within the business model, such as:
  - reduction or removal of the entity's office space (for example, a service business selling its offices and becoming fully 'remote');
  - changes in the channels or methods used to interact with customers (for example, a retailer closing its physical stores and becoming online-only);
  - changes in 'own' site electricity and fuel usage (for example, moving to renewable sources of electricity or to low- or no-GHG-emissions fuels to power machinery);
  - changes in investment strategies (for example, moving to an investment strategy with a greater focus on asset transition or climate solutions); and
  - changes in production or distribution technology (for example, phasing out diesel-fuelled vehicles and replacing them with electric vehicles); and
- upstream changes, such as:
  - a move to a new supply chain due to significant changes in product design, required inputs or procurement policies; and
  - changes in the geographical reach of the entity's value chain.



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#### Example 4A—For the metals and mining sector



##### Business model and value chain

This example illustrates some of the information that could be relevant for an entity operating in the metals and mining sector to disclose about the effects its climate-related transition has on its business model and value chain.

The entity might determine that it is relevant to disclose:

- whether and how non-operated assets, joint ventures and other minority interests are included within its strategic goal, and the approach taken to consider these aspects in the assessment of GHG emissions;
- information about its approach towards assessing the alignment of non-operated assets, joint ventures and minority interests with its strategic goal; and
- any anticipated strategic changes to its physical trading business.

---

#### Example 4B—For the oil and gas sector



##### Business model and value chain

This example illustrates some of the information that could be relevant for an entity operating in the oil and gas sector to disclose about the effects its climate-related transition has on its business model and value chain.

The entity might determine that it is relevant to disclose the effects of its climate-related transition on:

- upstream oil and/or gas operations;
- midstream oil and/or gas operations;
- downstream oil and/or gas operations;
- managed phase-out of unabated oil and/or gas assets;
- the provision and/or use of carbon capture, utilisation and storage;
- the provision and/or use of carbon dioxide removals;
- low-carbon fuels production; and
- low- and zero-carbon electricity generation.

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**Direct mitigation and adaptation efforts—  
Business operations, products and  
services, policies and conditions**

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***Business operations***

With regard to short-, medium- and long-term actions an entity is taking, or plans to take, in its business operations, notable actions relating to an entity's business operations might relate to:

- production processes or equipment (for example, actions to embed more low- or no-GHG-emissions technology into production processes or improve energy efficiency);
- workforce adjustments (for example, actions to reduce in-person meetings and business travel or actions to upskill workers);
- supply chain and procurement (for example, actions to source products from suppliers with stronger climate commitments, procure alternative goods or raw materials with a lower-GHG-emissions footprint, or relocate or diversify the supply chain);
- locations of offices and operations (for example, moving into more energy-efficient office spaces or re-locating operations to an area with a more secure renewable energy supply); and
- management of assets exposed to risks arising from a changing climate (for example, actions to strengthen the resilience of office spaces to extreme heat or of production facilities to flood or drought risks).

An entity might reasonably provide more detailed information about the actions it plans to take in the short term, than about the actions it plans to take in the medium or long term, reflecting the greater uncertainty attached to planned actions further into the future.

The entity also discloses additional information to help users of general purpose financial reports contextualise the information provided. For example, the entity might determine that it is relevant to provide information about its physical assets that are most pertinent to its business model, including details to help users of its general purpose financial reports assess the credibility and comprehensiveness of the entity's plans to manage or phase out GHG-energy-intensive assets. Such details could include exact geolocation, ownership share, production type, capacity, technology, age and the remaining operational lifetime.

## Example 5A—For the electric utilities and power generators sector



### Direct mitigation and adaptation efforts—Business operations

This example illustrates some of the information that could be relevant for an entity operating in the electric utilities and power generators sector to disclose about actions the entity is taking, or plans to take, in its business operations as part of its climate-related transition.

The entity might determine that it is relevant to disclose:

- the role of each power generation type in the entity's future generation mix;
- the parts of the entity's electricity generation portfolio that are subject to mandatory phase-out;
- the entity's planned actions related to unabated natural gas generation, including any actions that will enable the entity to reduce, and exit, from this activity; and
- the entity's planned actions to phase out unabated coal, including to what extent these actions have been influenced by national or sub-national policy or targets.

## Example 5B—For the food and beverage sector



### Direct mitigation and adaptation efforts—Business operations

This example illustrates some of the information that could be relevant for an entity operating in the food and beverage sector to disclose about actions the entity is taking, or plans to take, in its business operations as part of its climate-related transition.

The entity might determine that it is relevant to disclose:

- information about any short-, medium- and long-term actions the entity is taking, or plans to take, in its processing and manufacturing activities, which might include procuring sustainable packaging materials, with high recyclability and recycled content; and
- information about any short-, medium- and long-term actions the entity is taking, or plans to take, in its retail and distribution activities, such as:
  - making the transition to electric vehicles for its logistics fleet;
  - deploying electric vehicle charging in sites and supporting integration of public transport infrastructure such as bus stops;
  - reducing refrigerant emissions, for example, replacing refrigerant with lower global-warming potential alternatives, reducing leaks through monitoring and efficiency measures, and reducing cooling energy requirements—for example, through optimising temperatures;
  - using weather forecasting to inform procurement and diversifying input suppliers to increase resilience; and
  - reducing operational food waste through waste monitoring and procurement initiatives.

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### Products and services

In providing information about short-, medium- and long-term actions an entity is taking, or plans to take, to change its portfolio of products and services, examples of current and planned changes that an entity might determine that it is relevant to disclose include:

- increases in the share of low-GHG-emissions products and services in its portfolio (for example, products produced using clean technology or low-GHG-emissions inputs, new green or

transition-related financial products or greater investment in low-GHG-emissions assets);

- plans to phase out high-GHG-emissions products and services (for example, plans to replace blast furnaces with electric furnaces or to phase out the sale of vehicles with traditional internal combustion engines).

Details about any taxonomies, tools, methodologies or definitions an entity has used to classify or define products and services might help to provide context for the entity's disclosures.

### Example 6A—For the banking sector



#### Direct mitigation and adaptation efforts—Products and services

This example illustrates some of the information that could be relevant for an entity operating in the banking sector to disclose about actions the entity is taking, or plans to take, to change its portfolio of products and services as part of its climate-related transition.

The entity might determine that it is relevant to disclose whether it offers, or plans to offer, any climate- or sustainability-linked financial products, including a description of any underlying taxonomy, tools, methodologies or definitions the entity has used to classify these products as linked to climate or sustainability.

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## Example 6B—For the food and beverage sector



### Direct mitigation and adaptation efforts—Products and services

This example illustrates some of the information that could be relevant for an entity operating in the food and beverage sector to disclose about actions the entity is taking, or plans to take, to change its portfolio of products and services as part of its climate-related transition.

The entity might determine that it is relevant to disclose information about any current and anticipated actions, which might include:

- shifting its product portfolio towards food and beverage products with lower associated GHG emissions, by:
  - making changes to existing products (for example, substituting a product with a certified lower-GHG-emissions product of the same type); and/or
  - changes to the composition of its product portfolio (for example, increasing the proportion of plant-based products);
- innovating and designing new products and recipes (for example, designing pea-based cereal that supports soil health and lowers GHG emissions);
- developing by-products from existing production systems (for example, biogas from manure or nuts and seeds from agroforestry);
- including more seasonal or locally sourced produce in its portfolio;
- using climate-related labelling to encourage customer uptake of lower-GHG-emission products;
- reducing food waste by amending product labelling (for example, best before and use-by dates), food storage guidance and improving packaging;
- introducing recycling or take-back initiatives for product packaging; and
- using sustainability data (for example, GHG emissions) in marketing and stocking decisions.

