Audit Committee Forum No. 59

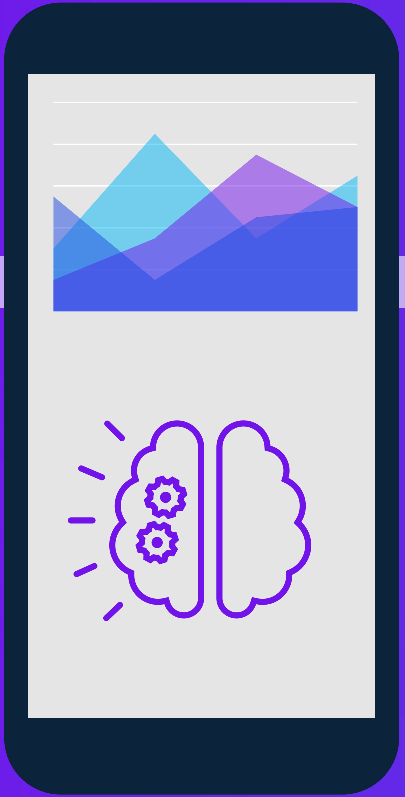
IFRS S1 and S2 — Preparing for ISSB Standards Adoption and Governance

Date: Thursday 20 November 2025
Time: 1:00 p.m. – 3:00 p.m.
Location: The Hive, KPMG in Thailand

Agenda

Mentimeter

How ready is your organization to implement ISSB reporting?



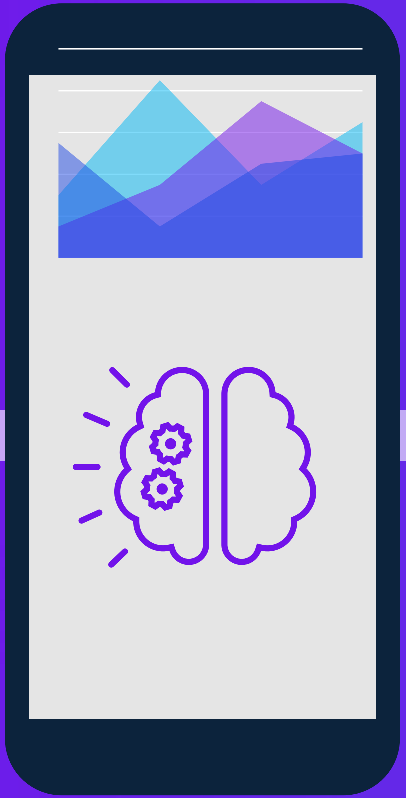
1 Not yet start

2 Beginner

3 Partially implement

4 Fully implement

Does your organization have Governance structure for Sustainability management?

