

# **The Qatar Financial Markets Authority's GUIDANCE ON CORPORATE SUSTAINABILITY REPORTING For Companies Listed on the Main Market**

**How to start the journey in applying the ISSB  
Standards?**

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## Introduction

This guidance provides an overview of how to start the journey in applying IFRS Sustainability Disclosure Standards IFRS S1 (General Requirements for Disclosure of Sustainability-related Information) and IFRS S2 (Climate-related Disclosures). It provides a high-level overview of the baseline requirements for implementing both IFRS S1 and IFRS S2 (hereon 'the Standards'). The guidance covers both of the Standards as IFRS S2 builds directly off the foundational guidance in IFRS S1.

This guidance shall help the companies implementing the mandatory provision in the Governance Code for Listed Companies with regard to the application of the sustainability disclosure standards and the climate-related disclosures referred to hereinabove, and shall be sent to all companies listed on the Main Market, without prejudice to any of the provisions of the Governance Code for Listed Companies and the Rulebook for Offering and Listing Securities on Financial Markets and the obligations of such companies in the event that they fall under another regulatory body and have obligations towards that regulatory body. In order to avoid any uncertainty, the regulatory, environmental, social and governance principles issued, or to be issued by the Central Bank from time to time, shall apply for companies subject to its regulation and supervision in the event of a conflict between its provisions and the provisions of the Governance Code for Listed Companies issued by the Authority.

The meanings of the words and phrases contained in the two standards shall be the reference in clarifying the meanings of the words and phrases contained in this Guide.

The guidance is divided into 6 Chapters covering the following stages in the implementation journey:

- **Chapter 1** – How to establish governance arrangements and internal controls that can promote high-quality sustainability reporting
- **Chapter 2** – How to ensure the company's disclosure strategy and practices apply the Standards
- **Chapter 3** – What processes a company should put in place to support preparation of disclosures required by the Standards
- **Chapter 4** – How preparers should communicate
- **Chapter 5** – How companies should disclose climate-related metrics
- **Chapter 6** – How to report in accordance with the ISSB digital taxonomy
- **Conclusion** – The expectations of QFMA

Extracts from the Standards are cited to help companies in understanding the requirements.

Relevant paragraph numbers from the Standards are noted in the text for ease of reference using the format IFRS S1 or IFRS S2 and the paragraph number to which the Guidance relates.

Companies are strongly encouraged to read the Standards in full as issued by the ISSB.

## Background

### The IFRS Sustainability Disclosure Standards

1. The Standards were issued by the International Sustainability Standards Board (ISSB) in June 2023 (**Figure 1.1**).

**Figure 1.1 – IFRS Sustainability Disclosure Standards, IFRS S1 and S2**

Source: IFRS Foundation

<b>IFRS S1</b>	<i>General Requirements for Disclosure of Sustainability-related Financial Information</i> <sup>1</sup> , including how sustainability-related financial disclosures should be prepared and the requirements for the contents and presentation of those disclosures in general purpose financial reports.
<b>IFRS S2</b>	<i>Climate-related Disclosures</i> <sup>2</sup> include specific strategy disclosure requirements for climate-related risks and opportunities including climate-related transition plans and the use of scenario analysis for climate resilience, as well as specific metrics and targets including Greenhouse Gas (“GHG”) emissions.

2. IFRS S2 requires disclosure of material information about climate-related risks and opportunities to meet investor information needs. Used in accordance with IFRS S1, IFRS S2 requires industry-specific disclosures and includes illustrative guidance for industry-specific, climate-related metrics.
3. The Standards were developed to require companies to provide decision-useful information for the “primary users of general-purpose financial reports”, defined as “existing and potential investors, lenders and other creditors”.
4. The Standards are built on sustainability disclosure standards and frameworks that have been widely in use and include:
  - Sustainability Accounting Standards Board (“SASB”) Standards;
  - Task Force for Climate-related Financial Disclosures (“TCFD”) Recommendations;
  - Integrated Reporting Framework; and
  - Climate Disclosure Standards Board (“CDSB”) Framework.

**Figure 1.2 – IFRS Standards are built on widely used standards and frameworks.**

Source: IFRS Foundation

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<sup>1</sup> [IFRS S1](#) General Requirements for Disclosure of Sustainability-related Financial Information

<sup>2</sup> [IFRS S2](#) Climate-related Disclosures



### Five separate interrelated publications

5. To have a complete overview of the Standards and their requirements, companies must consider five separate but interrelated publications:
  - a. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information;
  - b. Accompanying Guidance on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information;
  - c. IFRS S2 Climate-related disclosures;
  - d. Accompanying Guidance on IFRS S2 Climate-related disclosures<sup>3</sup>; and
  - e. IFRS S2 Industry-based Guidance on implementing Climate-related disclosures.<sup>4</sup>

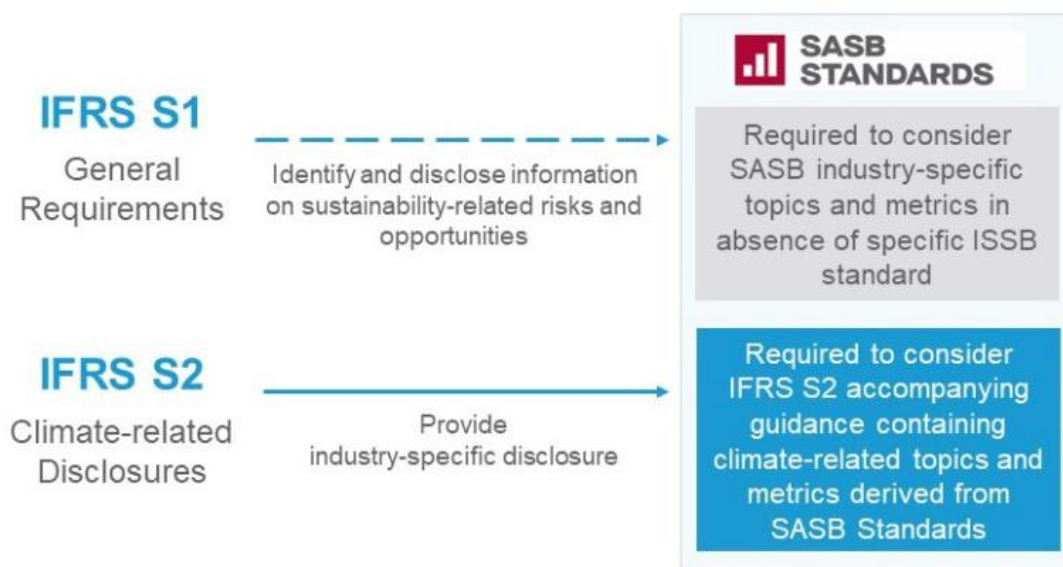
### SASB standards

6. SASB Standards are a useful tool for implementing the Standards. To help companies identify their sustainability-related risks and opportunities and provide appropriate disclosures using IFRS S1, companies are required to consider industry-specific requirements in accordance with the SASB Standards.
7. The role of SASB Standards in implementing the Standards is laid out in Figure 1.3.

<sup>3</sup> All 4 documents can be downloaded on: <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/sustainability-pdf-collection/?language=en&issue-type=%2Fcontent%2Fcg%3Atags%2Fifrs%2Fproduction%2Fissue-type%2Fissued&year=2023&layer=%2Fcontent%2Fcg%3Atags%2Fifrs%2Fproduction%2Fstandard-layer%2Fbase>

<sup>4</sup> IFRS S2 Industry-based Guidance : <https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf?bypass=on>

**Figure 1.3 – Role of SASB Standards**



### Benefits of using the SASB Standards

8. The SASB Standards<sup>5</sup> are a useful source of guidance in applying IFRS S1 because they:
  - are designed to provide investors, creditors and other lenders with information that is decision-useful and comparable with peers;
  - are tailored to specific industries, allowing companies to quickly access guidance that is relevant to their business activities; and
  - provide guidance on sustainability-related topics beyond climate, including human capital and nature.
9. The SASB Standards are organised by industry, enabling a company to identify sustainability-related disclosure topics and metrics applicable to its business model and operations. The SASB Standards contain:
  - industry descriptions—which are intended to help companies identify applicable industry guidance by describing the business models, activities and other common features that characterise participation in the industry;
  - disclosure topics—which describe specific sustainability-related risks or opportunities associated with a company’s activities within a particular industry;
  - metrics—which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information about a company’s performance in relation to a

<sup>5</sup> To have an overview of SASB standards, click here: [SASB Standards overview - SASB \(ifrs.org\)](https://sasb.ifrs.org/standards/overview/).  
To access the SASB standards, click here: <https://sasb.ifrs.org/standards/download/>.

- specific disclosure topic; and
- technical protocols—which accompany metrics to provide detailed guidance on definitions, scope, implementation and presentation of associated metrics. Each SASB Standard contains, on average, six disclosure topics and 13 metrics.

### How to use the SASB Standards to meet the requirements in IFRS S1

- IFRS S1 requires companies to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect a company's prospects. Similarly, IFRS S1 requires companies to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

**Figure 1.4 – Using SASB Standards for IFRS S1**



- To get more information on how a company should use the SASB Standards to meet the requirements in IFRS S1, a company may consider the IFRS Educational Material on Using the SASB Standards to meet the requirements in IFRS S1<sup>6</sup>.

### IFRS S2 Industry-based Guidance on implementing Climate-related disclosures<sup>7</sup>

- IFRS S2 includes industry-specific guidance (derived from SASB Standards) covering 68 industries. This guidance suggests ways to identify, measure and disclose information about climate-related risks and opportunities that can be applied to certain disclosure requirements in IFRS S2 but does not create additional requirements.

<sup>6</sup> IFRS Educational Material on Using the SASB Standards: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s1/using-sasb-standards-for-ifrs-s1.pdf>

<sup>7</sup> IFRS S2 Industry-based Guidance : <https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf?bypass=on>



13. A company should apply judgment to determine whether the disclosure topics referred to in the guidance are applicable to its activities.
14. The metric codes used in SASB Standards have been included for ease of reference. For additional context regarding the industry-based guidance, including structure and terminology, application and illustrative examples, companies should refer to the section relevant to its activities in the Accompanying Guidance on IFRS S2 climate-related disclosures.

#### **Basis for Conclusions (BC) on IFRS S1 and S2 (IFRS S1.BC and IFRS S2.BC)**

15. The ISSB has also published Basis for Conclusions (BC) on IFRS S1<sup>8</sup> and S2.<sup>9</sup> These do not form part of IFRS S1 and S2 but rather summarise the considerations of the ISSB and explain the rationale for the decisions the ISSB has reached in developing both standards.
16. This context can be useful for a company when it applies the requirements in the Standards. For the avoidance of doubt, the BC provide context and can be useful to understand the requirements in the Standards but does not override requirements in the Standards and cannot introduce requirements that are not otherwise set out in the Standards.

#### **Proportionality mechanisms**

17. The ISSB have included proportionality mechanisms from specified requirements in the Standards to facilitate their initial application.
18. The introduction of mechanisms to address proportionality in the Standards is intended to assist in-scope companies, particularly when first applied. These mechanisms simplify what is required of a company and provide for an easier application of the Standards. These mechanisms are based on the concepts of using “reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort”, taking into consideration the “skills, capabilities and resources available to the entity” for certain requirements. The proportionality mechanisms are an intrinsic part of the ISSB Standards, so a company making use of them is still able to state it has complied with the ISSB Standards.
19. The ISSB published a Factsheet<sup>10</sup> aiming to explain How can companies make use of the proportionality mechanisms to apply relevant requirements in IFRS S1 and IFRS S2.

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<sup>8</sup> IFRS S1.BC: <https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2023/issb-2023-c-basis-for-conclusions-on-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information-part-c.pdf?bypass=on>

<sup>9</sup> IFRS S2.BC: <https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2023/issb-2023-c-basis-for-conclusions-on-ifrs-s2-climate-related-disclosures-part-c.pdf?bypass=on>

<sup>10</sup> Link : <https://www.ifrs.org/content/dam/ifrs/news/2025/sustainability/proportionality-factsheet.pdf>

20. **Table 1.1** summarises the proportionality mechanisms included in the Standards.

**Table 1.1 – proportionality mechanisms**

Proportionality mechanisms	Applicable disclosure
Information used is limited to what is reasonable, supportable and available without undue cost and effort.	<p>For disclosure requirements:</p> <ul style="list-style-type: none"> <li>a) Identification of sustainable related risks and opportunities (IFRS S1.12)</li> <li>b) Identification of climate-related risks and opportunities (IFRS S2.11)</li> <li>c) Determination of anticipated financial effects of a sustainability-related and climate-related risk or opportunity (IFRS S1.37 to S1.39 and IFRS S2.18 to S2.20)</li> <li>d) Climate-related scenario analysis (IFRS S2.B1 to IFRS S2.B7)</li> <li>e) Specified climate-related metrics <ul style="list-style-type: none"> <li>• Climate-related transition risks</li> <li>• Climate-related physical risks</li> <li>• Climate-related opportunities (IFRS S2.30)</li> </ul> </li> <li>f) Measurement of Scope 3 GHG emissions (IFRS S2.B39)</li> <li>g) Determination of the scope of the value chain (IFRS S2.B36)</li> </ul>
Qualitative approaches (instead of quantitative approach) allowed if a company lacks skills, capabilities or resources.	<ul style="list-style-type: none"> <li>a) When determining an appropriate approach to use for its climate-related scenario analysis (IFRS S2.B1 to IFRS S2.B7)</li> <li>b) When determining whether it is able to provide quantitative information about anticipated financial effects of sustainability and climate-related risks or opportunities (IFRS S1.37 to S1.39 and IFRS S2.18 to S2.20)</li> </ul>

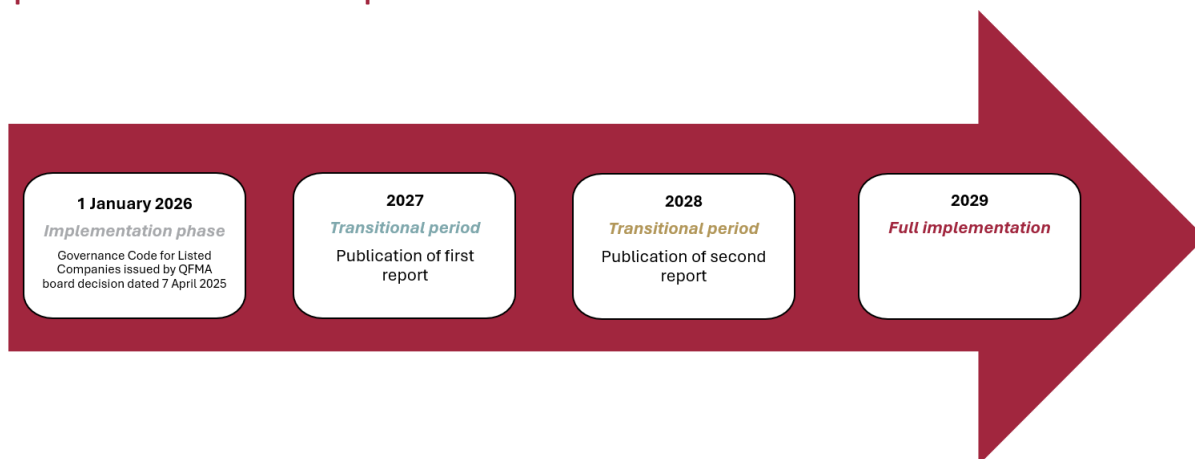
### Transition reliefs

21. The ISSB have provided transition reliefs from certain requirements in the Standards to facilitate their initial application.
22. The transition reliefs are available to all companies in the first year they apply the Standards. Those related to IFRS S2 shall be extended by 1 year as from 2026 (i.e. the first year of reporting), as summarised in **Table 1.2 with no prejudice to the requirements of the Governance Code for Companies Listed on the Main Market as issued by the QFMA.**

**Table 1.2 – list of transition reliefs and duration**

Transition reliefs commencing from the first annual reporting period		Duration of reliefs
<b>Application of the Standards</b>	<b>IFRS S1 E5:</b> For the first annual reporting period a company applies the Standards, it may consider applying IFRS S2 only as it pertains to climate-related financial disclosures, as outlined in IFRS S1. For the subsequent annual reporting period, the company would apply IFRS S1 to cover a full spectrum of sustainability-related risks and opportunities.	1 year = Financial year 2026 (reporting in 2027)
<b>Timing of reporting</b>	<b>IFRS S1 E4:</b> For the first annual reporting period a company applies the Standards, it is permitted to report its sustainability-related financial disclosures after it publishes its related financial statement; these must be reported at the same time as its next second-quarter or half-year interim general-purpose financial report.	This exemption shall not be granted
<b>Comparative information about estimated metrics</b>	<b>IFRS S1 E3:</b> A company may consider not disclosing comparative information in the first annual reporting period in which it applies the Standards.	1 year = Financial year 2026 (reporting in 2027)
<b>Measurement approach for GHG emissions</b>	<b>IFRS S2.C4 (a):</b> In the first annual reporting period, if the company used a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) in the prior reporting period, the company is permitted to continue using that other method.	2 years proposed = Financial year 2026-2027 (reporting in 2027-2028)
<b>Scope 3 GHG emissions</b>	<b>IFRS S2.C4 (b):</b> In the first annual reporting period, a company may consider not disclosing its Scope 3 GHG emissions.	2 years proposed = Financial year 2026-2027 (reporting in 2027-2028)

## Implementation and transition periods



## Important Note

23. Companies should note the ISSB regularly updates its guidance and resources on the application of the Standards. The ISSB has also established a Transition Implementation Group (“TIG”) to discuss questions arising from the implementation of the Standards submitted by stakeholders and posts discussion summaries online. Companies should visit the IFRS website to keep track of the latest updates.<sup>11</sup>
24. This guidance does not require companies to adopt the Global Reporting Initiative (GRI) or any other standards (such as the European Sustainability Reporting Standards (ESRS)). Hence, companies are free to choose, as per their sole discretion, whether to adopt the GRI or the ESRS, with no prejudice to the ISSB standards, and provided that the application of these standards does not obscure the essential information required by the International Financial Reporting Standards.

