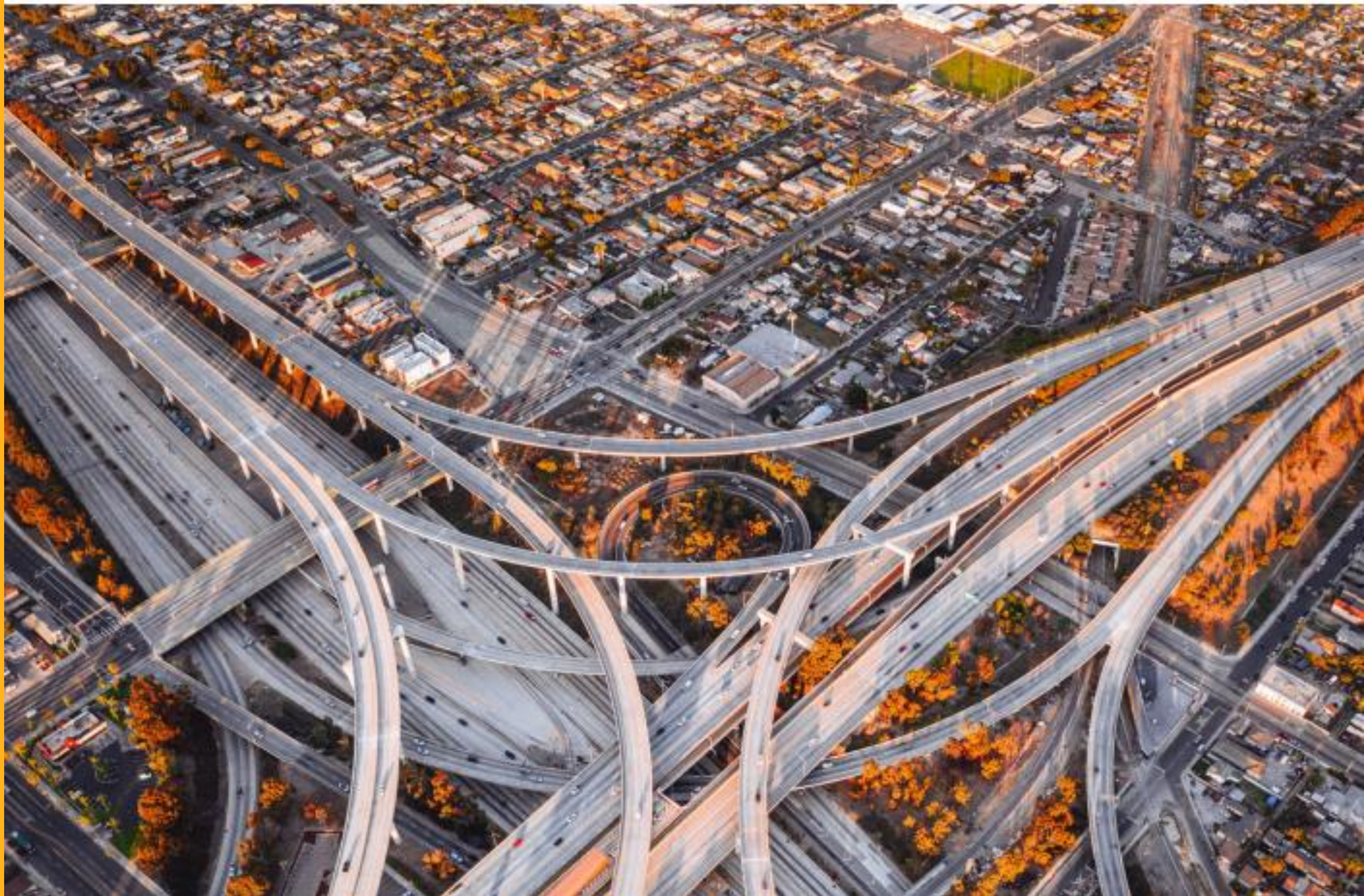
IFRS Sustainability

Greenhouse Gas Emissions Disclosure requirements applying IFRS S2 *Climate-related Disclosures*

Educational material



Question 1: Why does IFRS S2 require disclosure of GHG emissions, including Scope 3?