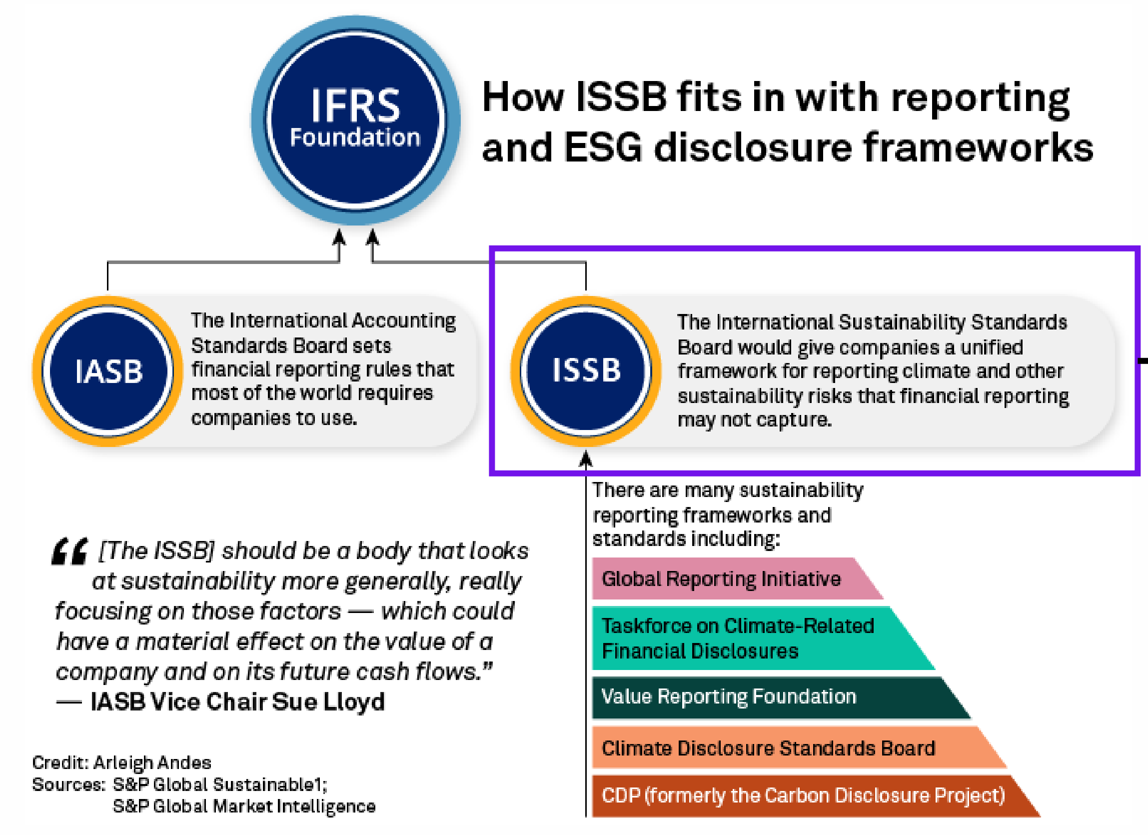


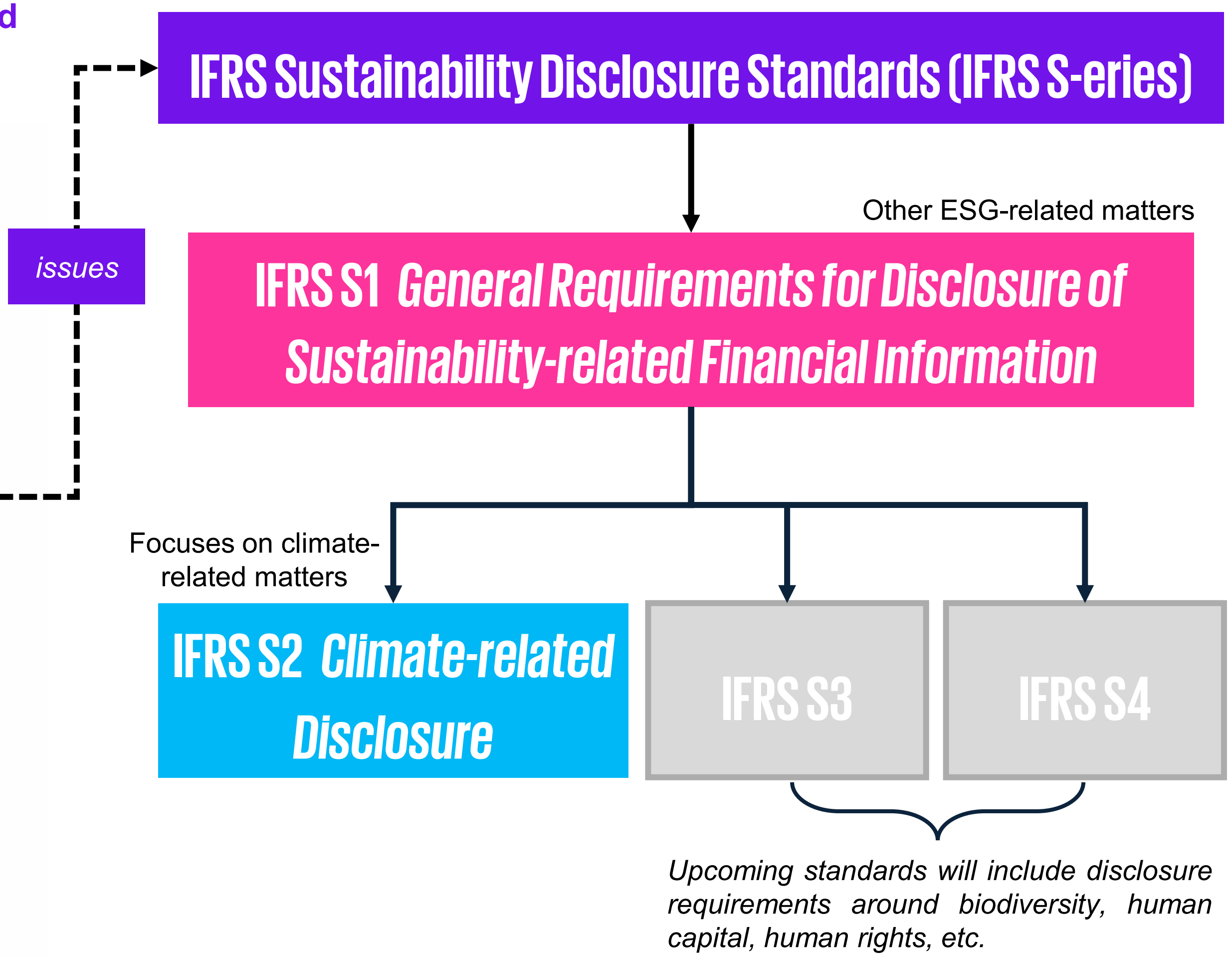
YES	NO

Overview of the ISSB Standards

Overview of the ISSB Standards

IFRS newly announced **International Sustainability Standards Board (ISSB)** for setting IFRS Sustainability Disclosure Standards.





Overview of IFRS disclosure and concept

Conceptual foundations

01 The information shall be **relevant and faithfully presented** while it shall be comparable, verifiable, timely, and understandable.