### *Policies and conditions*

To implement its strategic goal, an entity might create, or plan to create, *policies and conditions*. The entity might determine that it is relevant to provide information about the policies and conditions that are expected to make an important contribution to achieving its strategic goal. These policies and conditions will differ depending on the entity's sector, business model, strategic goal and overall implementation and engagement strategies.

Examples of matters that an entity might cover include:

- energy usage;
- phase-out of GHG-intensive assets;
- climate-related considerations in procurement or for suppliers;
- climate-related considerations (for example, thresholds, targets or restrictions) in lending or investment activities;
- adaptation and building resilience to the changing climate;

- supplier engagement;
- portfolio engagement;
- land-use and land-management changes (for example, deforestation);
- safeguards to mitigate potential adverse impacts on the *natural environment*;
- human rights;
- labour standards; and
- advancement of social equity or mitigation of potential adverse social impacts (for example, on communities).

To provide appropriate context for the policies and conditions described, the entity might determine that it is relevant to disclose the objective of the policy, the nature and scope of the activities to which it relates (for example, how it is applied to specific business lines), the timeframe over which it applies, how it is overseen, and any metrics and targets the entity uses to assess the contribution of the policy to achieving its strategic goal.

### **Example 7A—For the asset management sector**



#### **Direct mitigation and adaptation efforts—Policies and conditions**

This example illustrates some of the information that could be relevant for an entity operating in the asset management sector to disclose about the policies and conditions that the entity expects will make an important contribution to achieving its strategic goal.

The entity might determine that it is relevant to disclose information about any policies that it uses, or plans to use, to manage its investment activities relating to sectors and activities that are emissions-intensive (for example, burning of thermal coal, oil and gas, and deforestation) or vulnerable to climate-related risks (for example, infrastructure operations in coastal and flood-prone areas, or farming practices in regions susceptible to drought), including any relevant exclusion policies and/or managed phase-out plans.



## Example 7B—For the food and beverage sector



### Direct mitigation and adaptation efforts—Policies and conditions

This example illustrates some of the information that could be relevant for an entity operating in the food and beverage sector to disclose about the policies and conditions that the entity expects make an important contribution to achieving its strategic goal.

The entity might determine that it is relevant to disclose information about policies and conditions that it uses, or plans to use, in relation to:

- deforestation and land conversion, including relating to specific commodities that have high deforestation risk (for example, soy, beef, dairy, leather, palm and timber);
- sustainable land use and management to minimise GHG emissions from farming practices;
- farm assurance (for example, auditing and verification of sustainability information);
- the procurement of goods from suppliers (for example, required certifications and supplier onboarding relating to climate);
- traceability of purchases (for example, livestock throughout their lifecycles);
- procurement of transportation and storage services;
- packaging (for example, single-use materials, recyclability of materials and specific materials); and
- food loss and food waste in supply chain and operations.

### Indirect mitigation and adaptation efforts—Engagement strategy

The development of an entity's response to transition and physical risks and climate-related opportunities involves engagement—for example with the entity's value chain. A value chain refers to the full range of interactions, resources and relationships to an entity's business model and the external environment in which it operates. Some entities might engage, or plan to engage, with a variety of parties on matters related to its transition to a lower-carbon and/or climate-resilient economy. These parties might include industry counterparts, government, regulators, public sector organisations, communities and civil society.

An entity might determine that it is relevant to disclose information about engagement activities that contribute towards achieving its strategic goal—for example, engagement to develop the entity's mitigation and adaptation efforts.

Entities' priorities related to engaging with other entities might differ depending on their strategic goal. An entity might determine that it is relevant to disclose a stakeholder map as part of its explanation of how the entity prioritises engagement activities to maximise its contribution towards achieving its strategic goal.

An entity might determine that it is relevant to disclose the extent to which the entity prioritises engagement with, for example:

- entities that account for the largest proportion of the entity's *Scope 3 GHG emissions*;
- entities over which it has the greatest degree of influence;
- entities that are relevant to its business-critical processes;
- entities that have control, responsibility or influence over major external factors on which achieving its strategic goal depends (for example, suppliers who are developing technologies required for responding to transition and physical risks and climate-related opportunities); or
- small suppliers or customers that require extra support.

Examples of current and planned engagement activities related to an entity's value chain that an entity might determine that it is relevant to disclose include:

- requests for data and information from individuals and organisations along the value chain;
- initiatives to encourage suppliers to reduce their emissions or develop and implement credible strategic goals;
- work carried out with suppliers to help alleviate deforestation, land conversion or human rights issues relevant to the entity's strategic goal; and
- engagement with customers to encourage more sustainable consumption choices.

#### Example 8A—For the asset owners sector



##### Indirect mitigation and adaptation efforts—Engagement strategy

This example illustrates some of the information that could be relevant for an entity operating in the asset owners sector to disclose about its engagement strategy associated with its climate-related transition.

The entity might determine that it is relevant to disclose information about engagement activities that contribute to its climate-related transition by, for example, encouraging other entities in its value chain to make low-carbon choices. These activities might involve engagement with:

- asset managers (internal and external);
- investee companies;
- beneficiaries;
- sovereign issuers; and
- financial service providers, including index providers, investment consultants, stock exchanges, credit rating agencies, proxy advisors and data providers.

## Example 8B—For the banking sector



### Indirect mitigation and adaptation efforts—Engagement strategy

This example illustrates some of the information that could be relevant for an entity operating in the banking sector to disclose about its engagement strategy associated with its climate-related transition.

The entity might determine that it is relevant to disclose information about engagement with its:

- clients in high-GHG-emitting sectors or in sectors vulnerable to climate-related risks;
- clients with high-emitting or energy-intensive assets to support retrofit, managed phase-out and/or responsible retirement of such assets; and
- financial service providers, such as index providers, investment consultants, stock exchanges, credit rating agencies, proxy advisors and data providers.

## Example 8C—For the food and beverage sector



### Indirect mitigation and adaptation efforts—Engagement strategy

This example illustrates some of the information that could be relevant for an entity operating in the food and beverage sector to disclose about its engagement strategy associated with its climate-related transition.

The entity might determine that it is relevant to disclose information about engagement activities that it is carrying out, or plans to carry out, related to collaborating to develop technologies and techniques, which might include:

- collaborating and joint investing in research and development of low-climate-impact crops and livestock (for example, feed additives that reduce enteric emissions);
- collaborating with the cold chain and refrigerant providers to develop lower-GHG-emissions refrigerants and more efficient cooling infrastructure;
- collaborating with logistics providers to support zero-emissions distribution;
- collaborating with packaging providers and recycling companies (for example, to increase circularity, improve product design and reduce waste); and
- collaborating with fertiliser producers to produce lower-GHG-emissions fertiliser and improve application.

### 3.2.3—Plans to achieve any climate-related targets

This section identifies the disclosure requirements in IFRS S2 related to how an entity plans to achieve any climate-related targets and provides guidance on how the entity might apply these requirements.

#### Requirements in IFRS S2

##### Paragraph 14(a)(v) of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose:

- (a) information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the entity shall disclose information about:
  - ...
  - (v) how the entity plans to achieve any climate-related targets, including any greenhouse gas emissions targets, described in accordance with paragraphs 33–36 of IFRS S2.

...