**It shall be required to obtain external assurance for the sustainability reporting framework (by the external auditor in accordance with Chapter Five of the Governance Code for Listed Companies issued by the Authority's Board of Directors' resolution dated April 7, 2025):**

25. The framework for the audit on the sustainability information disclosed in accordance with the Governance Code for Listed Companies and this guidance is based on international auditing standards set forth for this purpose, including those drawn up by the International Auditing and Assurance Standards Board (IAASB) which has issued the International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance

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<sup>11</sup> Resources from Transition Implementation Group on IFRS S1 and IFRS S2 can be found here: <https://www.ifrs.org/groups/tig-ifrs-s1-and-ifrs-s2/#resources>

Engagements. Meanwhile, the International Ethics Standards Board for Accountants (IESBA) finalized the International Ethics Standards for Sustainability Assurance (IESSA), including the International Independence Standards, as well as other revisions to the code relating to Sustainability Assurance and Reporting. These publications aim to provide a comprehensive and fully independent framework for sustainability assurance providers, thus supporting the consistent performance of high-quality sustainability assurance engagements.

## Chapter 1 – How to establish governance arrangements and internal controls that promote high-quality sustainability reporting

- 1.1 IFRS S1 requires companies to disclose sustainability-related financial information in general-purpose financial reports. Sustainability-related financial information is information about a company's sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions about providing resources to the company. Sustainability-related risks and opportunities are those that could reasonably be expected to affect the company's cash flows, access to finance or cost of capital over the short, medium or long term. These sustainability-related risks and opportunities could reasonably be expected to affect the company's prospects. Specific requirements apply to information about climate-related risks and opportunities.
- 1.2 Sustainability-related information is different from information about how a company contributes to the Sustainable Development Goals ("SDGs"). The SDGs and international policy pronouncements such as the Paris Agreement apply widely across many social and ecological phenomena and their purpose is to provide a blueprint for peace and prosperity for people and the planet now and in the future. However, understanding how the sustainability and climate-related risks and opportunities set out in the Standards relate to established wider notions of sustainability and sustainable development, is pivotal to understanding the scope of the Standards. A company is required to consider relationships between the impacts of its activities on the environment and society, as well as the impacts of the environment and society on its cash flows, cost of capital and access to finance.

### Gap analysis

- 1.3 Companies should begin by locating and aggregating relevant data needed for reporting from across their business lines and departments and identifying mismatches or gaps between this data and requirements of the Standards.
- 1.4 A gap analysis should:
- Begin with a thorough review of the Standards to understand the specific requirements.
  - Evaluate the company's current disclosures and information-gathering processes against those required to meet the Standards.
  - Identify gaps between the company's current practices and the requirements of the Standards. This could involve governance structures that do not adequately address climate-related risks, insufficient strategies for managing climate-related risks and opportunities, or lack of data for meeting specific metrics and targets.
  - Prioritise the areas that need immediate attention; companies should start with acquiring missing key data items, such as company's exposure to physical and transition risks.

## Business integration

- 1.5 Disclosures under the Standards cover the organisation as a whole. Therefore, it requires the effort of the entire organisation to produce them.
- 1.6 By applying the provisions of the Governance Code for Companies Listed on the Main Market issued by the QFMA, companies have to establish governance arrangements and internal controls that promote high-quality sustainability reporting. The QFMA also recommends companies to carefully set up their systems of data collection and analysis, as well as internal controls, to ensure they are able to run meaningful materiality assessments and deliver the granular sustainability information necessary to meet the qualitative characteristics required by the Standards.
- 1.7 As companies are already subject to governance, risk management and internal control requirements, the QFMA's expectations are that companies will leverage these existing frameworks, systems, policies and procedures and where necessary augment these as necessary to support high-quality sustainability reporting.
- 1.8 The board and senior management of a company should put in place the people, structures, and processes that embed sustainability and climate-related risk and opportunity management as business-as-usual across the whole company. The following provides illustrative examples of business integration:
- Establishing a cross-functional team with representatives from across departments. This team would lead the drafting of the implementation plan and lead implementation efforts. To ensure institutional buy-in, this team would report to the senior management or another senior executive accountable to the Board. It would also have the necessary resources and permissions to drive the implementation process forward across the company.
  - Developing an Implementation timeline. The team would break down the implementation plan into actionable milestones; and establish a realistic timeline for achieving each milestone, considering dependencies and the complexity of tasks.
  - Updating existing policies and procedures or develop new ones as needed to embed climate-related considerations into the company's governance framework.
  - Identifying what to report across departments. This would imply having each department compiling and delivering data identified through the gap analysis process to the cross-functional team for review. This would necessitate conducting a materiality assessment at the company and department level to ascertain what information would be useful for investors.
  - Embedding the Standards into risk management. This would imply ensuring the risk management function incorporates sustainability and climate-related risks into its day-to-

day risk-scanning and evaluation activities, for example by setting up a process to identify, monitor, and manage material climate risks and opportunities.

- Establishing processes for producing metrics and targets. These may be reported at the company level but should be laddered up from the individual business lines – meaning all departments have a role in defining these. In addition, protocols would be developed for the continual gathering of data to populate metrics and determine progress against targets.

### Create new responsibilities for existing functions

1.9 Companies should consider new responsibilities for existing functions. The following provides illustrative examples of functions and new responsibilities.

- **Board**  
Responsible for reviewing and approving the implementation plan.
- **Chief Risk Officer (“CRO”)**  
Responsible for overseeing the implementation.
- **Chief Financial Officer (“CFO”)**  
With the CRO, evaluates potential impact of sustainable and climate-related risks and opportunities on the company’s financial position, performance, and cash flows. Oversees preparation of these disclosures and communicates linkages between sustainability and climate-related reporting, and financial reporting.
- **Chief Sustainability Officer (“CSO”)**  
Develops company-wide sustainability strategy and ensures alignment with the Standards. Responsible, with the CRO, for acquiring and managing sustainability and climate-related data across departments. Responsible, with the CRO and board, for setting targets.
- **Compliance Officer**  
Ensures sustainability reports adhere to the Governance Code for Companies Listed on the Main Market issued by the QFMA. Monitors regulatory developments and flags when changes to processes and procedures are necessary to maintain compliance.
- **Risk Analysts**  
Under CRO supervision, conduct risk assessments and scenario analyses; and prepare outputs to align with requirements in the Standards.

### Inform other companies in its value chain

1.10 Companies should inform any other companies in their value chain of expectations that they may have for the provision of information to support their compliance obligations.



## Consider IFRS educational material

- 1.11 The IFRS Foundation and its supporting partners have developed educational resources for preparers of sustainability-related financial disclosures, such as a course for intermediate preparers that the IFRS Foundation has developed with the United Nations Sustainable Stock Exchanges Initiative.<sup>12</sup>

## Consider IFRS Credential and Membership for staff and preparers

- 1.12 The IFRS has developed the following:

- The Fundamental of Sustainability Accounting (“FSA”) Credential<sup>13</sup>:

The FSA Credential combines two exams to assess a candidate’s knowledge of the concepts and skills necessary to navigate the sustainability disclosure landscape and ability to analyse sustainability-related financial information. After passing Level 1, a candidate is identified as an ‘FSA Credential Level II Candidate’. After passing Level II, a candidate officially becomes an ‘FSA Credential Holder.’

- IFRS Sustainability Alliance Membership<sup>14</sup>

The IFRS Sustainability Alliance is a global membership programme for sustainability standards, integrated reporting, and integrated thinking. The Alliance offers curated insights and educational programming, as well as peer-to-peer networking. Market expectations for sustainability-related data and integrated reporting are evolving as a global baseline of sustainability disclosure becomes a reality. Members stay apprised of the changing landscape through the following benefits:

- Updates through engagement with IFRS Foundation staff, peers, and industry leaders;
- Learning opportunities on the integration of sustainability factors into investment processes, reporting best practices, sustainability standards development, global policy, and ongoing academic research;
- Tools to advance understanding of the IFRS Sustainability Disclosure Standards—including IFRS S1, IFRS S2 and the SASB Standards—Integrated Reporting Framework and

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<sup>12</sup> Training on the IFRS Sustainability Disclosure Standards: <https://sseinitiative.org/training-issb>

<sup>13</sup> Obtain FSA credentials. <https://www.ifrs.org/products-and-services/sustainability-products-and-services/fsa-credential/>

<sup>14</sup> Become member of the IFRS Alliance. <https://www.ifrs.org/products-and-services/sustainability-products-and-services/ifrs-sustainability-alliance/>

Integrated Thinking Principles;

- Virtual and in-person events that offer networking and learning opportunities; and
- Discounts on other IFRS Sustainability products, including on the Fundamentals of Sustainability Accounting Educational Credential and IFRS Foundation-hosted Conference registrations.

Alliance benefits are available to all staff at every member organisation.

### **Additional Resources**

- IFRS Foundation website: <http://ifrs.org/knowledgehub> - Provides access to the most current tools, guidelines, and educational assistance on the Standards.
- UN SEE Initiative: <https://sseinitiative.org/sse-academy>. Several webinars are published.

## Chapter 2 – How to ensure the company’s disclosure strategy and practices apply the Standards

### Application of the Standards

- 2.1 Companies are required to apply IFRS S2 in accordance with IFRS S1 because IFRS S1 sets out key concepts and requirements that also apply to information required by IFRS S2. For example, IFRS S1 Appendix D on “qualitative characteristics of useful sustainability-related information” also applies to information required by IFRS S2.
- 2.2 Therefore, sustainability-related financial information, including climate-related financial information, are required to be relevant, material and faithfully represented as well as comparable, verifiable, timely and understandable.
- 2.3 Because companies are required to apply IFRS S2 in accordance with IFRS S1, information about the content requirements of both the Standards is provided in this chapter. The requirements relating to general sustainability-related information apply to climate-related information.
- 2.4 IFRS S1 sets out the conceptual foundations companies are required to apply in complying with either IFRS S1 or IFRS S2. These mirror the conceptual foundations for financial reporting and help to ensure sustainability-related financial information is useful and compatible. **Figure 2.1** outlines the conceptual foundations in IFRS S1 that are also applicable to IFRS S2.

**Figure 2.1 – Questions answered by IFRS S1 that also apply IFRS S2**

Source: UN SSE Initiative

WHAT	WHEN	HOW	WHO / WHERE
What are <b>sustainability-related risks and opportunities</b> and why are they <b>useful</b> to primary users? (IFRS S1.2-4)		How can company make <b>materiality</b> judgements? (IFRS S1.17-19, B13-B18)	<b>Which</b> companies should disclose? (IFRS S1.20)
What are the <b>qualitative characteristics</b> of disclosures? (IFRS S1.10, 11, 13, 15, Appendix D)	<b>When</b> disclosures must be reported? (IFRS S1.64)	How should companies treat management <b>judgements and uncertainty</b> ? (IFRS S1.74-82)	<b>Where</b> a company reports? (IFRS S1.60-63)
What is included when assessing a company's <b>value chain</b> ? (IFRS S1. B2-B5)	<b>When</b> to make a <b>statement of compliance</b> ? (IFRS S1.72-73)	How should companies disclose <b>connections</b> between disclosures? (IFRS S1.21-24)	Where <b>law or regulation</b> specifies disclosure requirements, how should companies use the ISSB standards? (IFRS S1.B31-B33)
What <b>comparative information</b> companies are required to provide?(IFRS S1.70-71)		How companies disclose information about changes in <b>estimates</b> and about <b>errors</b> ? (IFRS S1.83-86, B50-59)	
What <b>reliefs</b> may apply that influence what and when information should be disclosed? (IFRS S1.73, IFRS S1.B34-B37 / IFRS E4-E6, S1.73)		In what circumstances should companies <b>aggregate and disaggregate</b> information? (IFRS S1.B29-B30)	

- 2.5 Based on the transition relief in IFRS S1.E5, companies may disclose information only on climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities. If a company uses this transition relief, it must disclose that fact.
- 2.6 According to IFRS S1.E6, if IFRS S1.E5 transition relief is used by the company, the company:
- is not required to disclose comparative information about its climate-related risks and opportunities in the first annual reporting period; and
  - is not required to disclose comparative information about its sustainability-related risks and opportunities in the first annual reporting period following the end of the duration of the relief, other than its climate-related risks and opportunities.

### Core content areas in IFRS S1 and IFRS S2

- 2.7 The core content areas set out the types of information a company is required to provide disclosures on. The content in both the Standards applies the same four-part structure: Governance, Strategy, Risk management, and Metrics and targets (see **Figure 2.2**).

**Figure 2.2 – Four core content areas in IFRS S1 and IFRS S2**

Source: IFRS Foundation



### Governance

- 2.8 The disclosure requirements on Governance (see **Table 2.1 on Governance Disclosures Overview**) in the Standards are designed to enable users of general-purpose financial reports to understand the governance processes, controls and procedures a company uses to monitor, manage and oversee sustainability-related risks and opportunities.
- 2.9 The Standards require a company to disclose information about the governance, management and oversight of sustainability-related risks and opportunities (including climate-related risks).

Governance disclosures include information pertaining to both the board and senior management's role in governance.

**Table 2.1 – Governance Disclosures Overview**

Companies are required to disclose information about:	
<b>IFRS S1.27 (a) + IFRS S2.6(a)</b>	<p><b>The board</b></p> <p>The board's responsibilities for oversight of sustainability and climate-related risks and opportunities, including:</p> <ul style="list-style-type: none"> <li>■ How are responsibilities for sustainability and climate-related risks and opportunities reflected in the terms of reference, mandates or policies applicable to the board or board committees?</li> <li>■ Are the skills and competencies of the members of the board or board committees appropriate for overseeing sustainability and climate-related risks and opportunities?</li> <li>■ How and how often is the board or board committees informed about such risks and opportunities?</li> <li>■ How does the board take account of those risks and opportunities when overseeing the company's strategy, its decision on major transactions and its risk management processes and related policies?</li> <li>■ How does the board oversee the setting of targets related to sustainability and climate-related risks and opportunities, and monitor progress towards those targets, including whether and how related performance metrics are included in remuneration policies?</li> </ul>
<b>IFRS S1.27 (b) +IFRS S2.6 (b)</b>	<p><b>Senior Management's role</b></p> <p>The governance processes, controls and procedures used to monitor, manage and oversee sustainability and climate-related risks and opportunities, including:</p> <ul style="list-style-type: none"> <li>■ How are roles delegated and to whom/which senior management, and how is oversight is exercised over that position?</li> <li>■ Which controls and procedures are used to support oversight of sustainability-related risks and opportunities and how are they integrated with other control functions?</li> </ul>

- 2.10 Governance of sustainable and climate-related issues can take several forms depending on the company's business model, legacy issues, and other attributes. What is important is demonstrating that sustainable and climate-related risks management are engrained in the company's risk culture and evidenced across departments, supporting processes, controls, and procedures linked to the board and senior management for monitoring, managing, and overseeing sustainable and climate-related risks and opportunities.

## Strategy

- 2.11 The aim of sustainable and climate-related financial disclosures concerning strategy is to provide a comprehensive understanding of how a company manages risks and opportunities.
- 2.12 The disclosure requirements on strategy in the Standards (**see Table 2.2 on Strategy Disclosures Overview**) are designed to enable users of general-purpose financial reports to understand a company's strategy for managing sustainability and climate-related risks and opportunities.
- 2.13 IFRS S1.29 and IFRS S2.9 require companies to disclose information about the sustainability and climate-related risks and opportunities that have been identified and the time horizons over which they are expected to occur.

**Table 2.2 – Strategy Disclosures Overview**

Companies are required to disclose information about:	
IFRS S1.30	<p><b>Sustainability-related risks and opportunities</b></p> <p>Companies are required to disclose information about sustainability-related risks and opportunities they have identified, including:</p> <ul style="list-style-type: none"> <li>■ The sustainability-related risks and opportunities that could reasonably be expected to affect the company's prospects (IFRS S1.30(a));</li> <li>■ The time horizons — short, medium or long term — over which the effects of the sustainability-related risks and opportunities could reasonably be expected to occur (IFRS S1.30(b)) (see <b>Helpful tip 2.1 on time horizons</b>); and</li> <li>■ How the company defines short, medium and long term and how those definitions are linked to the planning horizons used by the company for strategic decision-making (IFRS S1.30(c)).</li> <li>■ Proportionality mechanism: The company should use all reasonable and supportable information that is available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions, when identifying risks and opportunities (IFRS S1.12 and S1.B6)</li> </ul>
IFRS S2.10 - S2.12	<p><b>Climate-related risks and opportunities</b></p> <p>Companies should understand the risks and opportunities that could reasonably be expected to affect the company's prospects:</p> <ul style="list-style-type: none"> <li>■ Risks and opportunities that could reasonably affect the company's prospects should be described (IFRS S2.10(a);</li> <li>■ Climate-related risks include physical and transition risks. To comply with IFRS S2, a company is required to disclose whether it considers each risk it identified as a physical or</li> </ul>

**Companies are required to disclose information about:**

	<p>transition risk (IFRS S2.10(b));</p> <ul style="list-style-type: none"> <li>■ For each risk and opportunity, the company has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity that could reasonably occur (IFRS S2.10(c);</li> <li>■ The company should explain how it defines short, medium and long terms and how these definitions are linked to the planning horizons used by the company for strategic decision-making (IFRS S2.10(d);</li> <li>■ Proportionality mechanism: The company should use all reasonable and supportable information that is available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions, when identifying risks and opportunities (IFRS S2.11); and</li> <li>■ When identifying climate-related risks and opportunities, a company should refer to and consider the applicability of disclosure topics defined in Industry-based Guidance on Implementing IFRS S2 (IFRS S2.12).</li> </ul> <p>(See <b>Explainers 2.1 and 2.2</b>)</p>
<b>IFRS S1.32 and IFRS S2.13</b>	<p><b>Current and anticipated effects on business model and value chain</b></p> <ul style="list-style-type: none"> <li>■ A value chain encompasses the interactions, resources and relationships a company uses and on which it depends to create products and services across their whole life cycle from conception to delivery, consumption and end of life (IFRS S1 Appendix A).</li> <li>■ A company is required to describe the current and anticipated effects of sustainability-related risks and opportunities on the company's business model and value chain, including where the effects of these risks and opportunities are concentrated (for example, in geographical areas, facilities and types of assets) (IFRS S1.32)).</li> <li>■ A company should disclose its current and anticipated risks and opportunities on the company's business model and value chain, including where the effects of these risks and opportunities are concentrated (for example, in geographical areas, facilities and types of assets) (IFRS S2.13).</li> </ul>
<b>IFRS S1.33</b>	<p><b>Effect on strategy and decision-making</b></p> <p>A company is required to disclose information about:</p>