02 Sustainability-related financial disclosures shall be for **the same reporting entity** as the related financial statements.

03 Disclose **material information of sustainability-related financial disclosures** that reflects in financial statements.

04 **Connected information** between, risks and opportunity, core content, data used in financial assumptions, and financial disclosures

General requirement

01 **Source of guidance**, using SASB, CDSB Framework, GRI, and EFRAG standards for disclosure.

02 **Location of disclosures,** even though no specific location, the Company can disclose in MD&A and IR Report.

03 **Timing of report,** financial statements and sustainability disclosures published at the same time

04 **Comparative information** for narrative and descriptive sustainability-related financial information that is useful to investors.

05 **Statement of compliance** when comply with all the requirements of IFRS Sustainability Disclosure Standards.

Core contents of IFRS S1 & S2

Remark: IFRS S1 draws the four-pillar structure that all future standards must follow.

Governance body
on sustainability and climate change

Management roles in assessing and managing sustainability and climate change

- Sustainability and climate-related risks and opportunities
- Business value chain
- Strategy and decision making
- Financial position, financial performance and cash flows
- Resilience

- Process to define metrics
- Methods for calculation
- External validation
- Target for each metric
- Performance against the target

- Processes and related policy to identify, assess, prioritize and monitor sustainability-related risks and opportunities
- Integration of the risk profile into the overall risk management process

Governance pillar

Governance body on sustainability/climate-related risks and opportunities (SRROs/CRROs)

Roles and responsibilities

Skill or competencies

Frequency of reporting

Strategy planning

Major transactions, risk management processes and trade-offs related with SRROs/CRROs

Target setting

Targets related to SRROs/CRROs, monitor progress towards those targets, and linked to remuneration policies

Management roles in assessing and managing sustainability/climate-related risks and opportunities

Roles and responsibilities

The role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee.

Controls and procedures

Controls and procedures that support the oversight of sustainability/climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions

Example – Governance bodies (sustainability governance)

The Company's governance processes are essential in ensuring that its sustainability approach is clearly defined, well integrated and consistently applied throughout its operations. These governance and risk management systems allow the Company to monitor and scrutinize strategies and plans, while also providing oversight of how sustainability-related data is reported.

Board

Sustainability oversight committees

Sustainability Committee	Risk Management Committee	Audit Committee
The role involves directing and coordinating the strategy for managing SROs while ensuring that the necessary policies and procedures are properly established	Ensures that sustainability-related risks are properly integrated into the company's overall enterprise risk management process	Oversees the accuracy and quality of the company's sustainability reporting, along with the internal audit and external assurance processes

Management roles

Chief Executive Officer (CEO)	Chief Sustainability Officer (CSO)	Chief Risk Officer (CRO)	Sustainability General Manager (SGM)
Ensures that sustainability-related matters are incorporated into the business strategy and budget	Leads the implementation of the sustainability strategy and oversees the execution of all sustainability-related activities	Accountable for overseeing the Enterprise Risk Management Framework (ERMF)	Oversees sustainability disclosures and reporting, and collaborates closely with both the CSO and the CRO

Support Teams

Community Relations and Human Rights Team	Sustainability Risk and Analytics Team	Internal Audit Team	Sustainability Reporting Team
Monitors social-related regulatory developments and, based on guidance from community liaison officers, recommends appropriate actions and training plans	Gathers, analyzes, and evaluates data on the company's processes and SROs, and carries out the sustainability strategy as approved by the Risk Management Committee and the Sustainability Committee	Conducts audits in line with the approved internal audit plan to evaluate how the company manages SROs across the business, and reports its findings to the Audit Committee	Supports the SGM, reports to the Sustainability Committee, and oversees reporting standards, practices, and frameworks. It prepares sustainability disclosures and reports and coordinates the external assurance processes.

Example - Governance roles and responsibilities

The committees assist the Board in overseeing sustainability-related matters, each with a distinct role and mandate. They support the Board by preparing and informing decision-making on these issues. While the committees play a vital role, the Board retains ultimate accountability for all sustainability-related activities.

01

Sustainability Committee

- The Sustainability Committee assists the Board in executing its sustainability responsibilities.
- Overseeing the Company's sustainability strategy and ensuring it is integrated into overall business operations.
- Monitoring the impacts of Company operations on the environment and local communities.
- Reviewing and assessing the implementation and effectiveness of the sustainability strategy and objectives.
- Tracking external sustainability developments relevant to the Company.

02

Risk Management Committee

- The committee oversees the identification and integration of sustainability-related risks within the **enterprise risk management system (ERM).**
- The ERM defines the Company's **risk appetite**, guiding how much risk the Company is willing to take in pursuit of its strategic objectives.
- Information from the ERM supports Board by reporting the potential impacts of sustainability-related risks, trade-offs involved in significant transactions, and the development of systems and practices that further sustainability objectives.