#### Objectives and priorities

If an entity has a strategic goal on how it intends to respond to physical and transition risks and climate-related opportunities, and thus contribute to its transition towards a lower-carbon and/or climate-resilient economy, aspects of the strategy might include:

- setting short-, medium- and long-term GHG emissions reduction targets for *Scope 1 GHG emissions*, *Scope 2 GHG emissions* and *Scope 3 GHG emissions*;
- developing and scaling climate solutions (for example, through research and development);
- adapting business operations to a lower-carbon economy;
- phasing out GHG-intensive product processes;
- shifting to low-GHG-emissions products and services;
- introducing new procurement processes to decarbonise supply chains;
- advocating for policy change in support of the transition to a low-GHG-emissions economy;
- supporting and encouraging entities in hard-to-abate sectors in their transition;
- investing in activities required for the transition towards a lower-carbon economy;
- avoiding, reducing or mitigating current or future negative impacts on nature; and
- regenerating and restoring ecosystems.

IFRS S2 requires an entity to provide information about its climate-related targets and how it plans to achieve them. Entities' targets and timeframes for achieving objectives and priorities will vary depending on size, sector and location. For example, an entity providing solutions to entities in hard-to-abate sectors that help those entities manage their energy usage might itself have relatively low *Scope 1* and *Scope 2* GHG emissions, but might be able to take advantage of significant opportunities by adapting and expanding these solutions.

*External requirements, commitments, science-based targets, transition pathways, roadmaps and scenarios*

An entity's strategic goal might be informed by both bottom-up considerations drawn from its own situation and operating context and top-down considerations based on the changes necessary to limit the worst effects of rising global temperatures. In providing information about its approach to meeting its strategic goal, an entity might determine that it is relevant to refer to:

- external requirements (for example, targets that the entity is required to meet by law or regulation);
- commitments (for example, voluntary commitments made as a member of a net-zero initiative);
- science-based targets (for example, the Science Based Targets Initiative Criteria and Recommendations for Near-term Targets);
- transition pathways or roadmaps (for example, the Transition Pathway Initiative Sectoral Decarbonisation Pathways or the Science Based Targets Initiative Sector Decarbonisation Pathways); and
- scenarios (for example, the International Energy Agency Net Zero Emissions by 2050 Scenario or the Network for Greening the Financial System Climate Scenarios).

### 3.2.4—Funding the implementation of a strategic goal

This section identifies the disclosure requirements in IFRS S2 related to how an entity is resourcing, or plans to resource, the implementation of its strategic goal and provides guidance on how the entity might apply these requirements.

#### Requirements in IFRS S2

##### Paragraph 14(b) of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose:

...

- (b) information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 14(a) of IFRS S2.

...

An entity disclosing information about how it is resourcing activities to implement its strategic goal might determine that it is relevant to disclose:

- the planned capital expenditure arising from these activities both in absolute terms and, when possible, relative to total capital expenditure over the same time horizon; and
- the planned funding needs for research and development arising from these activities.<sup>17</sup>

The entity might determine that it is relevant to disclose amounts in ranges or as a percentage of totals.<sup>18</sup>

<sup>17</sup> See the text in paragraph 14(a)(i)–(ii) of IFRS S2 that relates to an entity's business operations and changes in products and services.

<sup>18</sup> IFRS S2 also includes specific requirements about current and anticipated financial effects. See Section 3.2.7—*Quantitative and/or qualitative information about current and anticipated financial effects*.

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### Example 9A—For the electric utilities and power generators sector



#### Funding the implementation of a strategic goal

This example illustrates some of the information that could be relevant for an entity operating in the electric utilities and power generators sector to disclose about how it is resourcing the activities to implement its strategic goal.

The entity might determine that it is relevant to disclose its current and planned investments to achieve its strategic goal, including in relation to:

- low- and zero-carbon energy generation and storage assets;
- transmission and distribution grid infrastructure (including network upgrades and expanding grid access);
- other relevant technologies (for example, digitalisation or electric-vehicle-charging infrastructure); and
- unabated fossil fuel generation.

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### Example 9B—For the metals and mining sector



#### Funding the implementation of a strategic goal

This example illustrates some of the information that could be relevant for an entity operating in the metals and mining sector to disclose about how it is resourcing the activities to implement its strategic goal.

The entity might determine that it is relevant to disclose:

- information about how transition and physical risks inform how the entity is resourcing, and plans to resource, exploration or development stage projects, considering pre-feasibility and feasibility studies.
- information about how transition planning and implementation of a strategic goal have been included in capital and operating budgets for current and future operations. This information might include how and where closure planning has included aspects of transition planning (for example, future-proofing tailings storage facilities against physical risks post closure of a mine) and what resources have been assigned to these aspects.



### 3.2.5—Effects of implementing a strategic goal on an entity's financial position

This section identifies the disclosure requirements in IFRS S2 related to the effect of the implementation of an entity's strategic goal on its financial position and provides guidance on how the entity might apply these requirements.

The aspects of an entity's disclosures related to financial position discussed in this section are not intended to cover information about the financial effects of other climate-related risks and opportunities. Instead, the section focuses on the direct and indirect effects on the entity's financial position resulting from implementing the strategic goal.

#### Requirements in IFRS S2

##### Paragraph 9(d) of IFRS S2

Specifically, an entity shall disclose information to enable users of general purpose financial reports to understand:

...

- (d) the effects of those climate-related risks and opportunities on the entity's financial position, [...] and their anticipated effects on the entity's financial position [...] over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning (see paragraphs 15–21 of IFRS S2); and

...

##### Paragraph 15 of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand:

- (a) the effects of climate-related risks and opportunities on the entity's financial position [...] (current financial effects); and
- (b) the anticipated effects of climate-related risks and opportunities on the entity's financial position [...] over the short, medium and long term, taking into consideration how climate-related risks and opportunities are included in the entity's financial planning (anticipated financial effects).

##### Paragraph 16(c)(i)–(ii) of IFRS S2

Specifically, an entity shall disclose quantitative and qualitative information about:

...

- (c) how the entity expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:
  - (i) its investment and disposal plans (for example, plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements), including plans the entity is not contractually committed to; and
  - (ii) its planned sources of funding to implement its strategy; and

...

---

An entity disclosing information about the effects of the implementation of its strategic goal on its financial position over the short, medium and long term might determine that it is relevant to provide information about:

- anticipated effects on asset valuations and asset lives as a result of delivering on the strategic goal (for example, a decrease in the value of an asset as a result of a reduced market for pollutant assets in a lower-carbon economy);
- anticipated effects on asset valuations as a result of delivering on the strategic goal (for example, an increase in the value of an investment in an entity that produces plant or equipment necessary for the climate-related transition);
- planned financing arrangements to support business continuity as the entity develops low-GHG-products and services; and
- effects on the statement of financial position of borrowing to fund the implementation of the strategic goal.

### 3.2.6—Effects of implementing a strategic goal on an entity's financial performance and cash flows

This section identifies the disclosure requirements in IFRS S2 related to the effect of the implementation of an entity's strategic goal on its financial performance and cash flows and provides guidance on how the entity might apply these requirements.

The aspects of an entity's disclosures related to financial performance and cash flow discussed in this section are not intended to cover information about the financial effects of other climate-related risks and opportunities. Instead, the section focuses on the direct and indirect effects on the entity's financial performance and cash flows resulting from implementing the strategic goal.

#### Requirements in IFRS S2

##### Paragraph 9(d) of IFRS S2

Specifically, an entity shall disclose information to enable users of general purpose financial reports to understand:

...

- (d) the effects of those climate-related risks and opportunities on the entity's [...] financial performance and cash flows for the reporting period, and their anticipated effects on the entity's [...] financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning (see paragraphs 15–21 of IFRS S2); and

...