Companies are required to disclose information about:	
	<ul style="list-style-type: none"> <li>■ Its actual and planned response to sustainability-related risks and opportunities in its strategy and decision-making (IFRS S1.33(a));</li> <li>■ Progress toward any plans previously disclosed, including qualitative and quantitative information (IFRS S1.33(b)); and</li> <li>■ Trade-offs (see <b>Helpful tip 2.2 on Trade-offs</b>) between sustainability-related risks and opportunities (IFRS S1.33(c)).</li> </ul>
<b>IFRS S2.14</b>	<p><b>Effect on strategy and decision-making</b></p> <ul style="list-style-type: none"> <li>■ Details of how the company plans to achieve any climate-related targets including GHG emissions targets it has set and any targets it is required to meet by Law or Regulation (IFRS S2.14(a) and 14(a)(v));</li> <li>■ Current and anticipated changes to the business model attributable to climate-related risks and opportunities including changes in resource allocation, plans to manage or decommission carbon, energy or water-intensive operations, changes in demand or supply chain, or investments and expenditure, including on research and development, acquisitions and divestments (IFRS S2.14(a)(i));</li> <li>■ Current and anticipated direct mitigation and adaptation efforts, for example, changes in production processes or equipment, relocation of facilities, workforce adjustments and changes in product specifications (IFRS S2.14(a)(ii));</li> <li>■ Current and anticipated indirect mitigation and adaptation efforts, for example, through working with customers and supply chains (IFRS S2.14(a)(iii)); and</li> <li>■ Any climate-related transition plan the company has, including information about key assumptions used in developing its transition plan, and dependencies on which the company's transition plan relies (IFRS S2.14(a)(IV). (See the section below on Transition planning.)</li> </ul>
<b>IFRS S1.34-40</b>	<p><b>Effects on financial position, financial performance and cash flows</b></p> <p>A company is required to disclose quantitative and qualitative information about the financial effects of sustainability-related risks and opportunities:</p> <ul style="list-style-type: none"> <li>■ For the reporting period (current and anticipated financial effects) (IFRS S1.35(a) and (b)), including: <ul style="list-style-type: none"> <li>○ the effect on financial position (see <b>Helpful tip 2.3 on Quantitative Information</b>), performance and cash flows; and</li> <li>○ how those effects might give rise to the risk of a material adjustment to the carrying amounts of assets and liabilities reported in the next annual</li> </ul> </li> </ul>



**Companies are required to disclose information about:**

	<p>reporting period.</p> <ul style="list-style-type: none"> <li>■ Over the short, medium and long term (IFRS S1.35(c)), including how the financial position is expected to change and taking into consideration: <ul style="list-style-type: none"> <li>○ the strategy to manage sustainability-related risks and opportunities;</li> <li>○ investment and disposal plans, including plans to which the company is not contractually committed; and</li> <li>○ planned sources of funding to implement the strategy.</li> </ul> </li> <li>■ Over the short, medium and long term (IFRS S1.35(d)), including how the financial performance is expected to change given the company's strategy to manage sustainability-related risks and opportunities.</li> <li>■ Proportionality mechanism: The company should use all reasonable and supportable information that is available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions, when identifying risks and opportunities. A qualitative approach (instead of quantitative approach) is allowed if a company lacks skills, capabilities or resources (IFRS S1.37-39).</li> </ul>
IFRS S2.15-21	<p><b>Effects on financial position, financial performance and cash flows</b></p> <ul style="list-style-type: none"> <li>■ A company is required to disclose the same <b>quantitative and qualitative information</b> about the financial effects of climate-related risks and opportunities (IFRS S2.15 to 21).</li> <li>■ A company is required to disclose information about climate-related financial flows. Such information could include, 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 (IFRS S2.16(d)).</li> <li>■ Proportionality mechanism: The company should use all reasonable and supportable information that is available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions, when identifying risks and opportunities. A qualitative approach (instead of quantitative approach) is allowed if a company lacks skills, capabilities or resources (IFRS S2.18-20).</li> </ul>

Companies are required to disclose information about:	
IFRS S1.41	<p><b>Resilience</b></p> <p>A company is required to disclose information that enables investors to understand the company's capacity to adjust to the uncertainties arising from sustainability-related risks. This includes a qualitative or quantitative assessment of the resilience of its strategy and business model and explains how and when the company carried out that assessment.</p>
IFRS S2.22-23	<p><b>Climate Resilience</b></p> <ul style="list-style-type: none"> <li>■ A company is required to use climate-related scenario analysis to assess the resilience of its strategy and business model to climate-related risks and opportunities (IFRS S2.22).</li> <li>■ The company is required to disclose information that enables users of general-purpose financial reports to understand: <ul style="list-style-type: none"> <li>○ The implications of the company's resilience assessment, including potential responses to the possible outcomes identified in the scenario analysis (IFRS S2.22(a)(i)).</li> <li>○ Areas of uncertainty that affect the company's resilience assessment (IFRS S2.22(a)(ii)).</li> <li>○ The company's capacity to adjust its strategy and business model over the short, medium and long term. The company is required to include information about the availability and flexibility of financial resources, capacity to maximise opportunities, ability to redeploy, repurpose or decommission existing assets and the effect of current and planned investments in climate mitigation and adaptation (IFRS S2.22(a)(iii)).</li> <li>○ How and when the company did its climate-related scenario analysis, including how many and what type of scenarios the company used and why (for example, a diverse range of scenarios covering both physical and transition risks and whether scenarios aligned with the latest international agreement on climate change were used). The disclosure is also required to include the time horizons and scope of operations to which the analysis applied (IFRS S2.22(b)(i) and (iii)).</li> </ul> </li> <li>■ The company is required to disclose key assumptions used for the analysis (IFRS S2.22(ii)).</li> </ul>

### Explainer 2.1 – Climate-related risks

- 2.14 The Network for Greening the Financial System (“NGFS”) has developed a framework and scenarios to provide a basis for financial institutions to begin climate risk assessment

exercises<sup>15</sup>. Climate-related financial risks can be divided into two broad categories:

- a. **Physical risks:** These relate to the physical impacts associated with climate change, encompassing more frequent and severe weather occurrences and gradual shifts in environmental conditions. This includes factors such as air, water, and land pollution, water scarcity, loss of biodiversity, and deforestation. Physical risk is classified as:
  - "acute" if it arises from climate and weather-related events and acute destruction of the environment like droughts, floods, and storms; and
  - "chronic" when arising from progressive shifts in climate such as rising temperatures, sea levels, water scarcity, biodiversity loss, alterations in land use, habitat destruction, and resource depletion.

These risks can lead directly to outcomes like property damage or decreased productivity, and indirectly result in subsequent disruptions such as supply chain disturbances.

- b. **Transition risks:** These are financial risks which can result from the process of adjustment towards a lower-carbon and more circular economy, prompted, for example by changes in climate and environmental policy, technology, or market sentiment.

For example, some counterparties financed by banks operating in energy-intensive or high-carbon sectors may face reduced competitiveness during the transition to a low-carbon economy, particularly if they have not taken steps to adapt. This decline in market competitiveness can arise from factors such as increased carbon pricing, heightened vulnerability to energy price fluctuations, asset devaluation, more stringent environmental regulations, and evolving consumer preferences, ultimately elevating the risk of default for these counterparties.

Transition risk breaks down into the question of how fast and vehement the transformation is happening for a given sector – and, therefore, how likely it is for a given company to not be able to keep up with it and suffer economic damage accordingly.










## Explainer 2.2 – Climate-related opportunities

- 2.15 Climate-related opportunities refer to potential positive effects arising from climate change for a company. Efforts to mitigate and adapt to climate change can also present climate-related opportunities for companies.
- 2.16 To effectively embed climate risks and opportunities into the business strategy, companies should begin with a thorough climate risk materiality assessment to identify primary climate-related risks drivers affecting their operations and to assess exposure to them. Companies may consider the NGFS assessment in **Figure 2.3**.

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<sup>15</sup> <https://www.ngfs.net/en/ngfs-climate-scenarios-central-banks-and-supervisors>

**Figure 2.3 – Example of climate-driven financial risks and opportunities**

Climate-related risks			Impacts	Financial risks	Financial opportunities
Physical risks	Acute	Floods, wildfires, extreme winds   	Damages to the operations of FI's corporate clients' manufacturing facilities and	<b>Credit risk:</b> Disruptions and damages result in increased costs and reduced revenues affecting corporation's ability to repay loans and increase loan default rates	Finance investments in climate resilience and adaptation measures such as infrastructural upgrades or supply chain monitoring analytics
	Chronic	Heatwaves, droughts, sea level rise   	Decrease in labor and agriculture productivity, disruptions to energy generation	<b>Credit risk:</b> The decline in profitability of affected corporates can lead to increase default rates and LGD for banks	Finance investments in energy efficient cooling, water-efficient irrigation systems, energy management systems
Transition risks	Policy risk	Introduction of a carbon tax/pricing scheme to limit utilization of fossil fuels 	Higher costs for oil & gas companies and coal-fired power producers. Reduction in market demand for these companies' products	<b>Market risk:</b> Decrease in these companies' assets market valuation	Invest in green assets such as renewable energy infrastructure or companies aligned with low-carbon transition
	Technology risk	Technological innovation results in a decline in renewable energy costs 	Reduced market shares and pricing of fossil-fuel based companies	<b>Credit &amp; market risk:</b> Reduced sales and profits lead to higher default rates and LGD and/or decreased asset value	Invest in renewable energy and supporting infrastructure and clean technology providers
	Reputational risk	Loss of clients/investors due to fossil fuel exposure 	Sentiment shifts lead to a sudden decline in price/valuation of carbon-intensive assets held by and FI and sector stigmatization	<b>Liquidity risk:</b> Inability to sell such assets	Adopt and disclose in alignment with IFRS S2 and engage clients to decarbonize and implement the IFRS S2 .

Source: NGFS (2020) Overview of Environmental Risk Analysis by FIs<sup>16</sup>.

<sup>16</sup> [https://www.ngfs.net/sites/default/files/medias/documents/overview\\_of\\_environmental\\_risk\\_analysis\\_by\\_financial\\_institutions.pdf](https://www.ngfs.net/sites/default/files/medias/documents/overview_of_environmental_risk_analysis_by_financial_institutions.pdf)

### **Helpful Tip 2.1 – Time horizons**

Definitions of short, medium, and long term time horizons can vary between companies and depend on many factors, including industry-specific characteristics and the time horizons over which users of general-purpose financial reports conduct their assessments of companies in a given industry (IFRS S1.31).

Depending on their particular circumstances, companies might define time horizons by reference to investment and business cycles, or strategic planning horizons, the life of assets or other factors. As an example, while applying IFRS S2, the following factors can be considered when determining the time horizon:

- Nature of climate-related risks: most climate-related physical risks tend to manifest over medium and long terms, so longer time horizons may be necessary to capture the effects of chronic climate-related physical risks such as sea level rise.
- Strategic objectives: companies may refer to the national climate-related targets published by the Ministry of Environment and Climate Change

### **Helpful Tip 2.2 – Trade-offs**

The Standards do not define “trade-offs”, but in general the concept refers to situations where there is a need to balance disadvantages in some aspects against gains in others.

In this context, IFRS S1.B44 provides the example of a company that considers the potential effects of restructuring its operations in response to a sustainability-related risk on the future size and composition of its workforce.

### **Helpful Tip 2.3 – Quantitative information**

Quantitative information may be disclosed as a single amount or as a range (IFRS S1.36 and S2.17), and is not required if:

- the current and anticipated financial effects of sustainability-related risks and opportunities are not separately identifiable (IFRS S1.38(a) and S2.19(a));
- the level of measurement uncertainty in estimating the effects of sustainability risks and rewards is so high that the information would not be useful (IFRS S1.38(b) and S2.19(b)); or
- the company does not have the skills, capabilities or resources to provide quantitative information on anticipated financial effects (IFRS S1.39 and S2.20).

If the conditions for not providing quantitative information are satisfied, the company should:

- explain why it has not provided quantitative information (IFRS S1.40(a) and S2.21(a));

- provide quantitative information about the combined financial effects of sustainability-related risks and opportunities and other relevant factors, unless information about the combined financial effects would not be useful (IFRS S1.40(c) and S2.21(c)); and
- provide qualitative information (IFRS S1.40(b) and S2.21(b)).

The qualitative information a company is required to disclose includes the line items, totals and subtotals likely to be affected or that already have been affected by the effects of sustainability-related risks and opportunities (IFRS S1.40(b) and S2.21(b)).

### **Industry-specific requirements**

- 2.17 IFRS S2 is supplemented with industry-specific guidance on identifying, measuring and disclosing information about climate-related risks and opportunities for each sector<sup>17</sup>, based on SASB standards, and depending on their permitted activities.
- 2.18 Companies should consider adhering to the guidelines outlined in any of the relevant guidance volumes as per the activities of each company.

### **Transition planning – Company’s decarbonisation pathway**

- 2.19 IFRS S2.9 (c) and IFRS S2.14(a)(iv) require a company to disclose its climate-related transition plan if it has one.
- 2.20 IFRS S2 Appendix A 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”.
- 2.21 Transition plans are used by companies to set out their targets, actions, or resources for transitioning towards a lower-carbon economy, including actions they may take in reducing GHG emissions. This helps investors assess the effects of climate-related risks and opportunities on a company’s cash flows, access to finance and cost of capital.
- 2.22 During May 2024, the ISSB announced it will work “to streamline and consolidate frameworks and standards for disclosures about transition plans” to support the application of IFRS S2 transition plan-related disclosure requirements and to reduce fragmentation in such information provided to the market.
- 2.23 The QFMA encourages companies to consider formulating transition plans to harness green and transition opportunities, as from the first year of reporting. This supports the State of Qatar’s

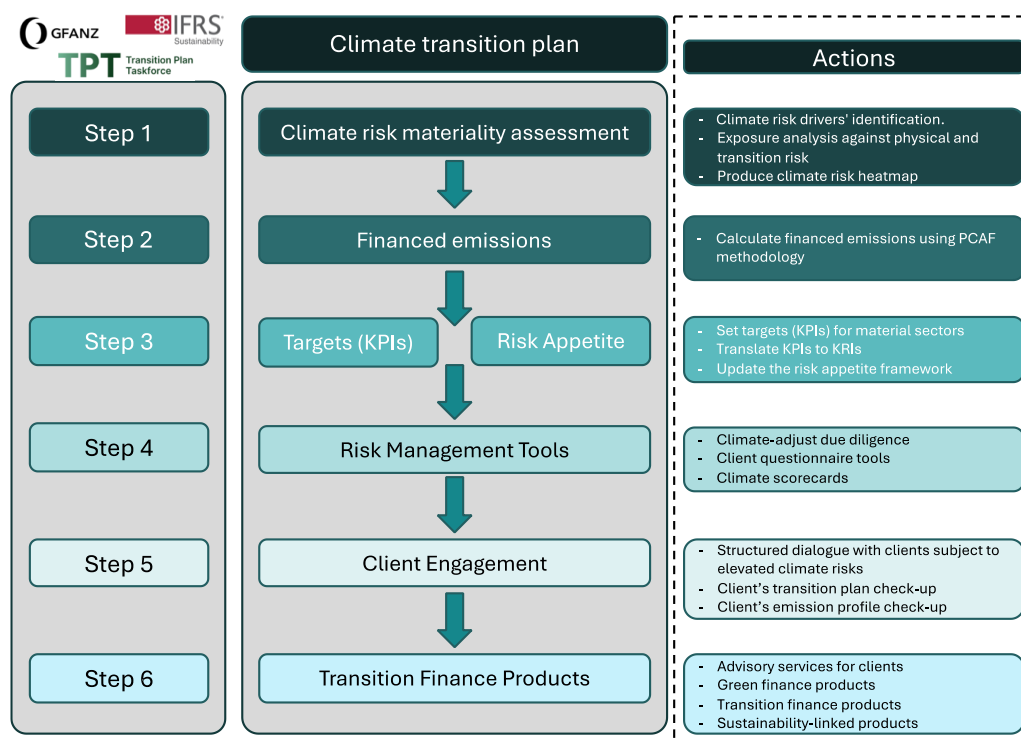
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<sup>17</sup> <https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg-volume-15-asset-management-and-custody-activities-part-b.pdf?bypass=on>

National Determined Contributions' ambition to reduce GHG emissions by 25% by 2030.

- 2.24 The Transition Plan Taskforce ("TPT")<sup>18</sup> and the Glasgow Financial Alliance for Net Zero ("GFANZ") are anticipated to become the global norm on transition planning.
- 2.25 GFANZ has published a series of reports and workshops<sup>19</sup> that companies can consider that outline good practices for integrating climate-related risks into business strategies. **Figure 2.4** illustrates a series of steps that companies could undertake to effectively integrate climate risk and opportunities into their business strategy.

**Figure 2.4 – Good practices for integrating climate risk into the business strategy<sup>20</sup>**



Source: Glasgow Financial Alliance for Net Zero (GFANZ), 2023

<sup>18</sup> <https://transitiontaskforce.net/>

<sup>19</sup> Workshops: <https://www.gfanzero.com/workshops-in-a-box/>

<sup>20</sup> Retrieved from GFANZ Recommendations and guidance on FIs net-zero transition plans: <https://www.gfanzero.com/publications/>

## Financial position and financial performance

- 2.26 The Standards discourage companies from duplicating information in the general-purpose financial report, including unnecessary duplication of information also provided in the related financial statements (IFRS S1.D26(b)).