03

Audit Committee

- The Audit Committee ensures the effectiveness, independence, and objectivity of the Company's auditor and assurance provider.
- Perform this oversight through regular meetings, private discussions with the lead audit partner, and engagement with key management.
- Oversees **the accuracy of sustainability-related financial disclosures** and **the integrity of internal controls** over reported data.
- Reviews **the internal audit plan**, monitors progress and findings.
- The Committee considers **the financial impacts of sustainability objectives (SROs)** on forecasts and budgets.

Strategy pillar

SRROs /CRROs

Identifying material SRROs/CRROs

Impacts on entity's prospect

Short/medium/long-term

Business model and value chain

Considering SRROs/CRROs concentration across business model and value chain

Strategy and decision making

Mitigation and adaptation strategies

Trade-off between risks and opportunities

Financial position, performance and cash flows

Current financial effect

+

Anticipated financial effect

Connected with financial statements

Resilience

Scenario analysis

Capacity to adjust to the uncertainties arising from SRROs/CRROs

Climate related risks and opportunities

The objective is **to identify the climate related risks and opportunities over time horizons that are expected to have a financial effect, in order to develop a strategic plan.**

Physical risks

- **Acute risks** that relate to more frequent or more severe one-off disruptions to companies from extreme weather
- **Chronic risks** that stem from sustained greenhouse gas emissions leading to gradual changes in climate patterns, changes in precipitation patterns, and extreme variability in weather patterns.

Transition risks

- **Legal and regulatory** may arising costs from possible fines, regulations or litigations
- **Reputational** (e.g. brand damage, shifts in consumer preferences);
- **Technological** (e.g. costs to transition to lower emissions technology.);
- **Market** (e.g. changing customer behavior, increased cost of raw materials).

Climate-related opportunities

Climate-related opportunities may also arise from both physical changes (e.g. warmer average temperatures allow new crops to grow) or transition changes (e.g. developing new technologies to facilitate climate adaptation or participation in carbon market).

Example: Climate-related risks identified by a utility company

Risk[1]	Flooding	Energy efficiency
Description	Disruption to availability of water treatment plants caused by flooding from rivers and flash floods	Replacing energy-intensive equipment used in treating and pumping water
Time horizon[2]	Short term, growing in severity in the medium term	Short and medium term
Nature	Physical risk (acute) and opportunity	Transition risk and opportunity
Concentrations	Plants built near water, comprising 60% of infrastructure assets	All equipment not yet replaced, comprising 40% of operational assets
Current and anticipated effects	– Supply interruptions and unplanned outages, resulting in penalties, and increased repair and maintenance costs – Investment in flood resilience, resulting in increased maintenance costs and capital expenditure – Opportunity through innovation in materials and infrastructure build to reduce freeze incidents and improve response times – Price increases to recover costs that cannot be offset through cost-reducing innovation	– Accelerated equipment replacement costs – Energy cost savings, including in third-party levies supporting low-carbon generation – Lower interest costs through dedicated financing (green bonds) for the capital investment required – Opportunity to lower monitoring and maintenance costs through innovation

