KPMG

IFRS Sustainability handbook

IFRS® Sustainability Disclosure Standards



September 2026

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Contents

Tell your own story…showcase your resilience 1

1 Introduction

1.1 Using this handbook 2

1.2 About the standards 4
- 1.2.10 Currently effective requirements 5
- 1.2.20 Forthcoming requirements 5
- 1.2.30 Future developments 6

2 Foundational concepts

2.1 Reporting entity and value chain 7
- 2.1.10 Reporting entity 8
- 2.1.40 Value chain 12

2.2 Materiality 19
- 2.2.10 Sustainability-related risks and opportunities 20
- 2.2.70 Material information 28
- 2.2.120 Reassessing materiality judgements 35
- 2.2.130 Reporting material information 36

2.3 Other foundational concepts 39
- 2.3.10 Fair presentation 40
- 2.3.50 Reporting period 44
- 2.3.80 Use of judgement 47
- 2.3.90 Use of estimates 48
- 2.3.110 Comparative information 50
- 2.3.160 Proportionality measures 57
- 2.3.190 Commercially sensitive information 60

3 Core content requirements

3.1 Core content in sustainability reporting 61

3.2 Governance 62
- 3.2.10 Governance body or individuals responsible for oversight 63
- 3.2.20 Management's role in governance processes 66

3.3 Strategy 67
- 3.3.10 Sustainability-related risks and opportunities 68
- 3.3.20 Effects on the business model and value chain 72
- 3.3.30 Strategy and decision-making 74
- 3.3.40 Current and anticipated financial effects 76
- 3.3.50 Current financial effects 76
- 3.3.60 Anticipated financial effects 79
- 3.3.100 Resilience of strategy 90

3.4 Risk management 94

3.5 Metrics and targets 98
- 3.5.10 Metrics 98
- 3.5.20 Targets 103

4 Topic-specific requirements

4.1 Climate-related disclosures 107
- 4.1.10 Climate in sustainability reporting 107
- 4.1.30 Climate-related risks and opportunities 108
- 4.1.60 Strategy and decision-making 110
- 4.1.90 Climate resilience 116
- 4.1.120 Cross-industry climate-related metrics 119
- 4.1.190 Industry-based climate-related metrics 127
- 4.1.210 Climate-related targets 130

5 Supplemental guidance

5.1 Transition plans 134
- 5.1.10 Introducing transition planning and transition plans 134
- 5.1.20 Elements of a company's transition plan 135
- 5.1.30 Scope of a company's transition plan 136
- 5.1.40 Mapping IFRS S2 disclosures to a company's transition plan 138

5.2 Scenario analysis 139
- 5.2.10 Introducing scenario analysis 139
- 5.2.20 The role of scenario analysis in IFRS Sustainability Disclosure Standards 140
- 5.2.30 Conducting scenario analysis 141

6 Presentation and reporting

6.1 Presentation and connectivity 146
- 6.1.10 Basis of preparation 146
- 6.1.30 Location of information and presentation structure 148
- 6.1.80 Connected information 152
- 6.1.130 Cross-referencing 162

6.2 Effective date and transition 163
- 6.2.10 Effective date 163
- 6.2.50 Transition reliefs 165

Glossary 170

List of examples 173

List of insights 176

Keeping in touch 182

About this publication 183

Tell your own story…showcase your resilience

Since the publication of the first two IFRS Sustainability Disclosure Standards in 2023, companies have been operating amid geopolitical uncertainty, economic shifts and energy market disruption. Against this backdrop, businesses globally are prioritising risk mitigation, revenue growth and resilience. Recognising this reality, a growing number of jurisdictions are moving towards implementing IFRS Sustainability Disclosure Standards – some on a voluntary basis, others through mandatory requirements. Meanwhile, others have paused, scaled back or reconsidered elements of their sustainability reporting agendas.

In an increasingly uncertain world, decision-makers need clear, connected and decision-useful information that helps them understand how sustainability-related risks and opportunities could affect a company's long-term prospects. The standards provide a shared language for companies to explain how sustainability-related matters connect to strategy, business model adaptability and financial performance over time.