## Risk management

- 2.27 The QFMA notes that the Governance Code for Companies Listed on the Main Market requires companies to have robust and comprehensive risk management frameworks in place that effectively identify, measure, control and report on all material risks that companies are, or may be, exposed to.
- 2.28 Risk management requirements (see **Table 2.3**) in IFRS S1.43 are designed to enable users of general-purpose financial reports to understand a company's processes for identifying, assessing, prioritising and monitoring sustainability-related risks and opportunities.
- 2.29 Requirements in IFRS S2.25 on management of climate-related risks require disclosure of the same information, and cover such information as:
- Policies and practices that have been put in place to support thorough management of sustainability-related risks and opportunities; and
  - Tools such as scenario analysis used to identify, assess and prioritise both risks and opportunities that come from environmental, social and economic sources, and how those tools are used.
- 2.30 The objective of disclosing policies is to understand a company's approach in identifying, assessing, prioritising, and monitoring sustainability and climate-related risks and opportunities. It emphasises the need for integration of these processes into the company's overall risk management framework.
- 2.31 Specifically, companies should disclose information about their processes and policies for identifying, assessing, and monitoring sustainability and climate-related risks and opportunities. Additionally, IFRS S2.22 and S2.25(b) highlight the importance of utilising climate-related scenario analysis to inform the identification of opportunities.



**Table 2.3 – Risk Management Disclosures Overview**

Companies are required to disclose information about:	
<b>IFRS S1.44</b>	<p><b>Risk Management</b></p> <p>The processes and related policies used to identify, assess, prioritise and monitor sustainability-related risks (IFRS S1.44(a)) including information about:</p> <ul style="list-style-type: none"> <li>■ inputs and parameters used (IFRS S1.44(a)(i));</li> <li>■ whether and how sustainability-related risks are prioritised over other types of risk (IFRS S1.44(a)(ii));</li> <li>■ how the nature, likelihood and magnitude of risks are assessed (for example, using qualitative factors or quantitative thresholds or other criteria) (IFRS S1.44(a)(iii));</li> <li>■ whether and how scenario analysis is used to inform the identification of sustainability-related risks (IFRS S1.44(a)(iv));</li> <li>■ how sustainability-related risks are monitored (IFRS S1.44(a)(v)); and</li> <li>■ whether and how sustainability-related risk management processes have been changed since the last reporting period (IFRS S1.44(a)(vi)).</li> </ul> <p>The company must also disclose:</p> <ul style="list-style-type: none"> <li>■ the processes the company uses to identify, assess, prioritise and monitor sustainability-related opportunities (IFRS S1.44(b)); and</li> <li>■ the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring sustainability-related risks and opportunities are integrated into and inform the company's overall risk management process (IFRS S1.44 (c)).</li> </ul>
<b>IFRS S2.25 (b)</b>	How a company uses climate- <b>scenario analysis</b> to inform its identification of climate-related opportunities.
<b>IFRS S1.44 (c) and IFRS S2.26</b>	<p><b>Integration</b></p> <ul style="list-style-type: none"> <li>■ The extent to which and how sustainability-related risk and opportunity identification, assessment, prioritisation and monitoring processes have been integrated into the company's overall risk management process (IFRS S1.44(c)).</li> <li>■ In preparing disclosures to fulfil the requirements in IFRS S2.25, a company must avoid unnecessary duplication with IFRS S1 requirements. For example, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the company would avoid duplication by providing integrated risk management disclosures instead of separated disclosures (IFRS S2.26).</li> </ul>

## Metrics and targets

- 2.32 Requirements in IFRS S1.45 and IFRS S2.27 on metrics and targets (see **Table 2.4**) are designed to enable users of general-purpose financial reports to understand a company's performance in relation to its sustainability and climate-related risks and opportunities respectively, including progress towards any targets the company has set and any targets it is required to meet by national Law or Regulation issued by the Ministry of Environment and Climate Change ("MECC").
- 2.33 Where the company takes the metrics from a source other than IFRS Sustainability Disclosure Standards, the company should identify the source and the metric taken from the source (IFRS S1.49).
- 2.34 Where the company develops the metrics, the company should explain how the metric was defined, what type of metric it is (absolute, relative or qualitative), whether it has been validated by a third party (and if so who) and what method the company used to calculate the metric (IFRS S1.50).

**Table 2.4 – Metrics and Targets Disclosures Overview**

Companies are required to disclose information about:	
<b>IFRS S1</b>	<p><b>Metrics</b></p> <p>For each sustainability-related risk and opportunity that could reasonably be expected to affect the company's prospects, the company is required to disclose metrics. These metrics should:</p> <ul style="list-style-type: none"> <li>■ enable investors to understand the company's performance in relation to sustainability-related risks and opportunities, including progress towards legal and company-specified targets (IFRS S1.45);</li> <li>■ be reported as required by the Standards. When there is no applicable IFRS disclosure standard, companies should apply judgment to identify relevant information (IFRS S1.57);</li> <li>■ refer to and consider metrics associated with the disclosure topics included in the SASB Standards (IFRS S1.58 (a));</li> <li>■ refer to and consider the applicability of other sources (to the extent that these sources assist in meeting the objective of the disclosure and do not conflict with the Standards) (IFRS S1.58 (b));</li> <li>■ include metrics the company uses to measure and monitor sustainability-related risks and opportunities and associated performance in relation to targets (IFRS S1.46 (b));</li> <li>■ be associated with specific business models, activities and common features that characterise participation in an industry</li> </ul>

**Companies are required to disclose information about:**

	<p>(IFRS S1.48);</p> <ul style="list-style-type: none"> <li>■ be reported consistently over time. If changes are made, such as redefinition or replacement of a metric, the company is required to disclose a revised comparative amount if practicable, explain the change and the reason for the change, including why it provides more useful information (IFRS S1.52 and IFRS S1.B52); and</li> <li>■ be meaningful, clear and precise (IFRS S1.53).</li> </ul>
<b>IFRS S2.29</b>	<p><b>Climate-related Metrics</b></p> <ul style="list-style-type: none"> <li>■ Companies are required to disclose the following climate-related metrics: <ul style="list-style-type: none"> <li>○ GHG emissions classified as scope 1, 2 and 3;</li> <li>○ Climate-related transition risks;</li> <li>○ Climate-related physical risks;</li> <li>○ Capital deployment; and</li> <li>○ Internal carbon prices.</li> </ul> </li> <li>■ Requirements related to industry-based climate-related metrics and targets associated with one or more particular business models, activities or other common features that characterise participation in an industry. For this purpose, companies are required to refer to and consider the applicability of the industry-based metrics described in the Industry-based Guidance on Implementing IFRS S2.</li> </ul> <p>(See <a href="#">Helpful tip 2.4 on Cross-industry related metrics</a> and Chapter 5 para 5.1 for details on GHG emissions scope 1, 2 and 3)</p>
<b>IFRS S1.51</b>	<p><b>Targets</b></p> <p>Targets may be set by the company or may be required by Law or Regulation (IFRS S1.45). A company is required to clearly label and define that target. For each target, the company is required to disclose:</p> <ul style="list-style-type: none"> <li>■ The target—whether qualitative or quantitative and whether set by the company or by national Law or Regulation issued by the MECC;</li> <li>■ The metric used to set the target and to monitor progress towards its achievement;</li> <li>■ The period to which the target applies;</li> <li>■ The base period from which progress is measured;</li> <li>■ Any milestones and interim targets;</li> <li>■ Performance against each target and an analysis of trends or changes in the company's performance; and</li> <li>■ Any revisions to the target together with an explanation about the revisions (IFRS S1.51).</li> </ul>
<b>IFRS S2.33-37</b>	<b>Climate-related Targets</b>

## Companies are required to disclose information about:

- Target-setting details, including:
  - objective of the target (i.e.: mitigation, adaptation or conformance with science-based targets);
  - part of the company the target applies to;
  - how it is informed by latest international agreements on climate change; and
  - process for reviewing, monitoring, revising and validating targets.
- Climate-related targets required, including details regarding the measurement and use of:
  - GHG<sup>21</sup>; and
  - Carbon credits<sup>22</sup>.
- A company shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:
  - whether the target and the methodology for setting the target has been validated by a third party;
  - the company's processes for reviewing the target;
  - the metrics used to monitor progress towards reaching the target; and
  - any revisions to the target and an explanation for those revisions (IFRS S2.34).

This disclosure enables stakeholders to understand if the target set has been tested and confirmed by a third party, in relation to the climate science, as well as how the company monitors the progress in reaching the target.
- A company shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the company's performance (IFRS S2.35).  
 This disclosure enables stakeholders to understand whether the company is making progress to meet the targets set and the extent of the progress made. The disclosure may be qualitative (e.g. description of improvement or new initiatives during the reporting period) or quantitative (e.g. detailed comparison of progress made with respect to climate-related targets in the current and past reporting periods). Including an analysis of trends or changes in the company's performance

<sup>21</sup> The current State of Qatar National Determined Contribution's ambition is to reduce GHG emissions by 25% by 2030.

<sup>22</sup> At this stage, requirements related to carbon credits do not apply as the State of Qatar has not implemented Article 6 of the Paris Agreement. This situation may evolve, and companies should continue to monitor regulatory developments in this area.

**Companies are required to disclose information about:**

	<p>would enable stakeholders to understand a company's progress to address climate-related risks and opportunities over the short, medium and long-term time horizon.</p> <ul style="list-style-type: none"> <li>■ For each GHG emission target disclosed in accordance with IFRS S2.33-35, a company must disclose: <ul style="list-style-type: none"> <li>○ which GHG is covered by the target;</li> <li>○ whether Scope 1, Scope 2 or Scope 3 GHG emissions are covered by the target;</li> <li>○ whether the target is a gross GHG emissions target or a net GHG emissions target. If the company discloses a net GHG emissions target, the company is also required to separately disclose its associated gross GHG emissions target;</li> <li>○ whether the target was derived using a sectoral decarbonisation approach; and</li> <li>○ the company's planned use of carbon credits<sup>23</sup> to offset GHG emissions to achieve any net GHG emissions target. In explaining its planned use of carbon credits, the company should disclose: <ul style="list-style-type: none"> <li>- the extent to which, and how, achieving any net GHG emissions target relies on the use of carbon credits;</li> <li>- which third-party scheme(s) will verify or certify the carbon credits;</li> <li>- the type of carbon credit, including whether the underlying offset will be nature-based or based on technology carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and</li> <li>- any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the company plans to use (for example, assumptions regarding the permanence of the carbon offset) (IFRS S2.36).</li> </ul> </li> </ul> </li> <li>■ Gross GHG emissions targets reflect the total changes in GHG emissions planned within the company's value chain. Net GHG emissions targets are the company's targeted gross GHG</li> </ul>
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<sup>23</sup> At this stage, requirements related to carbon credits do not apply as the State of Qatar has not implemented Article 6 of the Paris Agreement. This situation may evolve, and companies should continue to monitor regulatory developments in this area.

**Companies are required to disclose information about:**

	emissions minus any planned offsetting efforts (e.g. the company's planned use of carbon credits to offset its GHG emissions) (IFRS S2.B68).
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**Helpful Tip 2.4 Cross-industry metrics**

When preparing disclosures about strategy, IFRS S2.23 requires companies to refer to and consider the applicability of the cross-industry metrics, as described in IFRS S2.29 and industry-based metrics associated with disclosure topics defined in the IFRS S2 Industry-based Guidance on implementing Climate-related disclosures. Companies should consider Volumes 15 to 18 depending on their permitted activities.

The IFRS S2 industry-based Guidance is useful because:

- Relevant sustainability-related issues vary by industry;
- Investors analyse companies and portfolios by industry and sector;
- Companies can focus on reporting that more closely aligns with their businesses; and
- Focusing on the most relevant information reduces costs and minimises unnecessary additions that may obscure material information.

## Chapter 3 – What processes a company should put in place to support preparation of disclosures required by the Standards

- 3.1 This chapter focuses on some of the key processes or “how to” aspects that support preparation of sustainability-related financial disclosures based on the content elements described in Chapter 2.
- 3.2 While the core content elements are common to all companies, the information disclosed will depend on the company’s unique circumstances, operational context, disclosure strategy and risk profile.
- 3.3 This Chapter provides guidance on:
- **Identifying:** identifying sustainability and climate related risks and opportunities;
  - **Evaluating:** evaluating the materiality of information on sustainability and climate-related risks and opportunities and on using climate scenarios for assessing the resilience of the company’s strategy to climate-related risks; and
  - **Integrating:** considering whether, to what extent and how the identification of sustainability and climate-related risks and opportunities and evaluation processes can be supported by the development of new processes and/or the integration of new considerations into existing processes and systems across the company.
- 3.4 This Chapter should be read in conjunction with the ISSB education material entitled “Sustainability-related risks and opportunities and the disclosure of material information”<sup>24</sup>.

### Identifying

- 3.5 IFRS S1 requires a company to disclose information about its sustainability-related risks and opportunities. Similarly, IFRS S2 requires a company to disclose information about its climate-related risks and opportunities.
- 3.6 This section outlines what the Standards say about the **sources** of those risks and opportunities, the **types** of sustainability-related risks and opportunities to which the Standards apply and **how** a company identifies those risks and opportunities.

### Sources of sustainability-related risks and opportunities

- 3.7 Many factors can give rise to sustainability and climate-related risks and opportunities.

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<sup>24</sup> See: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-materiality-education-material.pdf>

Generally, risks come from interactions between a company and its stakeholders, society, the economy, natural environment and value chain.

- 3.8 As described in IFRS S1.2: “Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates. The entity’s dependencies on those resources and relationships and its impacts on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.”
- 3.9 The interactions that the Standards refer to can include changes to resources and relationships (see **Explainer 3.1**) on which the company depends (that is, “dependencies”) and impacts on those resources and relationships.
- 3.10 The interactions can be direct—for example, as a result of the company’s business model and operations, and indirect—for example, as a result of changes in the external environment in which the company operates.
- 3.11 IFRS S1.B3 explains the relationship between the value that a company creates, preserves or erodes for others and the company’s own ability to succeed and achieve its goals.

### **Explainer 3.1 – Resources and relationships**

- 3.12 The Standards describe “resources and relationships” as comprising:
- Various forms—resources and relationships can take various forms, including, intellectual, human, social or financial (IFRS S1.B4).
  - Internal or external—resources and relationships can be internal, such as the company’s workforce, its know-how or its organisational processes, or they can be external, such as materials and services the company needs to access or the relationships it has with suppliers, distributors and customers (IFRS S1.B4).
  - Balance sheet assets—resources and relationships include those recognised as assets in the company’s financial statements (IFRS S1.B4).
  - The value chain—resources and relationships include those throughout the company’s value chain, including supply and distribution channels, the effects of consumption and disposal of the company’s products and the company’s sources of capital and investments (including in associates and joint ventures). Risks to the company’s value chain and business partners can have contagion effects. A company both depends on resources and relationships throughout the value chain and affects those resources and relationships, which contributes to their preservation, regeneration and development, or to their degradation and depletion (IFRS S1.B5).

**What are the sustainability-related risks and opportunities that could reasonably be expected to affect the company’s prospects?**

- 3.13 The Standards require a company to disclose sustainability and climate-related risks and



opportunities that could affect the company's prospects. These are risks and opportunities that could reasonably be expected to affect the company's cash flows, access to finance or cost of capital over the short, medium or long term (IFRS S1.3).

- 3.14 Sustainability-related risks and opportunities that could not reasonably be expected to affect a company's prospects are outside the scope of IFRS S1 (IFRS S1.6) and IFRS S2 (IFRS S2.4).
- 3.15 However, some types of information may still influence primary users' decisions regardless of the magnitude of the potential effects on the future event or the timing of that event. For example, if a particular sustainability-related risk is highly scrutinised by users (IFRS S1.B24).
- 3.16 A company should use its risk management processes to identify sustainability-related risks and opportunities that could reasonably be expected to affect the company's prospects. Judgment may be used when identifying sustainability-related risks and opportunities. The company is required to disclose the information to enable users to understand the judgement (IFRS S1.75 (a)).
- 3.17 In addition, the company must:
- Use the Standards where available, including the Standard that specifically applies to the sustainability-related risk or opportunity in question, such as IFRS S2 in the case of climate-related risks (IFRS S1.54 and IFRS S1.56).
  - Use all available reasonable and supportable information as at the reporting date, without undue cost and effort (IFRS S1.B6(a)).
  - Use all reasonable and supportable information available at the reporting date to determine the scope of the company's value chain, including its breadth and composition in relation to each sustainability and climate-related risk and opportunity. The company is required to determine the scope of its value chain because different sources of risks and opportunities arise within the value chain (IFRS S1.B6(b)).
  - Refer to and considers the applicability of disclosure topics in the industry-based SASB Standards (IFRS S1.55(a)).
  - Apply judgment when determining which sources of guidance to apply IFRS S1.75(b). In addition to the Standards, the company shall refer to the SASB standards and may refer to and consider:
    - recent pronouncements of standard setting-bodies whose requirements are designed to meet the information needs of primary users (IFRS S1.55(b)(ii)); and
    - the sustainability-related risks and opportunities identified by companies that operate in the same industry(ies) or geographical region(s) (IFRS S1.55(b)(iii)).
- 3.18 The company may refer to and consider the applicability of Global Reporting Initiative ("GRI") Standards and European Sustainability Reporting Standards, provided that:
- those sources are used to meet the objectives of the Standards;
  - those sources do not conflict with the Standards;

- the company applies those sources according to the requirements of the Standards. This means that the resulting disclosures are relevant to the decision-making of users of general-purpose financial reports and faithfully represent the sustainability-related risk or opportunity concerned; and
  - applying those sources does not obscure material information required by the Standards (IFRS S1.C2).
- 3.19 The company should consider the ISSB Education Material on Sustainability-related risks and opportunities and the disclosure of material information, Chapter 2<sup>25</sup>. It details the concepts underlying sustainability-related risks and opportunities.

#### **How should a company identify those risks and opportunities?**

- 3.20 A company shall use all available reasonable and supportable information at the reporting date to prepare and disclose sustainability-related financial information, without undue cost or effort, about sustainability-related risks and opportunities that could reasonably affect the company's prospects (see **Explainer 3.2**).