IFRS S2 aims to provide investors with information about an entity’s climate-related risks and opportunities that could affect its cash flows, access to finance, or cost of capital. Disclosure of all GHG emissions (Scopes 1, 2, and 3) ensures users receive comparable and complete information about transition risks across different industries, organizational structures, and measurement approaches.

Question 2: Which GHG Protocol Standards are referenced in IFRS S2 and for what purpose?

IFRS S2 references two standards:

•*GHG Protocol Corporate Standard (2004)*: Used for measuring Scope 1, 2, and 3 emissions.
•*GHG Protocol Corporate Value Chain (Scope 3) Standard (2011)*: Used for defining and categorizing Scope 3 emissions. All 15 Scope 3 categories must be considered for relevance, but only relevant ones need to be included in disclosures.

Question 3: Is an entity required to disclose GHG emissions generated during the reporting period on a gross basis?

Yes. Entities must disclose absolute gross GHG emissions for the reporting period, meaning total emissions before any removal efforts (e.g., carbon credits) and not as intensity metrics.

Question 4: Must all 15 Scope 3 categories be included in Scope 3 GHG emissions measurement?

No. All 15 categories must be considered for relevance, but only those relevant to the entity’s business model and material to users must be included in the disclosure. The entity must disclose which categories are included.

Question 5: Can measurement and disclosure of Scope 3 emissions be limited to the minimum boundaries in the GHG Protocol?

No. Entities must consider their entire value chain and cannot restrict Scope 3 disclosures to the GHG Protocol’s minimum boundaries. Materiality and the full breadth of the value chain must be considered in determining what to include.

Question 6: Is there a conflict between the reporting entity in IFRS S1 and the organizational boundary in the GHG Protocol?

No. The reporting entity for sustainability disclosures must match the entity in the financial statements (e.g., consolidated group). The GHG Protocol's organizational boundary (equity share or control approach) is used for measuring emissions, and entities must disclose their chosen approach and rationale.

Question 7: What is the Scope 3 measurement framework in IFRS S2?

The framework requires entities to prioritize inputs and assumptions that provide the most faithful representation of Scope 3 emissions, favoring:

•Direct measurement,
•Data from specific value chain activities,
•Timely, jurisdiction- and technology-representative data,
•Verified data.
•Estimation is permitted when direct data is unavailable, and entities must disclose their prioritization approach.

Question 8: How does the ‘proportionality mechanism’ affect Scope 3 measurement?

Entities must use all reasonable and supportable information available at the reporting date without undue cost or effort. This mechanism helps determine the extent and quality of data required for Scope 3 measurement, balancing data availability, quality, and cost.

Question 9: What if value chain entities have different reporting periods?

Entities may use the most recent available data from value chain partners, provided the reporting periods are of equal length, and must disclose the effects of significant events between the reporting dates.

Question 10: How should commercial banks measure financed emissions for undrawn loan commitments?

IFRS S2 does not prescribe a specific method for measuring financed emissions (Scope 3, Category 15). Entities must disclose the methodology used and ensure it provides a faithful representation, supporting comparability and transparency.

Question 11: Does IFRS S2 require entities to set GHG emissions targets?

No. Entities are not required to set targets, but if they do, they must disclose detailed information about them, including scope, gases covered, whether targets are gross or net, and any reliance on carbon credits.

Question 12: What must be disclosed if an entity has a net GHG emissions target?

Entities must disclose both the net and associated gross GHG emissions targets, as well as detailed information about planned carbon credit use, including scheme, type, and factors affecting credibility and integrity (e.g., permanence, additionality).

Question 13: Are comparative GHG emissions disclosures adjusted for changes in the reporting entity (e.g., acquisitions or disposals)?

No. Comparative information reflects the reporting entity's composition in the prior period's financial statements. Additional information may be needed if changes are material for understanding climate-related risks and opportunities.