##### Paragraph 15 of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand:

- (a) the effects of climate-related risks and opportunities on the entity's [...] financial performance and cash flows for the reporting period (current financial effects); and
- (b) the anticipated effects of climate-related risks and opportunities on the entity's [...] financial performance and cash flows over the short, medium and long term, taking into consideration how climate-related risks and opportunities are included in the entity's financial planning (anticipated financial effects).

##### Paragraph 16(d) of IFRS S2

Specifically, an entity shall disclose quantitative and qualitative information about:

...

- (d) how the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities (for example, increased revenue from products and services aligned with a lower-carbon economy; costs arising from physical damage to assets from climate events; and expenses associated with climate adaptation or mitigation).

### Financial performance

An entity disclosing information about the effects of the implementation of its strategic goal on its financial performance over the short, medium and long term might determine that it is relevant to provide information about:

- anticipated effects on revenues (for example, increased revenue from products and services aligned with a lower-carbon economy or anticipated consumer demand for new low-GHG-emissions products and services);
- anticipated effects on operating costs (for example, initial sunk costs due to implementing new low- or no-GHG-emissions technology, losses on disposal of business units, increased commodity risk management costs due to increases in the percentage of renewable energy in the electricity mix or increased costs passed on by suppliers);
- long-term savings from investments in renewable energy assets;
- impairments due to adverse effects triggered by the transition towards a lower-carbon economy (for example, impairments arising when assets become or are expected to become stranded); and
- anticipated effects on profit margins (for example, reflecting assumptions about the degree to which changes in costs can be passed on to consumers).

### Cash flows

Cash flows are affected by many factors affecting an entity's financial performance.

An entity needs to consider the effects of its strategic goal in its cash flow projections.

## Example 10—For the oil and gas sector



### Effects of implementing a strategic goal on an entity's financial performance

This example illustrates some of the information that could be relevant for an entity operating in the oil and gas sector to disclose about the effects of implementing a strategic goal on its financial performance.

The entity might determine that it is relevant to disclose:

- whether and how it has considered transition and physical risks in the estimates of decommissioning costs; and
- how the implementation of its strategic goal might be affected by changes in key assumptions (for example, the sensitivity of oil and gas reserve valuations or refining capacity to a range of future price scenarios).

### 3.2.7—Quantitative and/or qualitative information about current and anticipated financial effects

This section identifies the disclosure requirements in IFRS S2 that determine the particular disclosures an entity provides about current and anticipated financial effects and, therefore, relates to the disclosures about an entity's financial position, financial performance and cash flows set out in Section 3.2.5—*Effects of implementing a strategic goal on an entity's financial position* and Section 3.2.6—*Effects of implementing a strategic goal on an entity's financial performance and cash flows*. This section also provides guidance on how the entity might apply these requirements.

#### Requirements in IFRS S2

##### Paragraph 18 of IFRS S2

In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an entity shall:

- (a) use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort; and
- (b) use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures.

##### Paragraph 19 of IFRS S2

An entity need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the entity determines that:

- (a) those effects are not separately identifiable; or
- (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful.

##### Paragraph 20 of IFRS S2

In addition, an entity need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.

*continued ...*

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## Requirements in IFRS S2

### Paragraph 21 of IFRS S2

If an entity determines that it need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity applying the criteria set out in paragraphs 19–20 of IFRS S2, the entity shall:

- (a) explain why it has not provided quantitative information;
- (b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that climate-related risk or opportunity; and
- (c) provide quantitative information about the combined financial effects of that climate-related risk or opportunity with other climate-related risks or opportunities and other factors unless the entity determines that quantitative information about the combined financial effects would not be useful.

In assessing whether it has used all reasonable and supportable information that is available to the entity at the reporting date without undue cost and effort, an entity refers to paragraphs B8–B10 of IFRS S1.<sup>19</sup>

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<sup>19</sup> A webcast explaining how proportionality mechanisms support the application of IFRS S1 and IFRS S2 is available on the IFRS Foundation website: <https://www.ifrs.org/supporting-implementation/supporting-materials-for-ifrs-sustainability-disclosure-standards/ifrs-s1-and-ifrs-s2/webcast-proportionality-mechanisms-ifrs-sustainability-disclosure-standards/>.



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### 3.2.8—Scenario analysis

As discussed in Section 3.2.3—*Plans to achieve any climate-related targets*, an entity's implementation of its strategic goal might be informed by considerations based on the changes necessary to limit the worst effects of rising global temperatures. The entity might therefore refer to external requirements, commitments, science-based targets, transition pathways, roadmaps and scenarios.

Applying IFRS S2, an entity uses climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with its circumstances (see paragraph 22 of IFRS S2). An entity can also use climate-related scenario analysis to inform a variety of other disclosures required by IFRS S2. For example, the entity can use climate-related scenario analysis to inform the identification and assessment of its climate-related risks and opportunities.

Both assessments might inform the plans the entity might develop as part of its transition towards a lower-carbon economy. However, the use of scenario analysis is required by IFRS S2 only in the context of the entity's climate resilience assessment.

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#### Explanation of terms

##### **Scenario analysis**

A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty, including, for example, climate-related scenario analysis.

##### **Climate resilience**

An entity's capacity to adjust to climate-related changes, developments or uncertainties, including strategic resilience and operational resilience.

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### 3.3—Metrics and targets

This section:

- identifies metrics and targets-related disclosure requirements in IFRS S2 that are relevant to an entity's disclosures of information about its climate-related transition; and
- provides guidance on how the entity might apply these requirements.<sup>20</sup>

This section builds on the disclosure element 4. Metrics and targets of the TPT Disclosure Framework (see Figure 1 in Appendix B—*Mapping IFRS S2 to the TPT Disclosure Framework*).

#### Paragraph 27 of IFRS S2

The objective of climate-related financial disclosures on metrics and targets is to enable users of general purpose financial reports to understand an entity'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.

#### 3.3.1—Climate-related metrics

This section identifies metric-related disclosure requirements in IFRS S2 regarding an entity's GHG emissions associated with its climate-related transition and provides guidance on how the entity might apply these requirements.

#### Requirements in IFRS S2

##### Paragraph 29(a) of IFRS S2

An entity shall disclose information relevant to the cross-industry metric categories of:

- (a) greenhouse gases—the entity shall:
- (i) disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO<sub>2</sub> equivalent (see paragraphs B19–B22 of IFRS S2), classified as:
    - (1) Scope 1 greenhouse gas emissions;
    - (2) Scope 2 greenhouse gas emissions; and
    - (3) Scope 3 greenhouse gas emissions;

*continued ...*

<sup>20</sup> Paragraphs 29(g) and 34(b) of IFRS S2 about metrics and targets are also relevant to disclosures about governance associated with an entity's climate-related transition. These paragraphs are discussed in Section 3.1—*Governance*.

## Requirements in IFRS S2

- (ii) 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 (see paragraphs B23–B25 of IFRS S2);
- (iii) disclose the approach it uses to measure its greenhouse gas emissions (see paragraphs B26–B29 of IFRS S2) including:
  - (1) the measurement approach, inputs and assumptions the entity uses to measure its greenhouse gas emissions;
  - (2) the reason why the entity has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and
  - (3) any changes the entity made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;
- (iv) for Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(1)–(2) of IFRS S2, disaggregate emissions between:
  - (1) the consolidated accounting group (for example, for an entity applying IFRS Accounting Standards, this group would comprise the parent and its consolidated subsidiaries); and
  - (2) other investees excluded from paragraph 29(a)(iv)(1) of IFRS S2 (for example, for an entity applying IFRS Accounting Standards, these investees would include associates, joint ventures and unconsolidated subsidiaries);
- (v) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(2) of IFRS S2, disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 greenhouse gas emissions (see paragraphs B30–B31 of IFRS S2); and
- (vi) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(3) of IFRS S2, and with reference to paragraphs B32–B57 of IFRS S2, disclose:
  - (1) the categories included within the entity's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011); and
  - (2) additional information about the entity's Category 15 greenhouse gas emissions or those associated with its investments (financed emissions), if the entity's activities include asset management, commercial banking or insurance (see paragraphs B58–B63 of IFRS S2);

...