#### **Explainer 3.2 – Reasonable and supportable information**

- 3.21 Reasonable and supportable information is information that:
- is specific to the company;
  - takes account of general conditions in the external environment;
  - includes information about past events, current conditions and forecasts of future conditions; and
  - in some cases, is specified by the Standards (IFRS S1.B8).
- 3.22 A company can use various sources of data, both internal and external, including but not limited to risk-management processes, industry and peer group experience, external ratings, and reports and statistics (IFRS S1.B9).
- 3.23 It is important to note:
- Information used by a company when preparing its financial statements, operating its business model, setting its strategy and managing its risks and opportunities is considered to be available to the company without undue cost and effort (IFRS S1.B9).
  - A company is not required to undertake an exhaustive search for information—primary users' information needs and the cost and efforts for the company should be balanced (IFRS S1.B10).

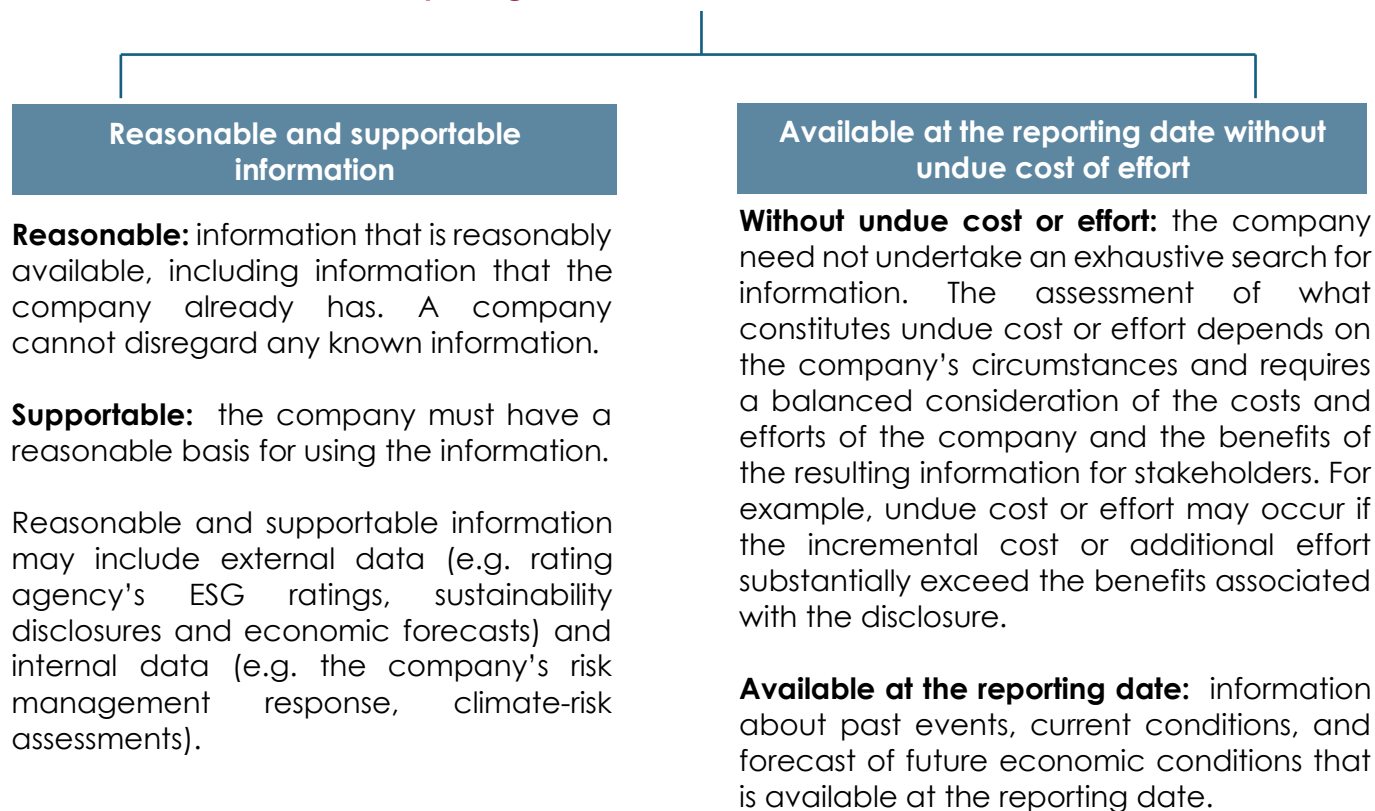
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<sup>25</sup> <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-materiality-education-material.pdf>

- The assessment of what constitutes undue costs and effort can change over time as circumstances change. As much as possible, a company must use consistent data and make consistent assumptions when preparing sustainability-related financial information and when preparing the related financial statements with the corresponding data and assumptions.

3.24 The diagram below (see **Explainer 3.3**) summarises the steps to be taken:

**Explainer 3.3 – Reasonable and supportable information that is available at the reporting date without undue cost or effort**



3.25 Companies may also use existing information provided by academic institutions, for example, a recent paper published in January 2023 shows the impact of climate change on electricity consumption in Qatar.<sup>26</sup>

<sup>26</sup> Warming-induced increase in power demand and CO2 emissions in Qatar and the Middle East; Journal for cleaner production, January 2023: <https://www.sciencedirect.com/science/article/abs/pii/S0959652622049332>

## Evaluating

- 3.26 This section considers the definition of “**materiality**” in IFRS S1 and S2, what is meant by “material information” and the types of evaluations to support the judgment processes in identifying material information. It then provides an introduction to scenario analysis, which helps a business in evaluating its resilience to sustainable and climate-related risks. Building off the previous section which focuses on identifying material risks and opportunities, this section pertains to the evaluation of those risks and opportunities and the specific information that is considered material according to the IFRS Standards and therefore should be disclosed.

### Evaluating materiality

- 3.27 IFRS S1 requires a company to disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect its prospects (IFRS S1.17 and IFRS S1.B13) given the company’s own circumstances (IFRS S1.B16).
- 3.28 Material information is that information which, if omitted, misstated or obscured could reasonably be expected to influence primary users decisions.
- 3.29 Determining what information might be material can be broken down into **two** steps:
1. **Identifying** sustainability-related risks and opportunities that could affect a company’s prospects; and
  2. **Applying judgment** to identify material information for sustainability-related financial disclosure and testing resilience (IFRS S1.75(c)).
- 3.30 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 (see **Explainer 3.4**).
- 3.31 These include financial statements and sustainability-related financial disclosures and provide information about a specific reporting company (IFRS S1.18 and IFRS S1.B13).

### Explainer 3.4 – Informing decisions of primary users

- 3.32 Information influences decisions of primary users of general-purpose financial reports when it informs their decisions about:
- Providing resources to the company;
  - Buying, selling or holding equity and debt instruments;
  - Providing or settling loans and other forms of credit; and
  - Exercising rights to vote on, or otherwise influence, the company’s management’s actions

that affect the use of the company's economic resources (IFRS S1.B14).

- 3.33 The decisions depend on users' expectations about returns, for example, dividends, principal and interest payments or market prices (IFRS S1.B15).
- 3.34 When assessing whether information could influence the decisions of primary users of general-purpose financial reports, management should consider the characteristics of the users of information and work on the assumption that they have reasonable knowledge of the business and economic activities and will review and analyse the information diligently (IFRS S1.B16-B17).
- 3.35 Primary users of general-purpose financial reports may have different, and sometimes even conflicting information needs, but IFRS S1 is designed for companies to disclose sustainability-related financial information that meets the common information needs of primary users (IFRS S1.B18).

#### **Definition of materiality**

- 3.36 According to IFRS S1 Appendix A, "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."
- 3.37 For the purposes of IFRS S1 and IFRS S2, "materiality" is company-specific, and it is based on the nature or magnitude, or both, of the items to which the information relates, in the context of the company's sustainability-related financial disclosures (IFRS S1.14). IFRS S2 does not contain any specific requirements or guidance on materiality because the provisions in IFRS S1 apply equally to climate - related disclosures.
- 3.38 The definitions of "material" and "material information" in IFRS S1 align with the International Accounting Standards Board's definitions in its Conceptual Framework and IAS 1 Presentation. "Material information" in the context of sustainability-related financial disclosures is defined in IFRS S1.14 and in IFRS S1 Appendix A.
- 3.39 Using conceptually aligned definitions supports connectivity across a company's general-purpose financial reports prepared in accordance with IFRS Accounting Standards and Sustainability Disclosure Standards.
- 3.40 The IFRS Sustainability Disclosure Standards do not specify any thresholds for materiality or predetermine what might be material in a particular situation. A company is therefore required to make judgments about materiality and material information in the context of sustainability-related disclosures and the objectives of IFRS S1 and IFRS S2.
- 3.41 Materiality judgements are specific to the company (IFRS S1.B19).

3.42 However, a company is required to consider:

- Requirements of the Standards specifically applicable to the sustainability-related risk or opportunity, or in the absence of specifically applicable Standards, the sources listed in IFRS S1 57-58 (IFRS S1.B20);
- Quantitative and qualitative factors. For example, the nature and magnitude of the effects of sustainability-related risks or opportunity on the company (IFRS S1.B21);
- Sustainability-related risks and opportunities judged to be material because they are highly scrutinised by users of general-purpose financial reports, even when those risks and opportunities might not affect the company's cash flows until many years in the future (IFRS S1.B24);
- Risks and opportunities that are unlikely to occur but have a potentially high impact. The company must consider relationships between the impacts of the company's activities on the environment and society and the impacts of the environment and society on its cash flows, cost of capital and access to finance (Basis for Conclusions on IFRS S1.BC70(a))<sup>27</sup>;
- Changes in assumptions and conditions over time (Basis for Conclusions on IFRS S1.BC70(b)); and
- Potential changes in the information needs of users of general-purpose reports (Basis for Conclusions on IFRS S1.BC70(c)).

3.43 When judging whether information about possible future events with uncertain outcomes is material, the company must consider:

- All pertinent facts and circumstances that could affect possible outcomes (IFRS S1.B23).
- The potential effects of the events on the amount, timing and uncertainty of the company's future cash flows over the short, medium and long term—that is, the possible outcome, the range of possible outcomes and the likelihood of the possible outcomes within that range (IFRS S1.B22).
- Low-probability and high-impact outcomes and possible future events judged to be more likely to occur and with significant potential effects. Low-probability and high-impact outcomes might be material either individually or in combination with information about other such outcomes (IFRS S1.B23).
- The effect of potential risks individually and in aggregate (IFRS S1.B23).

3.44 A company shall reassess materiality judgements at each reporting date so that management can regularly take account of changes in the company's circumstances or in the external environment (IFRS S1.B28).

3.45 If the relevant risk is not reasonably expected to affect financial materiality, the company does

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<sup>27</sup> <https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2023/issb-2023-c-basis-for-conclusions-on-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information-part-c.pdf?bypass=on>

not need to report on it.

### **Evaluating with a climate-related scenario analysis**

- 3.46 IFRS S2.22 requires a company to use climate-related scenario analysis to assess its resilience to climate-related risks. IFRS S2 includes application guidance on how to apply scenario analysis.
- 3.47 Scenario analysis is a tool to enhance critical strategic thinking and to explore possible paths of development leading to specific outcomes. Scenario analysis is intended to explore alternatives that may result in different outcomes, be it positive or negative, to identify potential responses by the company to manage these.
- 3.48 Some of the considerations that might inform the development of scenario analysis processes include:
- **Using an approach commensurate with the company's circumstances:** A company is permitted to use an approach to climate-related scenario analysis that is commensurate with its circumstances (IFRS S2.22) when the analysis is conducted and each time it is repeated (and, at a minimum, in line with its strategic planning cycle) (IFRS S2.B3).

When assessing its circumstances, a company must consider:

- Its exposure to climate-related risks and opportunities. Generally, the higher the degree of exposure to climate-related risks, the more quantitative and technically sophisticated the approach to scenario analysis is (IFRS S2.B4).
- Information about how the climate-related risks and opportunities are identified and the processes used to assess, prioritise and monitor climate-related risks and opportunities to inform the company's assessment of its exposure to climate-related risks (IFRS S2.B5).
- The skills, capabilities and resources that are available to the company from internal and external sources. The assessment of circumstances should take account of the maturity of climate-related scenario analysis within the company and the industry in which it operates. For example, in industries where climate-related scenario analysis is an established practice, a company should have strengthened its skills and capabilities (IFRS S2.B6–B7).
- Proportionality mechanism: The company should use all reasonable and supportable information that is available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions, when identifying risks and opportunities. A qualitative approach (instead of quantitative approach) is allowed if a company lacks skills, capabilities or resources (IFRS S2.B1 to IFRS S2.B7).

- **Determining an appropriate approach:** When a company determines the appropriate approach to climate-scenario analysis, it:
  - Takes account of the assessment of circumstances above and the way in which those circumstances might change over time, which in turn will affect the company's approach to scenario analysis as its skills, capabilities and resources develop (IFRS S2.B3 and S2.B16).
  - Uses all reasonable and supportable information available at the reporting date, including information about past events, current conditions and forecasts of future conditions, qualitative and quantitative information, and information obtained from external sources or developed internally (IFRS S2.B9).
  - Applies judgment to evaluate inputs and analytical choices that will enable the company to consider all reasonable and supportable information that is available at the reporting date without undue cost or effort. The degree of judgment required depends on the availability of detailed information for the time horizons over which the company conducts the resilience assessment (IFRS S2.B10).
  
- **Selecting inputs to the scenario analysis:** A company must select inputs into the scenario analysis, including:
  - Which scenario(s) to use—for example, international or regional, publicly available or bespoke, consistent with a range of temperatures and orderly or disorderly transition outcomes. The company may use one or more climate-related scenarios but must have a reasonable and supportable basis for its choices. For example, a company with significant exposure to physical climate-related risks might base its analysis on climate-related scenarios that take account of local conditions (IFRS S2.B12).
  - Which variables or other inputs should inform the analysis, in particular, those relevant to understanding the resilience of the company's strategy and business model to climate-related changes, developments and uncertainties and the company's particular circumstances, including its activities and the geographical location in which they take place (IFRS S2.B13).
  - Which analytical choices should be prioritised—for example, qualitative analysis or quantitative modelling (IFRS S2.B14–B15).

#### Helpful Tip 3.4 – Scenario analysis

The company should have a reasonable and supportable basis for selecting and using scenarios, variables and other parameters in a climate-related scenario analysis. IFRS S2.B12 lists examples:



- Companies must consider the State of Qatar’s NDC’s ambition to reduce GHG emissions by 25% by 2030.
- Companies may consider the NGFS climate scenario portal<sup>28</sup>. Companies could use the following four key steps, when conducting a climate scenario analysis:
  - Step 1: Identify the objectives of the exercise and select the time horizon.
  - Step 2: Select the relevant climate scenarios. The NGFS scenarios provide a common starting point to analyse climate-related risks. Companies can modify these scenarios to make them more relevant. They can also use non-NGFS scenarios. Using a selection of different scenarios can provide a more comprehensive view of potential outcomes.
  - Step 3: Assess the impact of climate risks on financial variables.
  - Step 4: Communicate the results, along with the key assumptions underpinning them<sup>29</sup>.

## Integrating

### Establishing a robust system process to capture and manage information

- 3.49 Sustainability-related financial disclosures depend on a robust system of processes that include identification of sustainability-related risks and opportunities, evaluation of materiality and material information, choices involved in climate-scenario analysis and other internal considerations. For example, a company’s identification of sustainability-related risks and opportunities is supported by the systems and processes that capture information about the sources of those risks and opportunities, such as the resources and relationships on which the company’s business model and strategy depends.
- 3.50 In addition to the guidance provided in Chapter 1 covering the first steps in the Standards implementation journey, a company’s senior management may need to consider as a second phase whether, to what extent, and how existing systems and processes can be adapted or whether the company needs to develop new systems and processes to capture and manage information for sustainability-related financial disclosure. This assessment could include:
- *Gap analysis*: an analysis to check for gaps in existing systems and processes. Companies can

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<sup>28</sup> <https://www.ngfs.net/ngfs-scenarios-portal/>

<sup>29</sup> Adapted from the FSI Climate scenario analysis: emerging supervisory practices – Executive Summary: [https://www.bis.org/fsi/fsisummaries/exsum\\_22203.htm](https://www.bis.org/fsi/fsisummaries/exsum_22203.htm)

use the SSE Gap Analysis Checklist<sup>30</sup> to start this process.

- *Suitability*: an evaluation of whether existing processes are suitable for identifying sustainability-related risks and opportunities using the requirements in the **Identify** section above.
- *Prioritisation criteria*: an evaluation of whether prioritisation criteria are suitable for prioritising sustainability-related risks and opportunities. In addition to likelihood and impact, other criteria might apply, such as vulnerability, immanence, and speed of onset.
- *Controls*: an evaluation of the suitability of existing internal risk controls for the mitigation and management of sustainability-related risks within acceptable levels.
- *Contributors*: an evaluation of which departments have relevant processes and expertise to contribute to sustainability-related financial disclosure.
- *Interconnections*: an evaluation of whether existing processes take account of sustainability and climate-related risks and opportunities that might arise from interconnections between different internal and external factors.
- *Uncertainty*: an integration of sustainability-related risks into existing risk management, governance or finance processes. A company may need to adjust these processes to take account of uncertainties, including where sustainability-related risks might occur and their effects and timescales, and the unique characteristics of sustainability-related risks and opportunities.