Example of climate-related risks in financial statements

Climate related risks

Physical risks

- heatwave
- flooding
- water stress and drought
- droughts

Transition risks

- policy and legal
- technology
- market
- reputation

Net-zero emission target

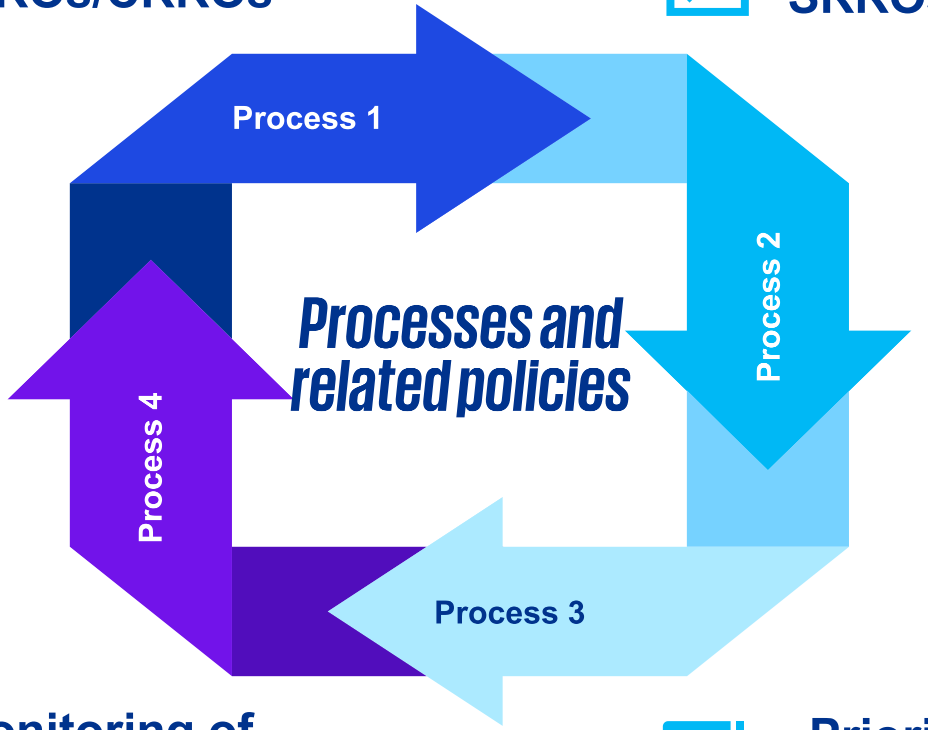
Net-zero emission strategy

Strategy	Financial implication
Carbon credit	Intangible Assets (TAS 38) / Inventory (TAS 2)
New project investment	Intangible Assets (TAS 38)
	Property, Plant and Equipment (TAS 16)
Disposal of assets/investment in subsidiaries, associates, joint ventures and joint arrangements	Useful life (TAS 16)
	Impairment of assets/goodwill (TAS 36)
Green investments Green financing	Financial Instruments (TFRS 9 & TFRS 7)
Change org. structure	Operating segments (TFRS 8)
Organization KPI	Compensation & Benefit (TAS 19 & TFRS 2)

Risk management pillar

Identification of SRROs/CRROs

Assessment of SRROs/CRROs



Monitoring of SRROs/CRROs

Prioritization of SRROs/CRROs

Enterprise risk management process

Metrics and targets pillar

Cross-industry

Information relevant to the cross-industry metric categories

Industry-based

Industry-based metrics that are associated with particular business models, activities or other common features that characterize participation in an industry

Company-specific

Metrics set by an entity

The targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation

- *Coverage of target (entity and period)*
- *Base period*
  Interim targets or milestone
- *Methodology and monitoring approach*
- *Planned use of carbon credits*

IFRS S2: Cross-industry climate-related metrics

Cross-industry

Type of metrics and what to disclose :

(a) Greenhouse gas emissions

Absolute **Scope 1, Scope 2, and Scope 3; emission intensity**

(b) Transition risks

Amount and extent of assets or **business activities <u>vulnerable to transition risks</u>** (i.e. risks arising from transition to a lower-carbon economy).

(c) Physical risks

Amount and extent of asset or **<u>business activities vulnerable to physical risks</u>** (i.e. risks relating to the physical impacts of climate change).

(d) Climate-related opportunities

Proportion of revenue, assets, or other business activities <u>aligned with climate-related opportunities.</u>

(e) Capital deployment

Amount of capital expenditure, financing, or investment, deployed towards climate related risks and opportunities.

(f) Internal carbon prices

- **Price on each ton of GHG emission used internally** by an organization
- **A description of how the company is applying the carbon price in its decision making** (e.g. investment decisions, transfer pricing and scenario analysis).

(g) Remuneration

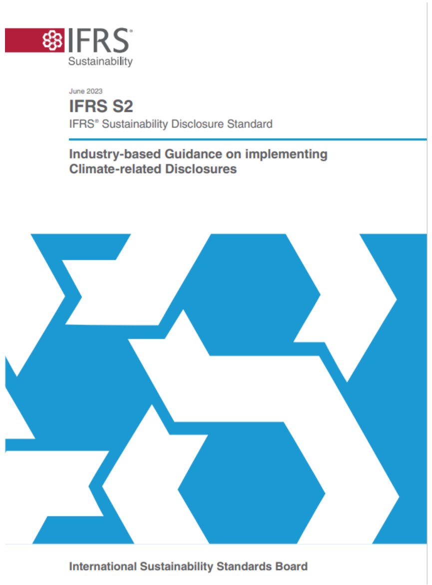
- The proportion of executive management remuneration **linked to climate-related considerations in the current period**.
- A description of **how climate-related considerations are factored into executive remuneration.**

Industry-based climate-related metrics

Industry-based

- The climate proposal provides definitions and measurement requirements for **industry-based metrics across 11 sectors, comprising 68 industries.**
- These aim to **help companies disclose metrics specific to their industry** when describing how they monitor and measure climate-related risks and opportunities. The sector classification is based on Sustainable Industry Classification System (SICS).

Industry-based disclosure requirements



Source:
[IFRS-S2-IBG – Issued IFRS Standards]

List of Industry-based Sectors

- Consumer goods
- Extractives and minerals process
- Financials
- Food and beverage
- Healthcare
- Infrastructure
- Renewable resource and alternative energy
- Resource transformation
- Services
- Technology and communications
- Transportation

Thai SEC's ISSB adoption public hearing

Key considerations on SEC 2nd public hearing

ISSB Standards adoption by reference

Reference to ISSB Standards

Consider Materiality with no undue cost and efforts

Allow to disclose information under other sustainability reporting standards and framework if those do not conflict with ISSB Standards.