*continued ...*

## Requirements in IFRS S2

### Paragraph 29(e)–(f) of IFRS S2

An entity shall disclose information relevant to the cross-industry metric categories of:

...

- (e) capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities;
- (f) internal carbon prices—the entity shall disclose:
  - (i) an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and
  - (ii) the price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions;

...

In disclosing information about GHG emissions an entity might determine that it is relevant to highlight connections between its disclosure of GHG emissions and its target to reduce GHG emissions.

For further guidance on reporting information about GHG emissions, an entity might find it helpful to refer to paragraphs B19–B63 of IFRS S2.

Some of the examples presented in Section 3.3.2—*Climate-related targets* refer to metrics as well as targets but are included in that section only.

### 3.3.2—Climate-related targets

This section identifies target-related disclosure requirements in IFRS S2 that are associated with an entity's climate-related transition and provides guidance on how the entity might apply these requirements.

#### Requirements in IFRS S2

##### Paragraph 33 of IFRS S2

An entity shall disclose the quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the entity shall disclose:

- (a) the metric used to set the target (see paragraphs B66–B67 of IFRS S2);
- (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);
- (c) the part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region);
- (d) the period over which the target applies;
- (e) the base period from which progress is measured;
- (f) any milestones and interim targets;
- (g) if the target is quantitative, whether it is an absolute target or an intensity target; and
- (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.

##### Paragraph 34 of IFRS S2

An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:

- (a) whether the target and the methodology for setting the target has been validated by a third party;
- (b) the entity's processes for reviewing the target;
- (c) the metrics used to monitor progress towards reaching the target; and
- (d) any revisions to the target and an explanation for those revisions.

*continued ...*

## Requirements in IFRS S2

### Paragraph 35 of IFRS S2

An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance.

### Paragraph 36 of IFRS S2

For each greenhouse gas emissions target disclosed in accordance with paragraphs 33–35 of IFRS S2, an entity shall disclose:

- (a) which greenhouse gases are covered by the target.
- (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target.
- (c) whether the target is a gross greenhouse gas emissions target or net greenhouse gas emissions target. If the entity discloses a net greenhouse gas emissions target, the entity is also required to separately disclose its associated gross greenhouse gas emissions target (see paragraphs B68–B69 of IFRS S2).
- (d) whether the target was derived using a sectoral decarbonisation approach.
- (e) the entity's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits the entity shall disclose information including, and with reference to paragraphs B70–B71 of IFRS S2:
  - (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;
  - (ii) which third-party scheme(s) will verify or certify the carbon credits;
  - (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and
  - (iv) any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credits the entity plans to use (for example, assumptions regarding the permanence of the carbon offset).

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Providing details about climate-related targets associated with an entity's climate-related transition will help an entity ensure that users of its general purpose financial reports have the context required to interpret the target. In particular, information that is likely to be useful for users of general purpose financial reports includes:

- contextual information necessary to understand what is being measured and the objective of the target;
- information about any interim milestones or targets that the entity expects to meet;
- information about how the target was informed by or aligns with any external benchmarks (for example, with the latest international agreement on climate change); and
- information about the expected trajectory for achieving the target (for example, information about whether an entity expects a linear reduction or increase towards a particular target or an s-curve trajectory, or whether an entity foresees obstacles or sudden changes, such as the planned phasing out of specific assets).

#### *Governance, engagement, business and operational metrics and targets*

In disclosing information about targets related to governance, an entity might determine that it is relevant to disclose information about targets in areas such as:

- remuneration (for example, the proportion of individuals with remuneration linked to progress against the entity's strategic goal);
- skills;
- competencies; and
- training (for example, the percentage of at-risk workers being offered retraining or redeployment).

In disclosing information about targets related to engagement, an entity might consider including any targets related to the nature of engagement activities (for example, the number of engagements with suppliers about their climate-related transitions and the number of engagements with clients to ensure a *just transition*) as well as the outcome of the engagement activities (for example, evidence of GHG emissions reductions by suppliers or evidence of social dialogue in clients' climate-related transition plans). These targets might relate to engagements with the value chain.

In disclosing information about any targets related to business and operations, an entity might consider including targets related to:

- business and operations (for example, energy consumption per unit produced, the number of factories located in flood zones, the percentage of water withdrawn in areas with high water stress or the number of sustainable jobs created); and
- products and services (for example, the proportion or number of products and/or services with no- or low-GHG emissions, support the transition towards a lower-carbon economy, or are vulnerable to transition and physical risks).

The entity might also consider including related metrics and targets related to a just transition.



## Example 11A—For the banking sector



### Climate-related targets—Governance, engagement, business and operational metrics and targets

This example illustrates some of the information that could be relevant for an entity operating in the banking sector to disclose about governance, engagement, business and operational metrics and targets associated with its climate-related transition.

The entity might determine that it is relevant to disclose:

- any governance, engagement, business and operational metrics and targets that the entity uses to drive and monitor progress towards a strategic goal, including how the metrics and targets reflect the strategic goal. The information might include metrics and targets segmented by:
  - economic systems, reflecting the expansive impact of the entity's activities and the flows between distinct sectors;
  - the various sectors the entity finances;
  - the entity's various business lines (for example, commercial banking and wholesale banking); and
  - on- and off-balance-sheet activities (for example, lending, sales and trading, capital markets and advisory services);
- the entity's core banking activities and/or sectors to which each of its governance, engagement, business and operational metrics and targets apply, including the rationale for any exclusions and the extent to which it is taking, or plans to take, steps to increase the scope of coverage.

## Example 11B—For the oil and gas sector



### Climate-related targets—Governance, engagement, business and operational metrics and targets

This example illustrates some of the information that could be relevant for an entity operating in the oil and gas sector to disclose about governance, engagement, business and operational metrics and targets associated with its climate-related transition.

The entity might determine that it is relevant to disclose information about business and operational metrics and targets that it uses in order to drive and monitor progress towards a strategic goal, including current and expected:

- production volumes by product type over the short and medium term for each of the entity's upstream and midstream value chain segments;
- sales volumes by product type over the short and medium term for the entity's downstream value chain segment; and
- capacity and production of low-carbon products by product type over the short and medium term.

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*Metrics and targets, relevant to an entity's business, sector and strategy*

In disclosing information about targets, an entity might determine that it is relevant to include targets related to:

- climate value at risk from physical changes in climate and the transition to a low-GHG-emissions economy;
- no- or low-GHG-emissions capital expenditure;
- no- or low-GHG-emissions research and development investments;
- revenue from no- or low-GHG-emissions products and services;
- the proportion of financial assets that are no- or low-GHG-emissions financial assets;
- the proportion of total long-term capital assets that are no- or low-GHG-emissions long-term capital assets;
- the percentage of total fuel that is no- or low-GHG-emissions; and
- procurement from no- or low-GHG-emissions suppliers.

**Example 12—For the electric utilities and power generators sector**



**Climate-related targets—Metrics and targets, relevant to an entity's business, sector and strategy**

This example illustrates some of the information that could be relevant for an entity operating in the electric utilities and power generators sector to disclose about metrics and targets associated with its climate-related transition.

