

# Clarifying IFRS S2 | What changes are being proposed? (1/2)

Area	What's proposed?	What's the impact?
<b>Disclosing Scope 3 Category 15 GHG emissions</b>  <b>For more information, see <a href="#">Financed and facilitated emissions</a></b>	<p>Limit the disclosure of Scope 3 Category 15 GHG emissions to financed emissions, as defined in IFRS S2, and specifically exclude derivatives.</p> <p>Require a company to provide information about what is excluded, including an explanation of what a company treats as derivatives.</p>	<p>A company would not need to include emissions from the following asset classes or activities in its total Scope 3 emissions, even if they are material:</p> <ul style="list-style-type: none"> <li>• derivatives;</li> <li>• investment banking activities;</li> <li>• underwriting activities in the insurance and reinsurance industry (insurance-associated emissions); and</li> <li>• other Category 15 GHG emissions that are not financed emissions.</li> </ul> <p>The relief would not be time-bound.</p> <p>There would be no change to the requirement for all types of companies to disclose financed emissions, if material.</p>
<b>Using alternative GWP values in certain circumstances</b>	<p>Allow a company to use the GWP values required by its local regulator or stock exchange instead of GWP values from the latest Intergovernmental Panel on Climate Change (IPCC) assessment for the part of the company to which the local requirements apply.</p>	<p>A company would no longer have to use two sets of GWP values – one to meet IFRS S2 requirements and the other to meet local jurisdictional needs.</p> <p>Irrespective of the proposals, a company would still be required to disclose the measurement approach, inputs and assumptions it has used to measure its GHG emissions, which would include explaining:</p> <ul style="list-style-type: none"> <li>• the GWP values used; and</li> <li>• if applicable, why it has not used the GWP values from the latest IPCC assessment.</li> </ul> <p>The relief would be available as long as the relevant regulator or stock exchange requires the company to use alternative GWP values.</p>

# Clarifying IFRS S2 | What changes are being proposed? (2/2)

Area	What's proposed?	What's the impact?
<b>Using the GICS when disaggregating financed emissions by industry</b>	<p>Introduce a hierarchy for selecting the classification system for lending and investment activities.</p> <ul style="list-style-type: none"> <li>a) If a company is currently using GICS in any part of its group, it would use it for the whole group.</li> <li>b) If the company is not currently using GICS within its group and is required by a local regulator or stock exchange to use an alternative industry-classification system for other reporting purposes, then it would use that alternative classification system.</li> <li>c) If neither (a) nor (b) apply, then the company can choose an industry-classification system to provide information in a manner that is useful to investors.</li> </ul> <p>Under this hierarchy, if a company is using more than one industry-classification system, then the proposals would require it to choose one classification system.</p> <p>Require a company to disclose the industry-classification system it is using and, if it is not GICS, then explain the basis for selecting the alternative classification system.</p>	<p>A company would be able to use its existing industry-classification system instead of GICS in specific circumstances when providing disaggregated information about its financed emissions.</p> <p>The proposals would be particularly beneficial for companies that are already required to use a different classification system for prudential regulatory reporting, or those that for various reasons already use a different system to GICS.</p>
<b>Using a method other than the GHG Protocol Corporate Standard<sup>1</sup> to measure GHG emissions</b>	<p>Clarify the circumstances in which a company can use the jurisdictional relief that applies if a method other than the GHG Protocol Corporate Standard is required by a local regulator or stock exchange.</p>	<p>A parent entity applying IFRS S2 would be permitted to consolidate information from a part of its group that is prepared using a different measurement method for GHG emissions (as required by its local regulator or stock exchange).</p> <p>The proposals would reduce duplicate reporting for groups that have entities in jurisdictions with different GHG emissions measurement requirements.</p>

1. *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* (the GHG Protocol Corporate Standard).



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