PS. *Must include references to the name and details of the applied standards.*

Phased-in approach

Effective date (Reporting Period)	Companies
2026 (Reporting 2027)	All listed companies in SET50
2027 (Reporting 2028)	All listed companies in SET100
2029 (Reporting 2030)	All listed companies in SET and IPOs in SET
2030 (Reporting 2031)	All listed companies in MAI, IPOs in MAI, REIT/IFF/IFT/PF

Transition relief

1 year	5 years
Comparative information	Climate-first reporting; Timing of reporting; GHG Scope 3 emissions; GHG Protocol

Limited assurance: GHG emissions

Required Verification

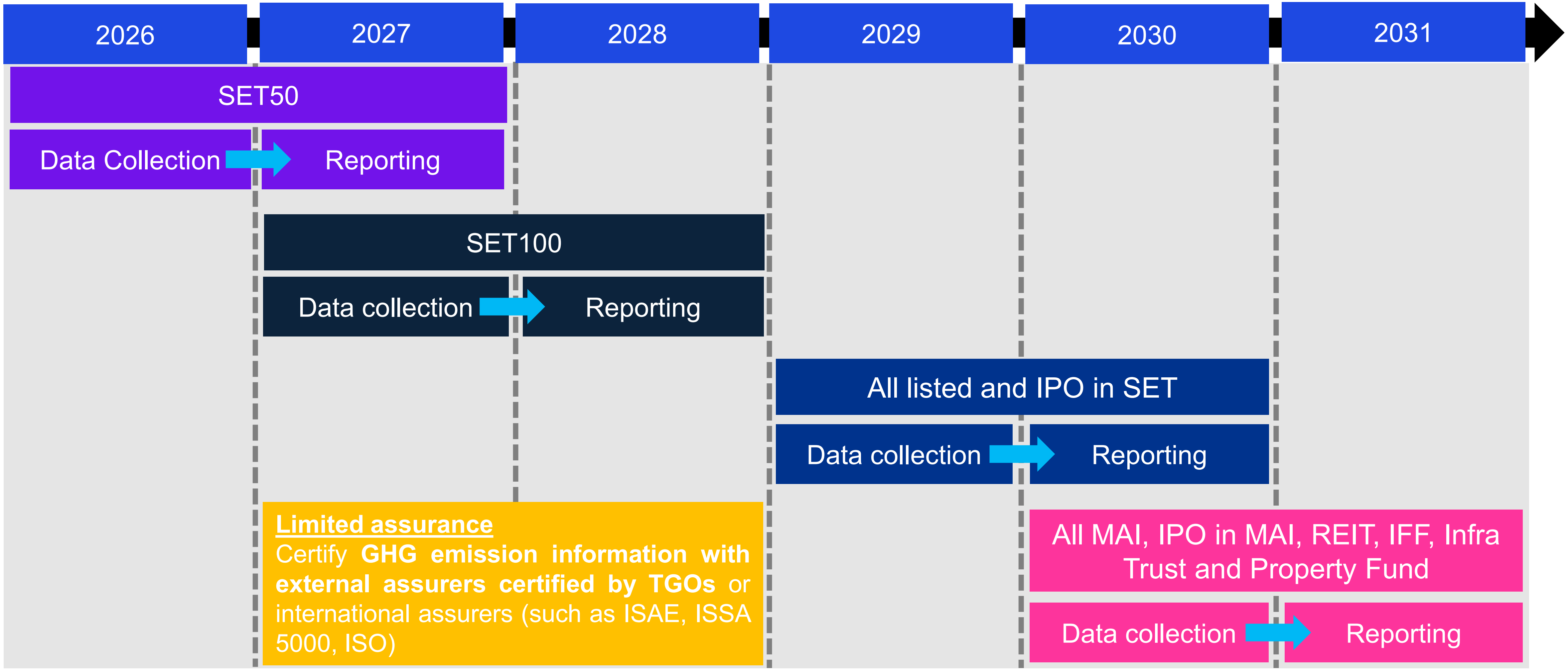
- ❑ Verifier registered with the Thailand Greenhouse Gas Management Organization (Public Organization) or other verifiers.
- ❑ Verification standards such as:
  - ISAE 3410
  - ISSA 5000
  - ISO 14064-3
  - AA1000
  - Other verification standards recognized by equivalent international bodies, as may be specified by the SEC Office.

PS. Companies that voluntarily disclose GHG Emission data

In the following cases, verification of disclosed data may not be required, if companies clearly state so:

- ❑ Disclosure of **Scope 3** during the transition relief period for companies that are required to report under ISSB Standards.
- ❑ Disclosure of any **Scope** by companies that are not yet listed or do not yet have reporting obligations under ISSB Standards.

Timeline for ISSB Standards adoption by Thai SEC



Transition relief for ISSB Standards adoption

T	T+1	T+2	T+3	T+5

ISSB Standards adoption

Comparative reporting

Exempted — companies **do not need to present comparative information** in the first reporting year.

Climate-first reporting

Disclose climate-related information in compliance with IFRS S2 on **56-1 One Report-S first** and the other sustainability-related information can only disclose using comply and explain approach.

Time of reporting

Companies may disclose **financial information** and **sustainability-related financial disclosures** in **separate periods** during the transition. After transition, both must be disclosed in the same reporting period.