The entity might determine that it is relevant to disclose information about any capital expenditure metrics and targets, including:

- low- and zero-carbon energy generation and storage assets;
- transmission and distribution grid infrastructure, including grid access; and
- other technologies (for example, digitalisation or electric vehicle chargers).

### GHG emissions and removals metrics and targets

For further guidance on reporting information about GHG emissions targets, an entity might find it helpful to refer to paragraphs B68–B69 of IFRS S2.

### Carbon credits

An entity might decide to use *carbon credits* as part of or in support of its strategic goal. To that effect, the entity might consider Scope 1, Scope 2 and Scope 3 GHG emissions and might prioritise decarbonisation through direct abatement over purchasing carbon credits.

If the entity discloses a net GHG emissions target, IFRS S2 also requires the entity to separately disclose the associated gross GHG emissions target. In relation to a net GHG emissions target, IFRS S2 requires the entity to explain the extent to which it plans to use carbon credits to achieve its target and to provide information about the carbon credits. The requirements set out in IFRS S2 are designed to provide transparency about an entity's planned use of carbon credits and information about those carbon credits.

## Example 13—For the asset management sector



### Climate-related targets—GHG emissions and removals metrics and targets

This example illustrates some of the information that could be relevant for an entity operating in the asset management sector to disclose about GHG emissions and removals metrics and targets associated with its climate-related transition.

The entity might determine that it is relevant to disclose:

- any absolute gross GHG financed emissions targets that it has set and associated metrics, including at the:
  - sector level;
  - fund level;
  - asset class level;
  - portfolio level; and
  - investee entity level;
- the assets under management to which each of the entity's GHG metrics and targets apply, including the rationale for any exclusions, and the extent to which it is taking, or plans to take, steps to increase the scope of coverage.

### 3.4—Overarching requirements in IFRS S2

This section identifies the requirements in IFRS S2 that are relevant to some or all of the core content elements in IFRS S2 discussed in this document (governance, strategy, and metrics and targets) in the context of disclosures of information about an entity's climate-related transition and provides guidance on how the entity might apply these requirements.

#### Requirements in IFRS S2

##### Paragraph 10(b)–(d) of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Specifically, the entity shall:

...

- (b) explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk;
- (c) specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term—the effects of each climate-related risk and opportunity could reasonably be expected to occur; and
- (d) explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.

##### Paragraph 14(c) of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose:

...

- (c) quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a) of IFRS S2.

##### Paragraph 17 of IFRS S2

In providing quantitative information, an entity may disclose a single amount or a range.

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### 3.4.1—How to identify the planning horizon

IFRS S2 requires an entity to disclose at least one set of definitions for short term, medium term and long term, along with material information about the effects of each sustainability-related risk or opportunity that could reasonably be expected to occur during each of these time horizons.

However, IFRS S2 does not preclude the disclosure of multiple sets of definitions—for example, when an entity has different business segments for which short-, medium- and long-term planning horizons vary. In fact, it may be necessary to consider various timeframes in order to provide relevant information.

Entities' definitions of short-, medium- and long-term time horizons are likely to differ, depending, for example, on their sector or financial or business planning cycles.

Paragraph 10(d) of IFRS S2 requires an entity to provide information about how it has defined these time horizons.

### 3.4.2—Quantification

An entity applying paragraph 17 of IFRS S2 might disclose a single amount or a range when disclosing information about current or anticipated financial effects on financial position, financial performance or cash flows.

Elsewhere, IFRS S2 requires other quantitative disclosures that may be relevant to an entity's climate-related transition (for example, information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a) of IFRS S2).

Applying IFRS S2, an entity provides quantitative and/or qualitative information about:

- the progress of plans disclosed in previous reporting periods in relation to climate-related risks and opportunities; and
- the effects of its strategy and decision-making on its financial position, financial performance and cash flows associated with the entity's climate-related transition.

Information about the entity's climate-related transition may be relevant in meeting the requirements in IFRS S2 to provide useful information to users of general purpose financial reports, including information on how an entity's actions are expected to contribute to achieve its strategic goal.

### 3.4.3—Reference to any external commitments, benchmarks or reference points

In disclosing information about its climate-related transition, an entity might refer to external commitments, benchmarks or reference points—for example, the latest international agreement on climate change, sector-based benchmarks or science-based targets. In such cases, the entity might determine that it is relevant to disclose which external commitments, benchmarks or reference points it has taken into account and the extent to which it has aligned its strategic goal with them.

Targets are sometimes derived by entities using a sectoral approach to translate international targets into sector-based benchmarks, against which the performance of individual entities can be compared.<sup>21</sup>

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<sup>21</sup> See paragraph BC150 of the Basis for Conclusions on IFRS S2.

## SECTION 4—SECTOR SUMMARY

The guidance set out in Section 3—*How to apply the disclosure requirements in IFRS S2* is relevant to entities operating in all sectors providing information about their climate-related transition. This section refers to additional sector-specific resources: the guidance included in the TPT Sector Summary.<sup>22</sup>

The TPT Sector Summary includes sector disclosure recommendations on transition plans for 30 sectors. Rather than incorporating the content of the Sector Summary into this document or creating a standalone Sector Summary authored by the IFRS Foundation, this section provides a means for navigating the TPT Sector Summary to support implementation of disclosure requirements about an entity's climate-related transition.

The TPT Sector Summary complements the TPT Disclosure Framework, by applying key concepts from the TPT Disclosure Framework to 30 sectors. Therefore, the TPT intended that preparers read the TPT Sector Summary in conjunction with the TPT Disclosure Framework.

The TPT Sector Summary:

- provides an overview of transition plan guidance for 30 financial and real-economy sectors;
- is a practical guide designed to give entities and users of information about climate-related transition a non-exhaustive summary of the important information and sources of guidance for each sector at the time of writing; and
- includes an overview of decarbonisation levers, governance, engagement, business and operational metrics and targets, and GHG metrics and targets for each sector.

In using the TPT Sector Summary, an entity is encouraged to focus on the sector-specific tables instead of the introductory sections of the document. The introductory sections provide contextual information about the purpose of the TPT Sector Summary as it relates to the TPT Disclosure Framework, as opposed to IFRS S2 and, therefore, are not directly relevant in the context of applying IFRS S2.

Because of the narrow scope of the TPT Sector Summary, it is not intended that entities applying IFRS S2 refer to the TPT Sector Summary in isolation from the rest of this document or as a starting point to provide disclosures in accordance with IFRS S2.

For some sectors that the TPT viewed as being more exposed to transition risks or having an important role in the economy, the TPT sector guidance documents provide sector-specific guidance to help preparers interpret the TPT Disclosure Framework. Section 3—*How to apply the disclosure requirements in IFRS S2* includes examples of aspects an entity might consider if operating in one of the seven sectors that are part of the sector guidance documents authored by the TPT.

### Sector classification used by the TPT

The sector classification the TPT used aligns with some other standards and frameworks:

- for **real-economy sectors**, it uses the Sustainability Industry Classification System® (SICS®) also used in the SASB Standards; and
- for **financial sectors**, it uses the sector classification used by the Taskforce on Climate-related Financial Disclosure and the Glasgow Financial Alliance for Net Zero.

<sup>22</sup> See Transition Plan Taskforce, *Sector Summary*, TPT, 2024, <https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/sector-summary-apr-2024.pdf>.

## APPENDIX A—GLOSSARY

This glossary contains short definitions of terms used in this document.