### **Making use of a disclosure strategy**

- 3.51 A company can manage processes and systems in various ways. One possibility is to develop a sustainability-related financial disclosure strategy as a stand-alone strategy or as part of a wider disclosure strategy.
- 3.52 A disclosure strategy helps a company to take control of its narrative within general purpose financial reports and to limit or balance users' opinions and conclusions based on a variety of information sources. It does this by supporting collaboration, knowledge-sharing and cross-functional, interdisciplinary team discussions and/or regular meetings with professionals from finance, risk management, controls and planning, investor relations, legal, sustainability and communications departments.
- 3.53 Finally, the strategy acts as a reference point and audit trail for documenting, explaining and managing the process of preparing disclosures, including where and how a company has made

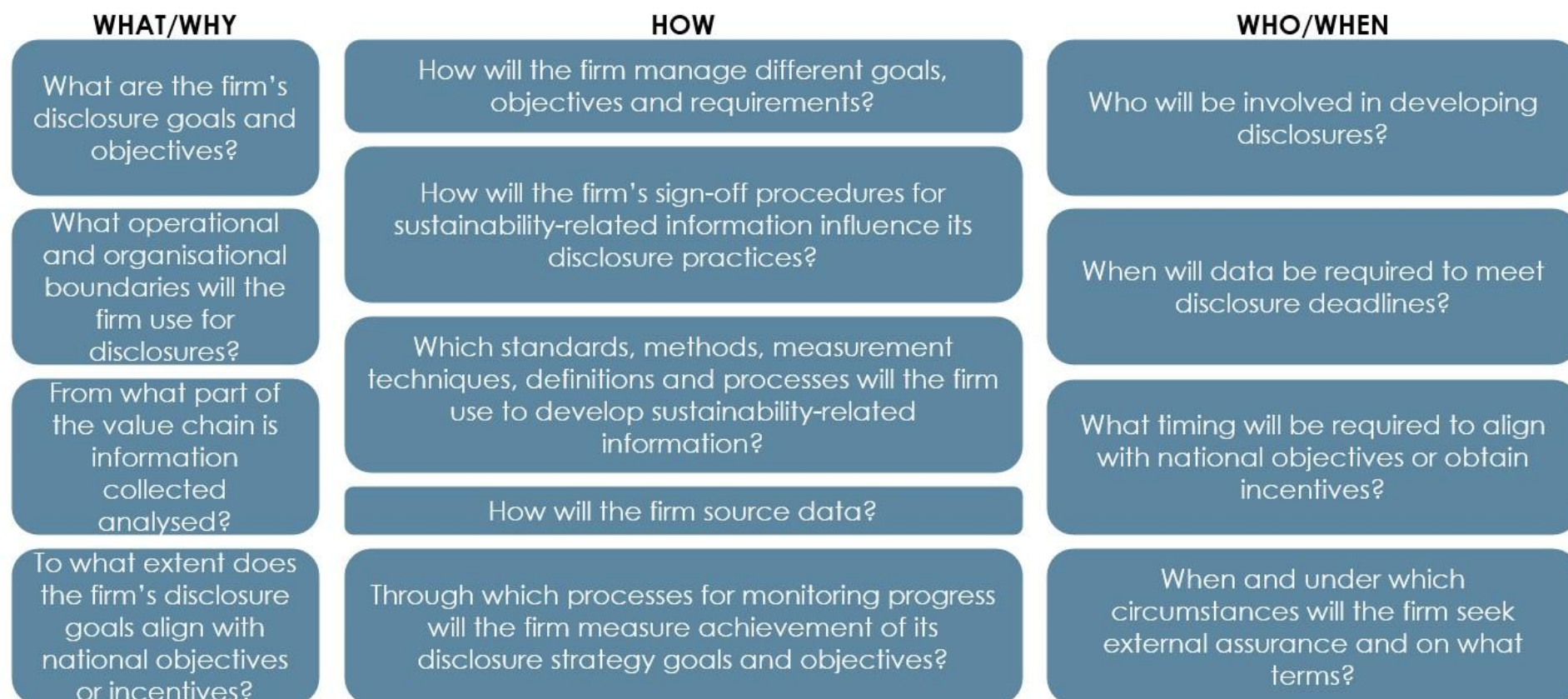
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<sup>30</sup> SSE Gap Analysis Checklist: <https://sseinitiative.org/sites/sseinitiative/files/publications-files/gap-analysis-checklist-1.pdf>

judgements. Developing the strategy can help a company answer several important questions, summarised in **Figure 3.1**.

**Figure 3.1 – Questions a disclosure strategy can answer**

Source: UN SSE Initiative



### Evaluating “what” and “why”

- 3.54 A disclosure strategy can bring clarity to the purpose of sustainability-related disclosures by answering questions such as what are the company’s disclosure goals and objectives? For example, the objectives may include supporting national sustainability objectives in the State of Qatar (See **Helpful Tip 3.5**). These goals will set the boundaries and help companies to also determine the operational boundaries that should be used for disclosure, including how far along the value chain information should be collected.
- 3.55 It is important that companies recognise that each organisation will have unique circumstances and should clearly identify its reasons for disclosure. This should also be re-evaluated on a regular basis.
- 3.56 A company should also communicate its expectations.
- 3.57 A company should not only be aware of the sustainability objectives in the State of Qatar, but other countries where its business activities take place, such as where its main client base is located.

### Helpful Tip 3.5 – Reconcile with national sustainability objectives

When evaluating the ‘what’ and ‘why’ companies may also consider how the company’s disclosure goals reconcile with the national sustainability objectives in the State of Qatar.

At national level, the State of Qatar has committed to environmental objectives listed in the:

- *Revised Nationally Determined Contributions (“NDC”)*, which sets a 25% emissions reduction by 2030 while emphasising economic diversification with mitigation and adaptation co-benefits.
- *Qatar National Vision 2030 (“QNV”)*, which puts emphasis on economic diversification and balanced social, economic, and environmental development with a strong link to human development. To achieve these objectives, the Government recognises the importance of climate change adaptation and mitigation for pollution prevention, human and environmental health, and environmental sustainability as areas of strategic importance.
- *Qatar National Environment and Climate Change Strategy (“QNE”)*, which identifies GHG emissions and air quality, biodiversity, water, circular economy and waste management, and land use as key priority areas with corresponding goals and initiatives.
- *Qatar National Climate Change Action Plan 2030 (“QNCCAP”)*, which consolidates Qatar’s climate actions, covering both mitigation and adaptation, under a cohesive framework.
- *Third Qatar National Development Strategy 2024-2030*, which states that Qatar will put in place measures to invest in water leak detection technology, integrate circular principles into industrial processes and industrial cities, scale up advanced carbon capture and monitoring technologies, adopt renewables and low carbon fuels and deploy plans to rehabilitate natural ecosystems among other initiatives.

### **Evaluating “how”**

- 3.58 Once the end objective or purpose of disclosures (the “what” and “why”) are identified, companies should evaluate how they plan to achieve that objective.
- 3.59 In doing so, companies should:
- answer questions such as what standards, methods, measurement techniques, definitions and processes will the company use to develop sustainability-related information?
  - set out from the start how the company plans to source the data it plans to disclose, and what the company’s sign-off procedures are for sustainability-related information.
- 3.60 Questions that a disclosure strategy can answer include:
- How will the company source data?
  - Which existing systems and internal controls can the company use or adopt?
  - What new systems and processes does the company need to develop?
  - What is the company’s process for monitoring progress toward achievement of its disclosure strategy goals and objectives?
  - How will the company evaluate the different methods of disclosure? For example, companies may want to consider what criteria the company will use to evaluate achievement of the objectives and purpose of disclosures, business value, meeting the needs of the intended audience(s), and are supportable and capable of being clearly communicated.

### **Evaluating “who” and “when”**

- 3.61 Intrinsically linked to the how, companies may also wish to identify who will be responsible for the various tasks, as well as when those tasks should be completed.
- 3.62 Questions that a disclosure strategy can help answer include:
- Who will be involved in developing disclosures, including sustainability-related financial disclosures that achieve those goals?
  - Which departments and which individuals within those departments will be involved?
  - How will the company organise those individuals and departments and what will individual and collective responsibilities be?
- 3.63 A disclosure strategy should also clearly identify how peer group disclosure practices, including those of companies in the same industry group, sector or geographic location influence the company’s disclosure strategy (if at all).

## Chapter 4 – How preparers should communicate

This Chapter is relevant for **preparers** of Corporate Sustainability Reports, in particular.

- 4.1 Companies are required to provide sustainability-related financial information that:
- is decision-useful (IFRS S1.10 and Appendix D);
  - is presented fairly as a complete set of sustainability-related financial disclosures (IFRS S1.11– S1.16);
  - contains material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the company’s prospects (IFRS S1.17–S1.18);
  - depicts the same reporting the company depicted in the related financial statements (IFRS S1.20); and
  - presents connections between different types of information (IFRS S1.21–S1.24).
- 4.2 To help report preparers in this endeavour, this Chapter provides guidance on:
- **Disclosure location and timing** – where sustainability-related financial information should be disclosed, when and for what period.
  - **Effective and efficient communication** – how to communicate sustainability-related financial information effectively and how it connects to other information in the same report.
  - **Building confidence** – how to maximise confidence in sustainability-related financial information.

### Disclosure location and timing

#### Location of disclosure

- 4.3 A company is required to provide sustainability and climate-related financial information in its general-purpose financial report (IFRS S1.60).
- 4.4 The Standards do not prescribe the exact placement of different core content areas (governance; strategy; risk management; and metrics & targets) within a company’s general purpose financial reports.
- 4.5 Companies are required to ensure that the information it discloses is “decision-useful” for its primary users and that the information is provided in accordance with the Governance Code for Companies Listed on the Main Market as issued by the QFMA.

## **Materiality and location of disclosure**

- 4.6 Chapter 3 ('Identify') provides guidance to companies on making materiality judgements and this section on effective communication aims to explain how a company might distinguish material sustainability-related financial information from other types of information in its general-purpose financial reports.
- 4.7 A company will ensure that material sustainability-related financial information is clearly identifiable by using plain language. Material information about a particular sustainability-related risk or opportunity should not randomly be dispersed among other sustainability-related financial disclosures.
- 4.8 Although a company is required to provide material information in its sustainability-related financial disclosures, the company is also required to make additional (non-material) disclosures if the material information is insufficient in itself to enable users to understand the effects of sustainability-related risks and opportunities on the company's cash flows, its access to finance and the cost of capital over the short, medium and long term (IFRS S1.15(b) and IFRS S1.B26).
- 4.9 Additional information might, for instance, be required to explain the context within which sustainability-related risks and opportunities arise, or to enable the material information to be understandable. A company required to provide such additional information is also required to distinguish it from the material information to which it relates (IFRS S1.B27(a)).

## **Cross-referencing**

- 4.10 To keep general purpose financial reports as succinct as possible, the disclosure of information may be made by means of a cross-reference to another report published by the company (IFRS S1.63).
- 4.11 However, disclosure by cross-reference is subject to the following provisions:
- The cross-referenced information is available on the same terms and at the same time as the other sustainability-related financial disclosures (IFRS S1.B45(a));
  - The complete set of sustainability-related financial disclosures is not made less understandable by such cross-referencing (IFRS S1.B45(b));
  - The information included by cross-reference is otherwise in accordance with the Standards (for instance, it is relevant, representationally faithful, comparable, verifiable, timely and understandable) (IFRS S1.B46);
  - The person or people signing off the general-purpose financial reports takes the same responsibility for the information included by cross-reference as they do for the information included directly (IFRS S1.B46); and
  - The sustainability-related financial disclosures clearly identify the report and the precise part of the report within which cross-referenced information is located and explains how it can be accessed (IFRS S1.B47).



### **Timing of reporting**

- 4.12 A company is required to provide sustainability-related financial information simultaneously with the provision of its related financial statements, and for the same period (IFRS S1.64). A company is required to make its sustainability-related financial disclosures for a period of 12 months or 52 weeks (IFRS S1.65).
- 4.13 In accordance with the Governance Code for Companies Listed on the Main Market, companies are required to issue their sustainability reports at the same time as the annual financial reports, particularly where the ESG factors have been identified to be material, allows the sustainability reports to be read in conjunction with a company's financial information. This will help investors to make informed investment decisions.
- 4.14 A company is also required to identify the financial statements to which its sustainability-related financial disclosures relate (IFRS S1.22).

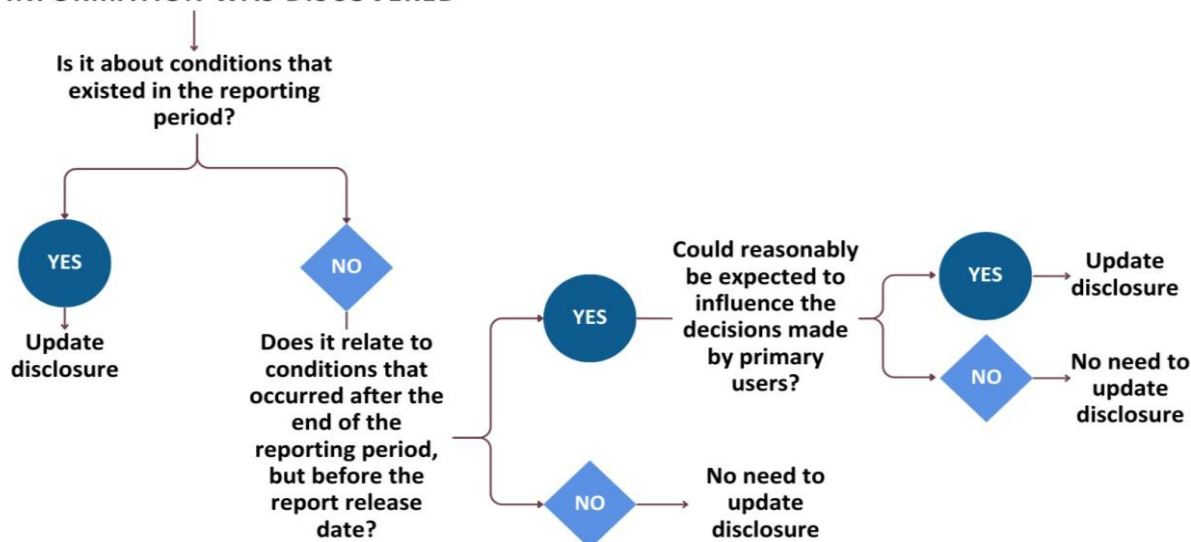
### **Discovery of new information**

- 4.15 When a company discovers new information after its reporting date, but before the date on which its sustainability-related financial disclosures are authorised for issue, the company is required to update its disclosures if the new information is about conditions that existed at the end of the reporting period (IFRS S1.67) (see **Figure 4.1**).
- 4.16 Further, if the new information relates to conditions that occurred after the end of the reporting period, but before the report release date, a company is required to update the original information if the new information could reasonably be expected to influence the decisions made by primary users of the company's general purpose financial reports (IFRS S1.68).

**Figure 4.1 – Dealing with the discovery of new information before report publication**

Source: UN SSE Initiative

#### NEW INFORMATION WAS DISCOVERED



#### Effective and efficient communication

- 4.17 This section sets out how a company might disclose its material sustainability-related financial information, so the information is clear, distinguishable from other information, connected, comparable over time and succinct, as required by the Standards.

#### Connected information

- 4.18 IFRS S1 requires companies to provide connected information. Companies are required to provide information in such a way that users of their general-purpose financial reports can understand:

- The connections between the items to which the information relates, including the different types of sustainability-related risks and opportunities that could reasonably be expected to affect a company's prospects (IFRS S1.21(a)). For example:
  - the connection between strategy and financial performance resulting in the successful pursuit of a sustainability-related opportunity and in increased revenue (IFRS S1.B40(a));
  - the trade-offs between strategic decisions and sustainability-related risks (IFRS S1.B40(b)), including how a company's senior management has evaluated different options when setting its strategies and considering their implications (IFRS S1.B44(b));
  - the connection between sustainability-related targets and financial results, including

where a company's financial position is not affected because the applicable recognition criteria have not been met (IFRS S1.B40(c));

- the effects of supply-chain management on the availability, quality and price of a company's resources, and therefore on its sustainability-related risks relating to business inputs (IFRS S1.B43); and
- how changes in demand and consumer preferences affects a company's product development and its other strategic responses, such as changes in its facilities and workforce (IFRS S1.B44(a)).

- The connections between the different core content areas on governance, strategy and risk management and between narrative information and quantitative information in a company's metrics, targets and financial statements (IFRS S1.B41(a)).
- The connections across a company's sustainability-related financial disclosures and its other general purpose financial reports more generally (IFRS S1.21(b)(ii)).
- The connections between a company's sustainability-related financial disclosures and its financial statements, which must be identified (IFRS S1.22).

4.19 To strengthen the connections between the various pieces of information, the company is required to:

- provide disclosures to be explained clearly and concisely (IFRS S1.B42(a));
- avoid the unnecessary duplication of information (IFRS S1.B42(b)); and
- provide data and currency that are consistent, as far as possible, with corresponding data and assumptions that it used to prepare its related financial statements (IFRS S1.23), and any significant differences between them are required to be disclosed and explained (IFRS S1.B42(c)).

### **Aggregation and disaggregation**

4.20 Material information about a company's particular sustainability-related risk or opportunity is, of course, easier to comprehend when that information is not scattered throughout the company's general purpose financial reports (IFRS S1.B27(c)).

4.21 When providing material information, the company will need to make a judgment around both aggregating and disaggregating information. A company is required to base its decisions on whether and, if so, how to aggregate information, and the extent to which it should do so, on all the relevant facts and circumstances. However, aggregation should not reduce understandability or obscure material information (IFRS S1.B29).

4.22 Information should only be aggregated if it has shared characteristics. In contrast, the

disaggregation of information might be useful to show, for example, a breakdown of a company's sustainability-related risks and opportunities by geographical location; or to distinguish an area with few resources from one that is abundant in them (IFRS S1.B30).

#### **Avoiding duplication**

- 4.23 Although a company is required, in the interests of understandability, to ensure that disparate pieces of information are connected, that requirement does not permit or require the unnecessary duplication of information.
- 4.24 For example, assuming that oversight of sustainability-related risks and opportunities has been integrated into a company's governance arrangements, when governance disclosures have already been made in the company's general purpose financial reports, the company may cross-refer to related information in those governance disclosures (IFRS S1.B42(b) and IFRS S2.7).

#### **Comparative information about estimated metrics**

- 4.25 IFRS S1.70 requires a company to disclose comparative information for the preceding period alongside the information it disclosed in relation to its current reporting period.
- 4.26 Comparative information includes quantitative information, such as metrics, targets and the financial effects of sustainability-related financial information, in addition to narrative information, when the inclusion of quantitative information would be useful.
- 4.27 Comparative information, where details of the same type of metric (GHG emissions, for example) are disclosed alongside each other for the preceding and current year, allows users of information to compare a company's year-on-year progress and to identify, for example, apparent trends in its performance.
- 4.28 **A transition relief in IFRS S1.E3 applies during the first year of reporting allowing companies to not disclose comparative information.**

#### **Reporting with other information in general purpose financial reports**

- 4.29 General purpose financial reports contain a variety of information other than sustainability-related financial disclosures. For example, a company's general purpose financial reports might include information:
- to satisfy a range of compliance requirements;
  - to reflect the reporting objectives of its management; and
  - to conform with the practice of its peers.