GHG accounting standards

During transition, any international GHG protocol (e.g. GHG Protocol 2004, CFO of TGO) may be used. After transition, **GHG Protocol 2004** is required.

Scope 3 emissions

During transition, only Scope 1 & 2 disclosures are mandatory. **Scope 3 becomes mandatory after the 5-year transition period**.

Key changes in 56-1 One Report-S

Adopting new ISSB Standards will transform certain section in the form 56-1 One Report-S

ISSB Standards

- Governance
- Strategy
- Risk management
- Metrics and targets

56-1 One Report
Part 1: Business operation and performance
1. Business structure
2. Risk management
3. Business sustainability initiatives
4. Management discussion and analysis
5. General and other key information
Part 2: Corporate governance
6. Corporate governance policy
7. Governance structure and key information about the board of directors, subcommittees, executives, employees, and other
8. Key corporate governance performance report
9. Internal control and intercompany transaction
Part 3: Financial statement
Part 4: Information accuracy certification

Source: Thai SEC's Public Hearing Document on 3 October 2025.

Key changes in 56-1 One Report-S

Risk management

- Expand scope from **"risk"** to **"risk and opportunities"**
- Disclose **scenario analysis** for climate-related risks and opportunities assessment
- Identify "**emerging risks**" in different time horizon (**short – medium – long term**)
- Identify and disclose **action and procedure for resilience** and assessment methodology in each time horizon

Business sustainability initiatives

- Adopt **ISSB standards** and align with other frameworks (TCFD, GRI)
- **Reporting boundary** covering all subsidiaries and JVs as reflected in the financial statement
- **Roles and responsibilities of the Board of Directors and Management** on governing sustainability and climate-related risks and opportunities

Sustainable strategy

- Emphasis on **transition plan** and **scenario analysis**
- The strategy must relate to risks and opportunities throughout the value chain in different time horizon.
- **Transition plan on climate change is a must** (including GHG emission target and source of funding).
- Elaborate **climate scenario analysis**

Metrics and target

- Disclose **all scope of GHG emissions (Scope 1, 2, 3)** clearly
- Identify specifically metrics and targets on **climate change** and disclose climate change target clearly in detail – type of target (absolute/intensity), baseline, milestone and performance
- Identify **carbon credit plan** (if any)
- Require **external limited assurance** for **GHG** data

Source: Thai SEC's Public Hearing Document on 3 October 2025.

ISSB adoption: Key challenges

ISSB adoption - Key challenges

People

- Who should be involved?
- Organizational readiness - skills, understanding, and capacity
- Collaboration between functions and units

Process

- Integration of sustainability in the strategy
- Climate-related risk assessment

Financial connectivity

- How to connect with financial statement?
- The sustainability materiality may not be reflected in the financial statement.

Data management

- Fragmentation of data
- GHG emission scope 3

Environmental, social and governance: More than hundred KPIs have to be reported and tranformed under ESG rating.