Term	Description
<b>business model</b>	An entity's system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the entity's strategic purposes and create value for the entity and hence generate cash flows over the short, medium and long term. (Source: Appendix A of IFRS S1)
<b>carbon credit</b>	An emissions unit that is issued by a carbon crediting programme and represents an emissions reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry. (Source: Appendix A of IFRS S2)
<b>climate-related physical risks (or physical risks)</b>	<p>Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity.</p> <p>These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety. (Source: Appendix A of IFRS S2)</p>
<b>climate-related risks and opportunities</b>	<p>Climate-related risks refers to the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks.</p> <p>Climate-related opportunities refers to the potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity. (Source: Appendix A of IFRS S2)</p>
<b>climate-related transition</b>	A process through which an entity, in the context of its overall strategy, pursues targets, undertakes actions or deploys resources to respond to transition and physical risks and climate-related opportunities. Depending on an entity's overall strategy, an entity's climate-related transition might therefore cover transition towards a lower-carbon economy and/or transition to a climate-resilient economy. For the avoidance of doubt, the climate-related transition refers to how the entity implements its strategic goal, including how the entity mitigates and adapts to transition and physical risks and responds to climate-related opportunities.
<b>climate-related transition plan (or transition plan)</b>	An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions. (Source: Appendix A of IFRS S2)



Term	Description
<b>climate-related transition risks (or transition risks)</b>	Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology. (Source: Appendix A of IFRS S2)
<b>climate resilience</b>	The capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties. (Source: Appendix A of IFRS S2)
<b>entity</b>	Reporting entity—that is, an entity that is required, or chooses, to prepare general purpose financial statements. (Source: Appendix A of IFRS S1)
<b>general purpose financial reports</b>	<p>Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about:</p> <ul style="list-style-type: none"> <li>(a) buying, selling or holding equity and debt instruments;</li> <li>(b) providing or selling loans and other forms of credit; or</li> <li>(c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources.</li> </ul> <p>General purpose financial reports include—but are not restricted to—an entity's general purpose financial statements and sustainability-related financial disclosures. (Source: Appendix A of IFRS S1)</p>
<b>greenhouse gases (GHG)</b>	The seven greenhouse gases listed in the Kyoto Protocol: carbon dioxide (CO <sub>2</sub> ); methane (CH <sub>4</sub> ); nitrous oxide (N <sub>2</sub> O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF <sub>3</sub> ); perfluorocarbons (PFCs) and sulphur hexafluoride (SF <sub>6</sub> ). (Source: Appendix A of IFRS S2)
<b>just transition</b>	A just transition involves anticipating, assessing and responding to the social risks and opportunities of the transition to a low-GHG-emissions and climate-resilient development, as well as ensuring meaningful dialogue and participation for affected groups (including workers, communities, supply chains and consumers) in transition planning.
<b>latest international agreement on climate change</b>	An agreement by states, as members of the United Nations Framework Convention on Climate Change, to combat climate change. The agreements set norms and targets for a reduction in greenhouse gases. (Source: Appendix A of IFRS S2)
<b>material information</b>	In the context of sustainability-related financial disclosures, information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity. (Source: Appendix A of IFRS S1)

Term	Description
<b>natural environment</b>	<p>(a) Plants, wild animals and other living organisms;</p> <p>(b) their habitats; and</p> <p>(c) land (except buildings or other structures), air and water and the natural systems, cycles and processes through which they interact.</p>
<b>policies and conditions</b>	Internal guidelines developed by an organisation to govern its actions.
<b>scenario analysis</b>	A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. (Source: Appendix A of IFRS S1)
<b>Scope 1 greenhouse gas emissions</b>	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity. (Source: Appendix A of IFRS S2)
<b>Scope 2 greenhouse gas emissions</b>	Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated. (Source: Appendix A of IFRS S2)
<b>Scope 3 greenhouse gas emissions</b>	Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). (Source: Appendix A of IFRS S2)
<b>strategic goal</b>	A goal related to an entity's transition towards a lower-carbon economy and/or climate-resilient economy.
<b>TPT materials</b>	Disclosure-specific materials authored by the Transition Plan Taskforce (13 resources), which can help entities with disclosures about their climate-related transition plans. These materials are available on the <a href="#">IFRS Sustainability Knowledge Hub</a> .
<b>users of general purpose financial reports (or primary users)</b>	Primary users of general purpose financial reports—that is, existing and potential investors, lenders and other creditors. (Source: Appendix A of IFRS S1)
<b>value chain</b>	<p>The full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates.</p> <p>A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption, and end-of-life, including interactions, resources, and relationships in the entity's operations, such as human resources; those along its supply, marketing, and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical, and regulatory environments in which the entity operates. (Source: Appendix A of IFRS S1)</p>

## APPENDIX B—MAPPING IFRS S2 TO THE TPT DISCLOSURE FRAMEWORK

The TPT Disclosure Framework applies three guiding principles of: ambition, action and accountability. The TPT Disclosure Framework is split into five disclosures elements, as shown in Figure 1. Each sub-element is supported by a series of disclosure recommendations, which the TPT viewed as relevant for all good practice transition plans, subject to materiality assessment, and examples of disclosures that an entity might consider, but that might not be relevant to all entities.