4.30 When a company provides information in general purpose financial reports, it should:

- Ensure that its material sustainability-related financial information is not obscured by other information, noting that;
  - when a variety of information is included in a company's general-purpose financial reports, the company is required to avoid obscuring material information (IFRS 1.62).
  - a company might, for example, ensure that its sustainability-related financial information is sufficiently distinguishable from other information. The company could, for instance, use digital tagging to make the material information more prominent; or its sustainability-related financial disclosures could be distinguished from other types of information by the use of formatting such as boxes or shading (IFRS S1.BC74).
- Ensure that its material sustainability-related financial information is clear and understandable (see the section 4.22-4.24 related to aggregation and disaggregation above).

4.31 **Helpful tip 4.1** illustrates how a company might disclose sustainability-related information in its general-purpose financial reports in accordance with both the Standards and national Laws and Regulations (IFRS S1.60-61).

**Helpful Tip 4.1 – Deciding on disclosure of material and non-material information in the context of local laws and regulations**

Source: UN SSE

Question	Answer
When to include non-material information?	Include the sustainability-related information that is required by IFRS Sustainability Disclosure Standards to meet local or regulatory requirements, even if that information is not material according to the ISSB's definition of materiality. But do not obscure material sustainability-related financial information.
When to include material sustainability-related financial information?	Always include material sustainability-related information, even if not required to do so by national Laws and Regulations. Therefore, include material sustainability-related financial information (according to the ISSB's definition of materiality) in all cases. Disclose even if national Laws and Regulations permit a company not to disclose all or some of the information.

When to omit material sustainability- related financial information?	Only when national Laws and Regulations prohibit the company from disclosing that information. But, in this case, the company is required to identify the type of sustainability-related financial information not disclosed and explain the source of the restriction.
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### Building confidence

- 4.32 This section provides guidance on how to build confidence in the accuracy and reliability of the reported information by being more transparent about uncertainties, errors and omissions, declaring compliance with the IFRS Sustainability Disclosure Standards, or by having the information assured.

### Dealing with uncertainty and correcting prior period errors

- 4.33 A company may make estimates and assumptions when measurement uncertainty arises and/or when direct measurement is not possible. However, companies are required to identify any disclosed amounts that were subject to a high level of measurement uncertainty; in doing so, companies are required to disclose the sources of any measurement uncertainty, and the assumptions and judgements that they made when estimating or measuring such amounts (IFRS S1.78).

### Using reasonable estimates

- 4.34 Companies can use reasonable estimates when preparing sustainability-related financial disclosures (IFRS S1.79).
- 4.35 However, sustainability-related financial information must be:
- accurate. Information can be accurate without being perfectly precise in all respects. (IFRS S1.D15); and
  - provided in such a way that enhances its verifiability (IFRS S1.D23).
- 4.36 The Standards explicitly state that a company's management will have to make judgments when preparing information (IFRS S1.74).
- 4.37 Estimates are, of course, approximations that might need to be revised as additional information becomes known (IFRS S1.85).
- 4.38 Reasonable estimates are required to be based on information of sufficient quality and quantity (IFRS S1.D15(e)).

- 4.39 Judgements about the future are likely to be particularly uncertain, but the information about the future must reflect both the judgements made by a company and the information on which they are based (IFRS S1.D15(f)).
- 4.40 Measurements can give rise to uncertainty, particularly when:
- a company attempts to provide information about the future effects of its sustainability-related risks and opportunities;
  - there are few (if any) measurement techniques available in relation to certain effects of those sustainability-related risks and opportunities; or
  - the quality or availability of data from a company's value chain is limited.
- 4.41 Reasonable estimates can be used where there is measurement uncertainty too (IFRS S1.78). Secondary data for Scope 3 GHG emissions measurement is an example of an instance in which companies may use reasonable estimates and third-party or industry average data (IFRS S2.B49).
- 4.42 When a company makes estimates, approximations and forecasts, they are required to be clearly identified as such (IFRS S1.D15(c)). And the process for selecting and applying estimates must be free from material error and accompanied by information about the inputs and methods of calculation that the company used to produce those estimates, approximations or forecasts (IFRS S1.D15).
- 4.43 In the case of measurement uncertainty, a company is required (IFRS S1.81) to disclose:
- the nature of the assumption or other source of measurement uncertainty;
  - details around how sensitivity of information influenced disclosure of the methods, assumptions and estimates underlying its calculation, including the reasons for the sensitivity;
  - the expected resolution of an uncertainty and the range of reasonably possible outcomes for the disclosed amount; and
  - an explanation of changes made to past assumptions concerning the disclosed amount if the uncertainty remains unresolved.

#### **Commercially sensitive information**

- 4.44 Companies are not required to disclose commercially sensitive information provided that:
- the information is not already publicly available;
  - disclosure of the information could reasonably be expected to seriously prejudice the economic benefits that a company would otherwise be able to realise in pursuing an opportunity to which the information relates;
  - there is no other way of disclosing the information to limit or remove that risk;
  - the company discloses the fact that it has used the exemption for commercially sensitive information; and

- the company reassesses at each reporting date whether the information still qualifies for exemption (IFRS S1.B34-B37).

### Interaction with other Rules or Law

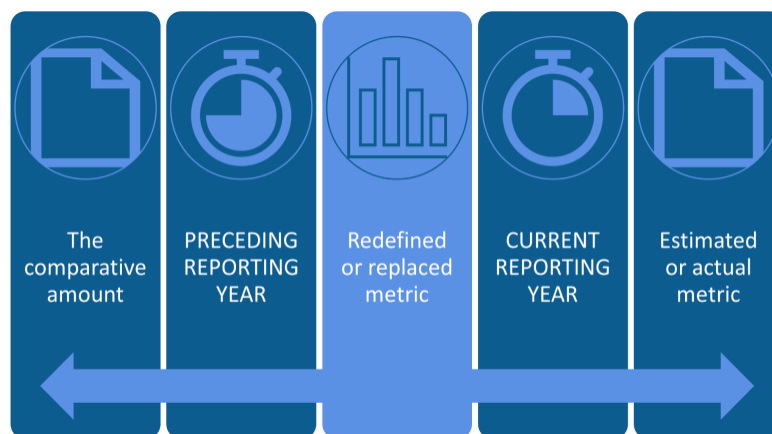
- 4.45 If the company excludes information from a sustainability report in reliance on a provision applicable to the company permitting or requiring the company not to disclose the information, the company must, when submitting the report, inform the QFMA that it has excluded information and must explain the basis for the exclusion.

### Providing comparative information about estimated metrics

- 4.46 A company is required to disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period (IFRS S1.70).
- 4.47 When the metrics reported by a company about a preceding reporting period were estimated and relevant new information becomes available in relation to that period, the company is required to disclose a revised comparative amount that reflects the new information (see **Figure 4.2**).

**Figure 4.2 – Providing comparative information about redefined or replacement metrics**

Source: UN SSE Initiative



- 4.48 In addition, a company is required to disclose the difference between the original and revised amount, together with its reasons for revising the comparative amount (IFRS S1.B50).
- 4.49 A company is not required to discuss a revised comparative amount if it would be impracticable to do so, or if the metric is forward-looking (IFRS S1.B51 and B54).
- 4.50 If practicable, companies are required to disclose a comparative amount for a new metric (IFRS



S1.B53 and B.54).

- 4.51 Similarly, when a company redefines or replaces a metric in disclosures that relate to its current reporting period, it is required to disclose a revised comparative amount, unless it would be impracticable to do so. The company is also required to explain the changes and the reasons for redefining or replacing the metric, including why the redefinition or replacement provides more useful information (IFRS S1.B52 and B54).

#### **Transition reliefs on comparative information**

- 4.52 According to IFRS S1.E3, comparative information is not required to be disclosed in the first annual reporting period in which a company applies the Standards. In the second reporting period, a company is required to provide comparative information on sustainability-related risks and opportunities, including climate-related ones.
- 4.53 If a company discloses only information about climate-related risks and opportunities in the first year of reporting (by using the transition relief included in IFRS S1.E5), it will be required to provide comparative information only about these risks and opportunities. It will not have to provide prior-year disclosures for other sustainability-related risks and opportunities.

#### **Statement of compliance**

- 4.54 IFRS S1. 72 requires a sustainability report to include a statement of compliance with all requirements of IFRS S1 and S2.
- 4.55 Companies must include a statement of compliance attesting that the sustainability report was prepared in accordance with IFRS S1 and IFRS S2 as set out in the Governance Code for Companies Listed on the Main Market.

## Chapter 5 – How companies should disclose climate-related metrics

### Greenhouse Gas emissions (GHG emissions)

5.1 GHG emissions can be categorised into three scopes as per the GHG Protocol:

- a. Scope 1 GHG emissions: direct emissions from sources that are owned or controlled by the company;
- b. Scope 2 GHG emissions: “energy indirect” emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company; and
- c. Scope 3 GHG emissions: all other indirect emissions which are a consequence of the activities of the company but occur from sources not owned or controlled by the company.

### IFRS S2 requirements for Scope 1, Scope 2 and Scope 3 GHG emissions

5.2 IFRS S2.29(a)(i) requires a company to disclose its absolute gross GHG emissions generated during the reporting period, expressed as metric tons of CO<sub>2</sub> equivalent, classified as:

- a. Scope 1 GHG emissions;
- b. Scope 2 GHG emissions; and
- c. Scope 3 GHG emissions.

5.3 IFRS S2.29(a)(ii) requires the use of the **Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard<sup>31</sup>)** unless a different method is mandated by a Regulator, noting that the QFMA requires the use of the GHG Protocol Corporate Standard.

5.4 A company must therefore use the GHG Protocol Corporate Standard as its method of measuring GHG emissions and may elect to use either the equity share, operational or financial control approach in accordance with the GHG Protocol Corporate Standard (See **Explainer 5.1**).

5.5 IFRS S2.29(a)(iii) requires disclosure of the following:

- the selected measurement approach of GHG emissions, inputs and assumptions;
- the reasons for the choices made;
- any changes made during the reporting period to the measurement approach, inputs and assumptions, including reasons for the changes.

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<sup>31</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf> . The standard covers the accounting and reporting of seven GHG covered by the Kyoto Protocol – carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>). It was updated in 2015 with the Scope 2 Guidance, which allows companies to credibly measure and report emissions from purchased or acquired electricity, steam, heat, and cooling.

- 5.6 IFRS S2.B23 states that the GHG Protocol Corporate Standard is only applied to the extent it does not conflict with the requirements in IFRS S2.
- 5.7 IFRS gives a 1-year transition relief (see IFRS S2.C4(b)). Companies may consider not disclosing their Scope 3 GHG emissions during the first 2 reporting periods.
- 5.8 This transition relief covers Scope 3 GHG emissions only. Therefore, companies are still required to disclose their Scope 1 and Scope 2 GHG emissions as from the first reporting period. All companies are required to report on Scope 1, Scope 2 and Scope 3 GHG emissions by the third year of reporting (i.e., 2029).
- 5.9 The QFMA expects that the period covered by the transitional reliefs will help companies prepare for the date when they will no longer be available. The QFMA recommends companies urgently start identifying the carbon intensive activities along their value chain and engage with these value chain entities as soon as possible to be better prepared when the Scope 3 requirements come into effect.

#### **Explainer 5.1 – The three different measurement approaches**

- 5.10 There are three types of GHG emissions measurement approaches under the GHG Protocol Corporate Standard:
- the financial control approach
  - the operational control approach; and
  - the equity share approach<sup>32</sup> (see **Table 5.1**).
- 5.11 Depending on the measurement approach selected, the organisational boundary may vary.

**Table 5.1 – Summary of the 3 different measurement approaches**

Approach	Definition	Features of approach
<b>Financial Control</b>	A company accounts for 100% of the GHG emissions from operations if it has financial control over the operation. I.e. the former has the ability to direct the financial and operating	<ul style="list-style-type: none"> <li>Suitable if the company takes full ownership of all GHG emissions it can directly influence and reduce.</li> <li>More comprehensive coverage of liability and risks as ultimate financial liability often rests with a company that holds an</li> </ul>

<sup>32</sup> See GHG Protocol A Corporate Accounting and Reporting Standard, page 17-18:  
<https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

	<p>policies of the latter with a view to gaining economic benefits from its activities.</p>	<p>equity share.</p> <ul style="list-style-type: none"> <li>• Closer alignment between GHG accounting and financial accounting.</li> <li>• Facilitates performance tracking by holding managers accountable.</li> <li>• Likely to have better access to operational data.</li> </ul>
<b>Operational Control</b>	<p>A company accounts for 100% of the GHG emissions from operations if the company or one of its subsidiaries has the full authority to introduce and implement its operating policies at the operation.</p>	<ul style="list-style-type: none"> <li>• Suitable if the company takes full ownership of all GHG emissions it can directly influence and reduce.</li> <li>• Facilitates performance tracking by holding managers accountable.</li> <li>• Likely to have better access to operational data.</li> <li>• More difficult to demonstrate completeness of reporting due to lack of list of financial assets to verify operations included in the organisational boundary.</li> </ul>
<b>Equity share</b>	<p>A company accounts for GHG emissions from operations according to its share of equity in the operation.</p>	<ul style="list-style-type: none"> <li>• Assigns ownership for GHG emissions based on economic interest.</li> <li>• More comprehensive coverage of liability and risks as ultimate financial liability often rests with a company that holds an equity share.</li> <li>• Closer alignment between GHG accounting and financial accounting.</li> <li>• Higher administrative costs due to data collection from entities not under the company's control (e.g. where the company conducts frequent mergers and acquisitions).</li> </ul>

5.12 IFRS gives a 1-year transition relief (see IFRS S2.C4 (a)). Companies that use GRI 305 Emissions 2016<sup>33</sup> on emissions impact may continue using GRI standard during the 2 years transition period. Whereas companies that did not report on GHG emissions must report according to the GHG Protocol Corporate Standard as from the first reporting period.

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<sup>33</sup> <https://www.globalreporting.org/publications/documents/english/gri-305-emissions-2016/>

- 5.13 For the avoidance of doubt, IFRS S2.C4(a) exempts the need to use a particular measurement method but not the disclosure itself.

#### Helpful Tip 5.1 for companies using GRI 305

During January 2024, the ISSB and the GRI published a document on interoperability considerations for GHG emissions when applying GRI standards and ISSB standards. This document illustrates the areas of interoperability between GRI 305: Emissions 2016 (GRI 305) and IFRS S2 that a company should consider when measuring and disclosing Scope 1, Scope 2, and Scope 3 GHG emissions in accordance with both sets of standards.

A company that used to report under GRI 305 may continue to calculate Scope 1 and Scope 2 GHG emissions during the first 2 years of reporting.

- 5.14 **During December 2024, GHG Protocol published frequently asked questions (“FAQs”) on its Corporate Standard.** It compiled a list of 19 FAQs and answers. It is particularly relevant for the calculation of Scope 1 and Scope 2 Greenhouse gas emissions<sup>34</sup>.
- 5.15 There is also another list of FAQs for Scope 2 emissions, and a related webinar published<sup>35</sup> on the GHG Protocol website.

#### Specific IFRS S2 requirements for Scope 3 GHG emissions

- 5.16 Companies shall consider the following relevant IFRS S2 requirements on the measurement and disclosure of Scope 3 GHG emissions:
- a. IFRS S2.29(a)(i)(3) requires a company “to disclose its absolute gross Scope 3 GHG emissions generated during the reporting period”;
  - b. IFRS S2.29(a)(ii) requires a company GHG Protocol Corporate Standard<sup>36</sup> unless a different method is mandated by a regulatory entity, noting that the QFMA requires the use of the GHG Protocol Corporate Standard.
  - c. IFRS S2.B38-B57 set out the requirements associated with the Scope 3 measurement framework;
  - d. IFRS S2.29(a)(vi)(1) requires a company “to disclose the categories included within the company’s measure of Scope 3 GHG emissions, in accordance with **Greenhouse Gas**

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<sup>34</sup> <https://ghgprotocol.org/corporate-standard-frequently-asked-questions>

<sup>35</sup> <https://ghgprotocol.org/scope-2-frequently-asked-questions>

<sup>36</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

**Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) (GHG Protocol Corporate Value Chain Standard (2011))<sup>37</sup> (See Explainer 5.2);**

- e. IFRS S2.B32 specifies that a company must consider all 15 categories of Scope 3 GHG emissions as described in the GHG Protocol Corporate Value Chain Standard (2011));
- f. IFRS S2.B38–B54 set out the requirements related to the Scope 3 measurement framework. Among other things, the Scope 3 measurement framework requires that a company measures its Scope 3 GHG emissions using a measurement approach, inputs and assumptions that result in a faithful representation of Scope 3 GHG emissions. It also requires the use of all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort;
- g. IFRS S2 Appendix A defines scope 3 GHG emissions as indirect GHG emissions (not included in Scope 2 GHG emissions) that occur in the value chain of a company, including both upstream and downstream emissions. Scope 3 GHG emissions include the Scope 3 categories in the GHG Protocol Corporate Value Chain Standard (2011); and
- h. IFRS S2.B57 explains that, in those rare cases when an entity determines it is impracticable to estimate its Scope 3 GHG emissions, a company is required to disclose how it is managing its Scope 3 GHG emissions.
- i. As proportionality mechanisms, IFRS S2.B36 and S2.39 enable companies to use all reasonable and supportable information that is available to the company at the reporting date without undue cost or effort for the measurement of Scope 3 GHG emissions and to determine the scope of the value chain.

5.17 In summary, a company is required to:

- a. consider all 15 categories of Scope 3 GHG emissions, as described in the GHG Protocol Corporate Value Chain Standard and disclose which of the categories are included in a company's measure of Scope 3 GHG emissions (See **Explainer 5.3**); and
- b. apply the specific requirements in IFRS S2 applicable to providing disclosures about the measurement approach, inputs and assumptions used in the measurement of Scope 3 GHG emissions in accordance with IFRS S2.B55–B57.