List of reporting

SEC
TCFD
ISSB
SASB
GRI
WEF
…

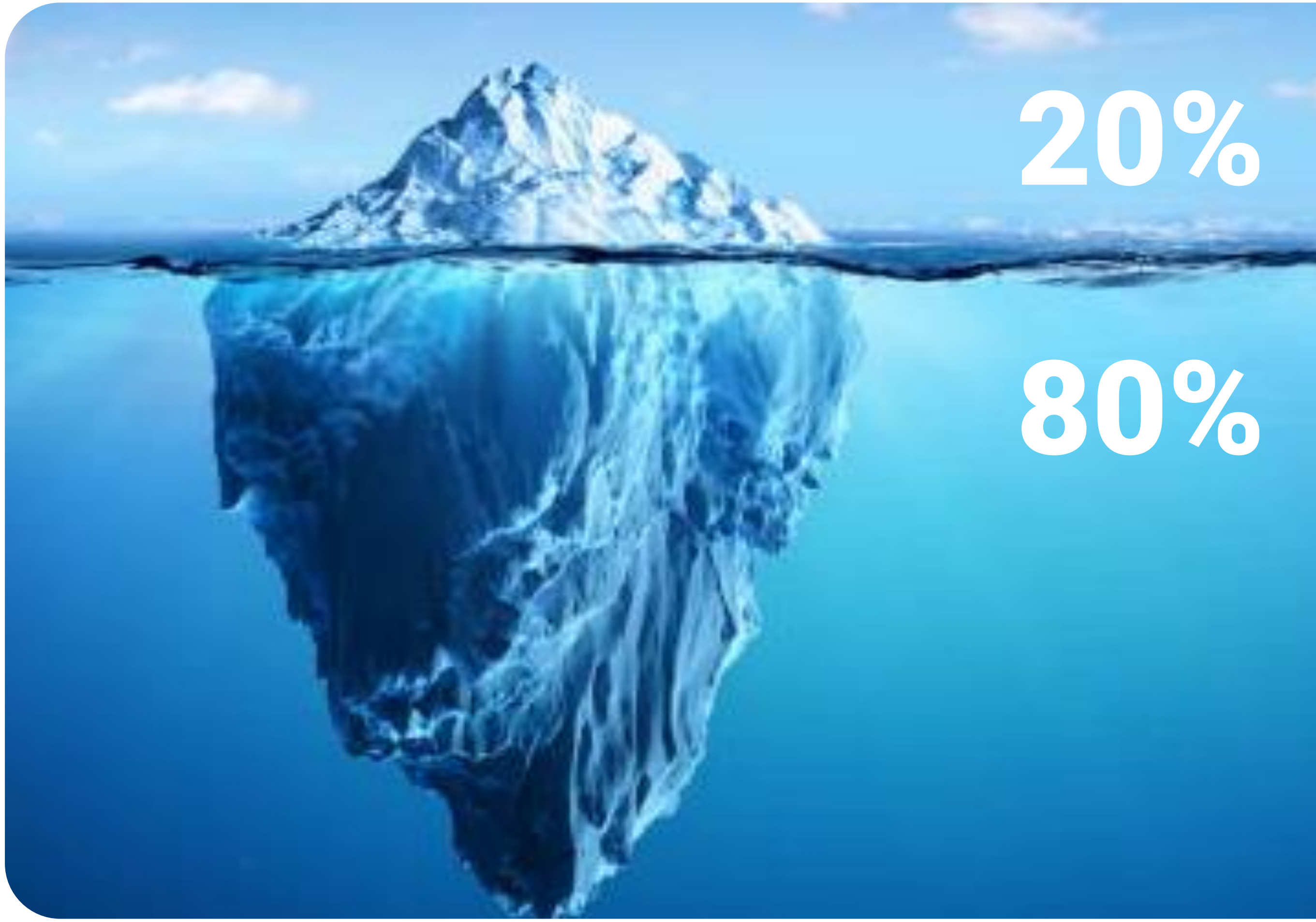
Environment Our **impact** on the planet			**Social** Our **contribution** to society			**Governance** our way of **conduct**		
Climate change	**Natural resources**	**Pollution and waste**	**Human capital**	**Social responsibility**	**Stakeholder management**	**Good governance**	**Corporate culture**	**Finance and transparency**
GHG emissions	Biodiversity	Hazardous material	Health and safety	Product quality	Consumer perception	Transparency & responsibility	Ethics & Integrity	Sustainable finance
Carbon footprint	Water	Packaging	Diversity	Product safety	Social dialogue	Executive compensation	Corruption	ESG rating
Adoption to climate change	Soil and deforestation	(Electronic) waste	Fair wages	Information security	Political dialogue	Sustainable innovation	Antitrust	Reporting standards

Performance controlling

- …
- People
- Climate risk management
- Decarbonization

ESG data is heterogenous and **too complex to be handled manually**. For enabling external and internal reporting demands **data and IT solutions have to be established**.

What you need is not just a reporting tool, but a 360° data platform to collect, monitor and manage your non-financial data.



- Disclosure
- Reporting
- Data transformation
- Data quality
- Governance
- Integration
- Platform
- Scalability

Key takeaways

Preparation for the adoption of ISSB Standard

Impact assessment

- Research and understand current and emerging requirements.
- Understand when, where and how this will impact your company.

Double materiality assessment

- Determine which topics are relevant to report on via double materiality assessment.
- Decide what information is material about those topics.

Maturity assessment

- Assess the maturity of processes, the control environment, data model and policies.
- Understand the current distribution of roles and available knowledge and capacity.

Transform reporting

- Design the future state of your reporting.
- Deploy your target operating model, including training as well as support for change management.

Assurance readiness

- Assess the control environment, data quality and availability of sufficient documentation to support assurance.
- Rectify issues ahead of the formal assurance process.

Key Questions for preparation assessment?

What is our current state of readiness for IFRS S1 and S2 compliance with SEC’s timeline? What is our detailed implementation roadmap including key milestones, resource requirements and anticipated challenges?

How are we structuring board and management oversight for sustainability and climate-related matters, and what skills, training, or committee changes are needed to effectively govern these disclosures and the underlying business implications?

Have we determined which sustainability matters and climate-related risks and opportunities are material to our business via double materiality assessment?

What systems, processes and internal controls are we implementing to ensure the accuracy, completeness and reliability of our sustainability and climate-related disclosures and forward-looking information?

How do we identify climate-related risks/opportunities and translate them into potential financial impacts on our risk, strategy, business model and financial connectivity?

05

Q&A

Please give us the feedback to improve our services.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

KPMG in Thailand
48th-50th Floor, Empire Tower
1 South Sathorn Road
Bangkok 10120
T: +66 2677 2000

KPMG in Thailand

kpmg.com/th

Contact us

Natthaphong Tantichattanon
Head of ESG
T. +66898933122
Email: natthaphong@kpmg.co.th

Natthatida, Tancharoen
Associate Director
T. +66849334813
Email: natthatida@kpmg.co.th