**Figure 1—TPT Disclosure Framework**

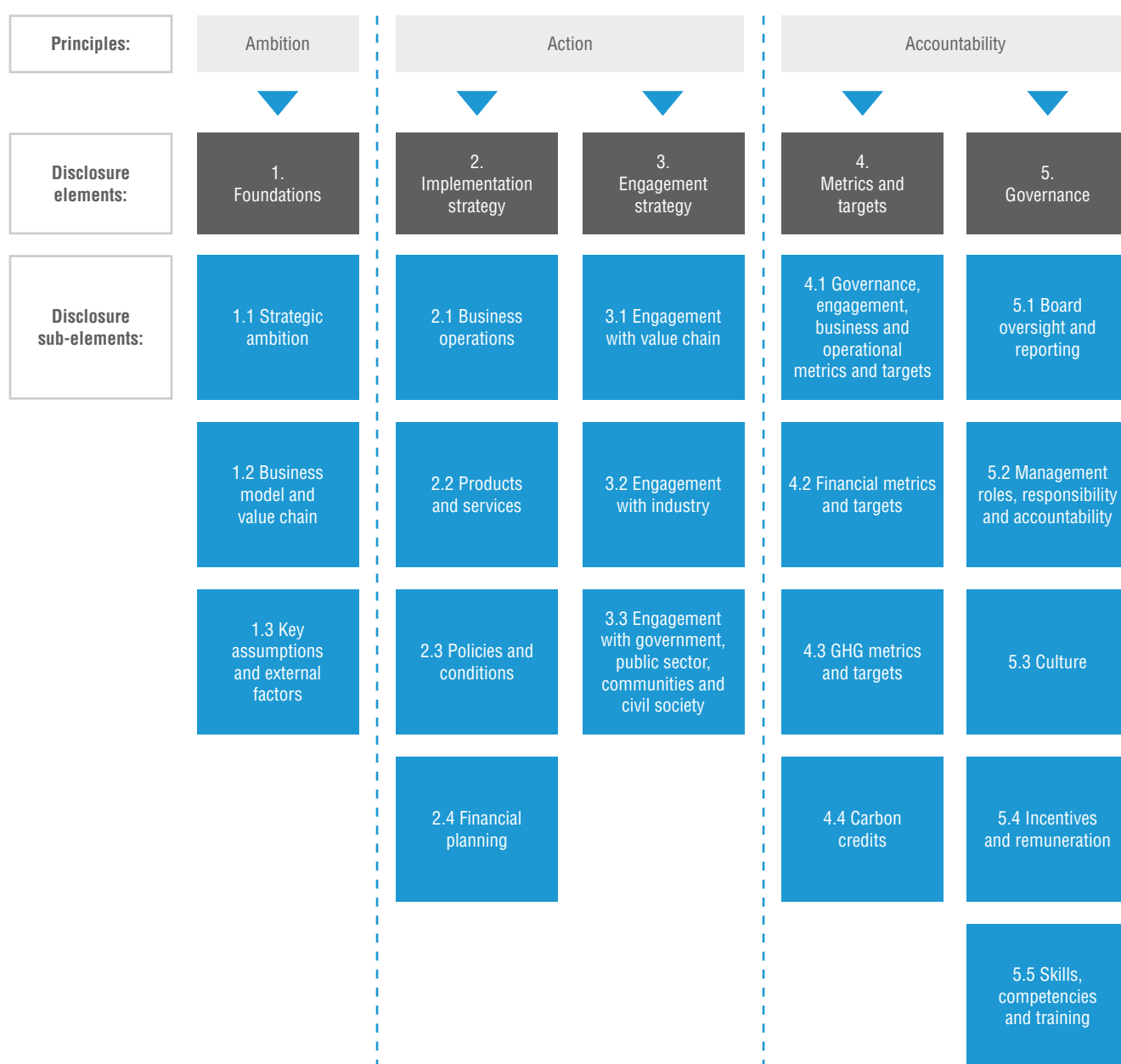


Table 1 identifies the requirements in IFRS S2 that are relevant to an entity's climate-related transition, if the entity has such a goal, and maps these requirements to the TPT disclosure element or sub-element. This table might be helpful to entities that have already applied the TPT materials and are implementing IFRS S2. The table would enable these entities to identify information in their transition plans relevant to comply with IFRS S2.

**Table 1—Mapping between the requirements in IFRS S2 and the TPT Disclosure Recommendations**

Paragraphs of IFRS S2 <sup>23</sup>	Core content element of IFRS S2	Relevant TPT disclosure element or sub-element	Relevant guidance in this document
<b>Governance</b>			
Paragraph 6(a)(i)–(v) of IFRS S2 (and paragraphs 5, 29(g)(i)–(ii) and 34(b) of IFRS S2)	Governance	Board oversight and reporting (5.1) Incentives and remuneration (5.4.a.i–iv) Incentives and remuneration (5.4.b) Skills, competencies and training (5.5)	3.1—Governance 3.1.1—Body(s) or individual(s) responsible for a strategic goal 3.1.2—Management's role in the processes used for a strategic goal 3.1.3—Incentive and remuneration linked to a strategic goal
Paragraph 6(b)(i)–(ii) of IFRS S2 (and paragraph 5 of IFRS S2)	Governance	Management roles, responsibility and accountability (5.2)	3.1.4—Skills, competencies and knowledge to implement a strategic goal
<b>Strategy</b>			
Paragraphs 8 and 9(a) of IFRS S2	Strategy	---	3.2—Strategy
Paragraphs 9(c) and 14(a)(iv) of IFRS S2	Strategy	Key assumptions and external factors (1.3)	3.2.1—Climate-related transition plan

<sup>23</sup> The most relevant paragraph for a specified topic is mentioned first. Other relevant paragraphs for the topic are mentioned in brackets.

Paragraphs of IFRS S2 <sup>23</sup>	Core content element of IFRS S2	Relevant TPT disclosure element or sub-element	Relevant guidance in this document
Paragraphs 9(b), 13 and 14(a)(i)–(iii) of IFRS S2	Strategy—Strategy and decision-making	Business model and value chain (1.2) Business operations (2.1) Products and services (2.2) Policies and conditions (2.3) Engagement strategy (3)	3.2.2—Business model and value chain, mitigation and adaptation efforts
Paragraph 14(a)(v) of IFRS S2	Strategy—Strategy and decision-making	Strategic ambition (1.1.a, 1.1.b and 1.1.c.i)	3.2.3—Plans to achieve any climate-related targets
Paragraph 14(b) of IFRS S2	Strategy—Financial position, financial performance and cash flows	Financial planning (2.4.a)	3.2.4—Funding the implementation of a strategic goal
Paragraphs 9(d), 15 and 16(c)(i)–(ii) of IFRS S2	Strategy—Financial position, financial performance and cash flows	Financial planning (2.4.b)	3.2.5—Effects of implementing a strategic goal on an entity's financial position
Paragraphs 9(d), 15 and 16(d) of IFRS S2	Strategy—Financial position, financial performance and cash flows	Financial planning (2.4.c)	3.2.6—Effects of implementing a strategic goal on an entity's financial performance and cash flows

Paragraphs of IFRS S2 <sup>23</sup>	Core content element of IFRS S2	Relevant TPT disclosure element or sub-element	Relevant guidance in this document
Paragraph 18 of IFRS S2	Strategy—Financial position, financial performance and cash flows	Financial planning (2.4.d)	3.2.7—Quantitative and/or qualitative information about current and anticipated financial effects
Paragraph 19 of IFRS S2	Strategy—Financial position, financial performance and cash flows	Financial planning (2.4.f.i)	
Paragraph 20 of IFRS S2	Strategy—Financial position, financial performance and cash flows	Financial planning (2.4.f.ii)	
Paragraph 21 of IFRS S2	Strategy—Financial position, financial performance and cash flows	Financial planning (2.4.f.g)	
Paragraph 22 of IFRS S2	Strategy—Climate resilience	---	3.2.8—Scenario analysis
<b>Metrics and targets</b>			
Paragraph 27 of IFRS S2	Metrics and targets	---	3.3—Metrics and targets
Paragraph 29(a) of IFRS S2	Metrics and targets—Climate-related metrics	GHG metrics and targets (4.3.l–m)	3.3.1—Climate-related metrics
Paragraph 29(e)–(f) of IFRS S2	Metrics and targets—Climate-related metrics	Financial metrics and targets (4.2.e–g )	3.3.1—Climate-related metrics
Paragraph 33 of IFRS S2 (and paragraphs 34–35 of IFRS S2)	Metrics and targets—Climate-related targets	Strategic ambition (1.1.e) Governance, engagement, business and operational metrics and targets (4.1) Financial metrics and targets (4.2.a, c–e) GHG metrics and targets (4.3.i–k)	3.3.2—Climate-related targets

Paragraphs of IFRS S2 <sup>23</sup>	Core content element of IFRS S2	Relevant TPT disclosure element or sub-element	Relevant guidance in this document
Paragraph 33(h) of IFRS S2 (and paragraph 36(d) of IFRS S2)	Metrics and targets—Climate-related targets	Strategic ambition (1.1.c)	3.3.2—Climate-related targets
Paragraph 36(a)–(c) of IFRS S2 (and paragraphs 27 and 35 of IFRS S2)	Metrics and targets—Climate-related targets	GHG metrics and targets (4.3.a–h)	
Paragraph 36(e) of IFRS S2	Metrics and targets—Climate-related targets	Carbon credits (4.4.c, e and g)	
Overarching requirements			
Paragraphs 10(b) of IFRS S2	Strategy—Climate-related risks and opportunities	---	3.4—Overarching requirements in IFRS S2
Paragraph 10(c)–(d) of IFRS S2	Strategy—Climate-related risks and opportunities	Strategic ambition (1.1.e)	3.4.1—How to identify the planning horizon
Paragraph 14(c) of IFRS S2	Strategy—Strategy and decision-making	---	3.4.2—Quantification
Paragraph 17 of IFRS S2	Strategy—Financial position, financial performance and cash flows	Financial planning (2.4.e)	3.4.2—Quantification

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