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<sup>37</sup> <https://ghgprotocol.org/corporate-value-chain-scope-3-standard>

### Explainer 5.2 – The 15 Scope 3 categories identified in the GHG Protocol Corporate Value Chain Standard

1. Purchased goods and services	8. Upstream leased assets
2. Capital goods	9. Downstream transportation and distribution
3. Fuel and energy related activities	10. Processing of sold products
4. Upstream transportation and distribution	11. Use of sold products
5. Waste generated in operations	12. End-of-life treatment of sold products
6. Business travel	13. Downstream leased assets
7. Employee commuting	14. Franchises
	15. Investments

5.18 Companies are not required to re-assess the scope of Scope 3 categories at every reporting date. Instead, companies should re-assess the scope when there are significant event(s) or changes in circumstances. An event or change in circumstances can occur without the company being involved (IFRS S2.B34).

5.19 Examples include:

- a significant change in the value chain (e.g. change of suppliers).
- a significant change in the business model, business activities or corporate structure (e.g. due to a merger or acquisition).
- a significant change in the company's exposure to climate-related risks and opportunities (e.g. a significant change in the macro-policy environment such as adjustment in the country-level target).

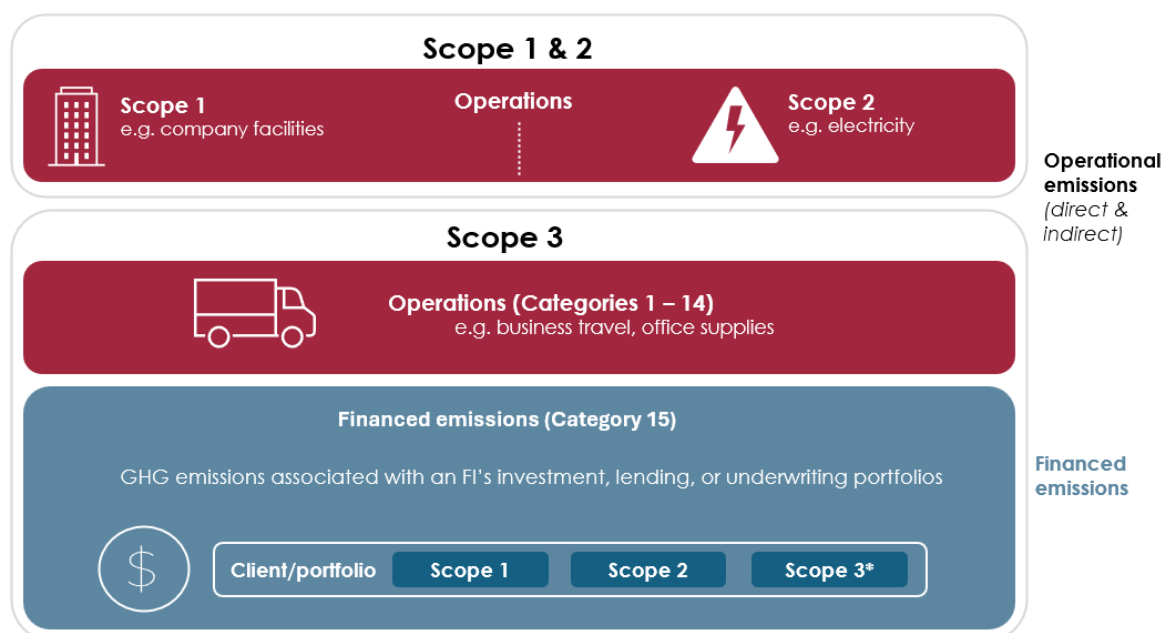
### Explainer 5.3 – The use of the GHG Protocol Corporate Value Chain Standard (2011)

- a. IFRS S2 requires that a company considers all 15 categories of Scope 3 GHG emissions, as described in the GHG Protocol Corporate Value Chain Standard (2011) and determines which categories are relevant to a company's value chain—and if relevant include those categories in a company's measure of Scope 3 GHG emissions.
- b. The GHG Protocol Corporate Value Chain Standard is not referenced in relation to the measurement of Scope 3 GHG emissions.
- c. The optional provisions are also not used to determine what is included in the measure of the company's Scope 3 GHG emissions. IFRS S2 requires that the determination of what Scope 3 GHG emissions to include is based on relevance to a company's value chain and materiality as required by the ISSB Standards.

**Specific IFRS S2 requirements on Scope 3 Category 15 GHG emissions also known as “financed emissions”**

- 5.20 Financed emissions are the portion of GHG emissions of an investee or counterparty attributed to loans and investments as set out in Scope 3 Category 15 in the GHG Protocol (See **Figure 5.1**)

**Figure 5.1 – Illustrative example of financed emissions**



- 5.21 Companies must consider the following relevant IFRS S2 requirements on the measurement and disclosure of their financed emissions:
- IFRS S2.29(a)(i)(3) requires a company to disclose its absolute gross Scope 3 GHG emissions generated during the reporting period;
  - IFRS S2.29(a)(ii) requires a company to measure its GHG emissions in accordance with the GHG Protocol Corporate Standard unless a different method is mandated by a regulatory entity noting that the QFMA requires the use of the GHG Protocol Corporate Standard.
  - IFRS S2.B38-B57 set out the requirements associated with the Scope 3 measurement framework;
  - IFRS S2.29(a)(vi)(1) requires a company to disclose the categories included within the company's measure of Scope 3 GHG emissions, in accordance with the *Scope 3 categories* described in the GHG Protocol Corporate Value Chain Standard (2011) (See **Explainer 5.2**);



- e. IFRS S2.29(a)(vi)(2) requires a company to disclose additional information about the entity's Category 15 GHG emissions or those associated with its financed emissions, if the company's activities include asset management, commercial banking or insurance" (See **Explainer 5.4**);
  - f. IFRS S2.B32 specifies that a company must consider all 15 categories of Scope 3 GHG emissions as described in the GHG Protocol Corporate Value Chain Standard (2011) (See **Explainer 5.5**);
  - g. IFRS S2.B38–B54 set out the requirements related to the Scope 3 measurement framework. Among other things, the Scope 3 measurement framework requires that an entity measure its Scope 3 GHG emissions using a measurement approach, inputs and assumptions that result in faithful representation of Scope 3 GHG emissions, and requires the use of all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort;
  - h. IFRS S2.B58–B60 set out requirements for companies that participate in one or more of the following financial activities: asset management, commercial banking and insurance;
  - i. IFRS S2.B57 explains that, in those rare cases when an entity determines it is impracticable to estimate its Scope 3 GHG emissions, a company is required to disclose how it is managing its Scope 3 GHG emissions;
  - j. IFRS S2.B61(d), B62(d) and B63(d) require a company to disclose the methodology the entity used to calculate its financed emissions; and.
- 5.22 According to the transition relief in IFRS S2.C4(b), companies may consider not disclosing their Scope 3 GHG emissions until the third reporting period (i.e. 2029).
- 5.23
- the company could present the information using GRI standards for the years to which the company's first 2 reports relate and the GHG Protocol for any other years; and if the company does so, it must include in the report a statement that different methods have been used and an explanation as to how using different methods affects the comparison.
  - if the company reports Scope 3 GHG emissions for the first time, it may present the information without comparative information on Scope 3 GHG emissions.
- 5.24 The ISSB has consulted on revisions of IFRS S2 on GHG disclosures until 27 June 2025<sup>38</sup>. Under the first proposed amendment, companies would be permitted to limit disclosure to financed emissions, and exclude emissions associated with derivatives, facilitated emissions or

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<sup>38</sup> Link: <https://www.ifrs.org/content/dam/ifrs/project/amendments-greenhouse-gas-s2/issb-ed-2025-1-greenhouse-gas-s2.pdf>

insurance-associated emissions. In order to enable users of the reporting to understand the magnitude of emissions being excluded, the ISSB also proposed adding a requirement for companies to disclose the amount of derivatives or other financial activity being excluded from the Scope 3 disclosure. The Authority recommends that companies consider the final amendments to IFRS S2 once published.

**Explainer 5.4 – Asset classes and financial activities required to be included in a company’s disclosure of its Scope 3 Category 15 GHG emissions**

- 5.25 The requirement in IFRS S2. 29(a)(i)(3) to disclose Scope 3 GHG emissions is complemented by paragraph IFRS S2.B32 that requires all categories of Scope 3 GHG emissions to be considered by a reporting entity.
- 5.26 This requirement applies to all entities and does not exclude particular activities, nor any particular asset classes in determining the Scope 3 GHG emissions that a company must consider in meeting the requirements in IFRS S2.
- 5.27 When considering the specific activities and/or asset classes for which GHG emissions information is required to be disclosed, companies are required to apply the requirements in IFRS S2. 29(a)(i)(3) which requires disclosure of Scope 3 GHG emissions, as defined in Appendix A of IFRS S2.
- 5.28 This disclosure requirement is subject only to materiality (as is the case for all disclosures when applying the ISSB Standards).
- 5.29 Therefore, companies that participate in asset management, commercial banking, or insurance activities are required to disclose additional information about Scope 3 Category 15 GHG emissions associated with asset classes even if not explicitly referenced in IFRS S2, if material.

**Explainer 5.5 – No methodology prescribed to calculate financed emissions**

- 5.30 IFRS S2 does not prescribe any specific methodology for a company to use in calculating its financed emissions.
- 5.31 IFRS S2 requires that a company consider all 15 categories of Scope 3 GHG emissions, as described in the GHG Protocol Corporate Value Chain Standard (2011) and disclose which of the categories are included in a company’s measure of Scope 3 GHG emissions. In relation to Category 15, the description of investments and services provided on pages 51-54 of the GHG Protocol Corporate Value Chain Standard (2011) covers a broad range of investments and financial activities and includes GHG emissions associated with the asset class and financial activities.
- 5.32 For the avoidance of doubt, the GHG Protocol Corporate Value Chain Standard (2011) is not required to be used by an entity to measure its Scope 3 GHG emissions.

5.33 Basis for Conclusions on IFRS S2 Paragraph BC125 explains that:

“The application guidance is intended to enhance consistent and comparable disclosure of financed emissions information while allowing for innovation. It is also intended to enable the market to converge on measurement methodologies for different asset classes as they emerge and gain acceptance, such as those developed by the Partnership for Carbon Accounting Financials. Although the requirements support the use of different measurement approaches, they also provide users of general-purpose financial reports with the information necessary to understand an entity’s exposures and the approaches the entity has used to measure its financed emissions.”

**Challenges to measure Scope 3 GHG emissions arising from activities not under the direct ownership or control of a company**

- 5.34 Companies will face challenges related to data availability, quality and costs associated with data collection. Additionally, for Scope 3 Category 15 GHG emissions, there might be complexities due to the nature of some financial activities and the complicated characteristics of some asset classes. These complexities may pose challenges for companies in determining how to attribute the emissions from these financial activities and/or asset classes and in their measurement.
- 5.35 These challenges have been recognised by market participants worldwide and are being addressed over time.
- 5.36 For example, since the publication of IFRS S2, the **Partnership for Carbon Accounting Financials (“PCAF”)**<sup>39</sup> has released its first version of the Facilitated Emissions Standard<sup>40</sup>.
- 5.37 The PCAF stands as a guiding standard, offering standardised guidance to calculate financed emissions. PCAF provides detailed calculation methodologies for various asset classes of financed emissions, including:
- a. Listed Equity and Corporate Bonds: Emissions linked to publicly traded shares and debt securities.
  - b. Business Loans and Unlisted Equity: Emissions tied to private loans and ownership stakes in businesses.

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<sup>39</sup> PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess the GHG emissions associated with their loans and investments. Further information can be found through the following link About PCAF: [www.carbonaccountingfinancials.com](http://www.carbonaccountingfinancials.com).

<sup>40</sup> The Global GHG Accounting and Reporting Standard for the Financial Industry: <https://carbonaccountingfinancials.com/en/standard#the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry>

- c. Project Finance: Emissions associated with the financing of long-term infrastructure and industrial projects.
  - d. Commercial Real Estate: Emissions tied to properties used exclusively for business purposes.
  - e. Mortgages: Emissions related to residential property loans.
  - f. Motor Vehicle Loans: Emissions associated with financing for personal or commercial vehicles.
- 5.38 During January 2024, the PCAF announced areas for standard development across several areas.<sup>41</sup>
- 5.39 During October 2024, the PCAF Middle East and North Africa was launched. It will focus on adapting PCAF's methodologies to the unique economic and environmental context of MENA, improving data quality and availability and ensuring alignment with emerging national and regional sustainable finance guidelines. Any financial institution may become signatory on a voluntary basis.<sup>42</sup>
- 5.40 Early 2025, the PCAF has consulted on new methods and guidance. It proposed to introduce and refine its current methods for measuring and reporting GHG emissions. These methodologies aim enhancing the accuracy and consistency of GHG emissions reporting across financial instruments. The PCAF Global GHG Accounting and Reporting Standard will be finalised by September 2025.

### **The applicability of impracticability**

- 5.41 IFRS S2.57 states that in rare cases in which a company determines it is impracticable to estimate its Scope 3 GHG emissions, an entity is required to disclose how it is managing its Scope 3 GHG emissions.
- 5.42 A requirement is impracticable for a company (consistent with the use of the term in IFRS Accounting Standards), when the company cannot apply it after making every reasonable effort to do so.
- 5.43 There may be cases in which calculating specific Scope 3 Category 15 GHG emissions information might be impracticable, for example, in relation to some complex derivatives. However, it is noted that in practice impracticability is regarded as being a 'high hurdle' and the application of the term in ISSB Standards was by design intended to be aligned with application in relation to IFRS Accounting Standards.

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<sup>41</sup> <https://carbonaccountingfinancials.com/en/newsitem/pcaf-announces-areas-for-standard-development-in-2024#newsitemtext>

<sup>42</sup> <https://carbonaccountingfinancials.com/en/pages/join-pcaf>

### **Helpful Tip 5.2 Carbon accounting tool**

The ISSB signed a partnership with Persefoni Pro, a Carbon Accounting Tool. This platform is available at no cost and supports Scope 1-3 calculations, offering both activity-based and spend-based estimate options. companies can find further details in the Knowledge Hub of the ISSB website.

### **Other climate-related metrics**

5.44 IFRS S2.29 (b) to (d) requires companies to disclose their exposure to:

- Climate-related transition risks;
- Climate-related physical risks; and
- Climate-related opportunities.

5.45 As a proportionality mechanism, IFRS S2.30 enables companies to use all reasonable and supportable information that is available to the company at the reporting date without undue cost or effort.

## Chapter 6: How to report in accordance with the ISSB digital taxonomy

- 6.1 The ISSB published the IFRS Sustainability Disclosure Taxonomy<sup>43</sup> (“the ISSB digital taxonomy”) on 30<sup>th</sup> April 2024. The ISSB digital taxonomy aims to help investors analyze sustainability disclosures efficiently.
- 6.2 The ISSB digital taxonomy is intended to be a system for classifying and structuring sustainability-linked financial data points in a manner which:
- makes the data computer-readable; and
  - aids users in finding, understanding and comparing large amounts of information to facilitate efficient corporate sustainability analysis.
- 6.3 The ISSB digital taxonomy has been developed following eXtensible Business Reporting Language (“XBRL”) modelling best practice.
- 6.4 Companies are encouraged to use XBRL for sustainability reporting.

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<sup>43</sup> <https://www.ifrs.org/issued-standards/ifrs-sustainability-taxonomy/ifrs-sustainability-disclosure-taxonomy-2024/>

## Conclusion: The Expectations of QFMA

- 7.1 With a view to supporting the implementation of these new requirements, the QFMA wishes to highlight the following key areas of attention which, in the QFMA's view, are of relevance in the preparation of Corporate Sustainability Disclosures in accordance with QFMA board decision number 5 of 2025 regarding Governance Code for listed companies:
- ensuring training of Board and Senior Management;
  - establishing governance arrangements and internal controls that can promote high-quality sustainability reporting; and
  - properly designing and conducting the materiality assessment and being transparent about it.
  - empowering CFOs to ensure they provide information that enables understanding of the connection between sustainability-related financial disclosures and financial statements;
  - informing any other companies in their value chain of expectations that they may have for the provision of information to support the disclosure of sustainability and climate-related risks and opportunities;
  - starting to identify the carbon intensive activities along their value chain and engage with these value chain entities as soon as possible to be better prepared when the Scope 3 requirements come into effect.
- 7.2 Companies are encouraged to disclose qualitative information on Scope 3 GHG emissions during the transition period, such as categories of emissions, data gaps, and planned improvements to measurement methodologies. The aim is that companies get familiar with these disclosures during the transition period.
- 7.3 The first Corporate Sustainability Disclosures report that will be published in 2027 will constitute an important milestone in the learning curve of companies. Acknowledging this learning curve does not relieve companies from the responsibility to ensure compliance with the Standards.
- 7.4 The QFMA strongly encourages companies to consult the support material made regularly available by the ISSB which provides insights for the practical use of the Standards and illustrations. This support material is also an important source for continuous internal training of relevant staff within the company.

- 7.5 In particular, since companies may choose to benefit from Transition Relief IFRS S1 E5, companies can consider the education material<sup>44</sup> aiming to understand which requirements in IFRS S1 are applicable when a company discloses information on only climate-related risks and opportunities in accordance with IFRS S2.
- 7.6 While each company will have a different learning curve depending on circumstances, the QFMA expects that the period covered by the transitional reliefs will help companies prepare for the date when such reliefs will no longer be available.
- 7.7 Finally, the QFMA encourages companies to keep up to date on the latest developments made by the ISSB. In 2024, the ISSB agreed on its future work plan. That work plan includes work to enhance the SASB Standards, which provide information on a range of sustainability-related risks and opportunities. It also includes projects to research disclosure about a company's risks and opportunities associated with:
- biodiversity, ecosystems and ecosystem services; and
  - human capital.
- 7.8 This research considers additional specific disclosure requirements that would complement the requirements in IFRS S1.

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<sup>44</sup> Link: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/applying-ifrs-s1-reporting-only-climate-related-disclosures-accordance-ifrs-s2.pdf>