As implementation of the standards gathers speed, preparers are moving from understanding the requirements to applying them in practice. This publication reflects what we have learned since the standards were issued, combining new insights, practical examples and discussion of areas requiring interpretation and judgement.

As part of the KPMG IFRS Sustainability toolkit, it sits alongside our *Materiality for sustainability reporting – How-to guide*, *GHG emissions reporting handbook*, *Illustrative disclosures* and *Disclosure checklist*. Together, these resources are designed to help you navigate the requirements with confidence and provide sustainability reporting that is clear, connected and decision-useful.

Ramon Jubels

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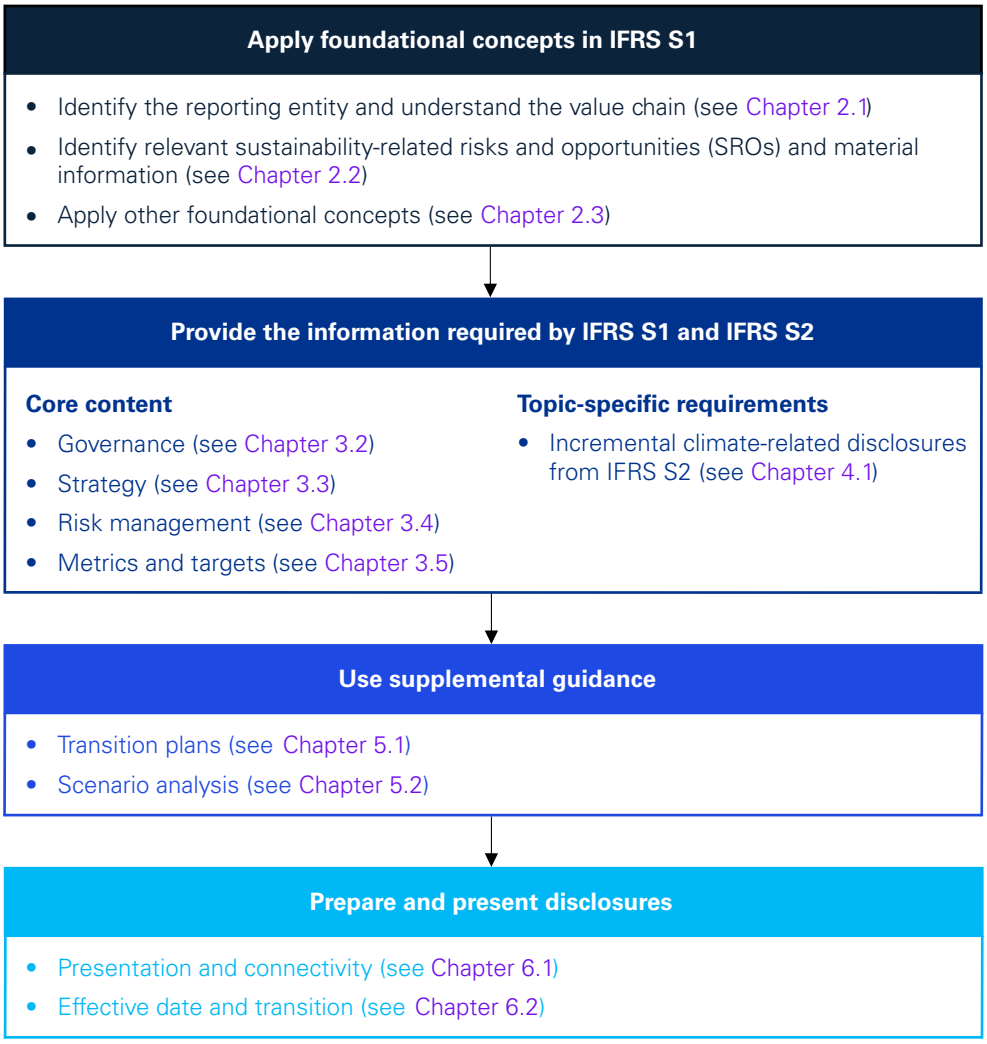
KPMG global IFRS corporate and sustainability reporting leadership team

KPMG International Standards Group

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1.1 Using this handbook

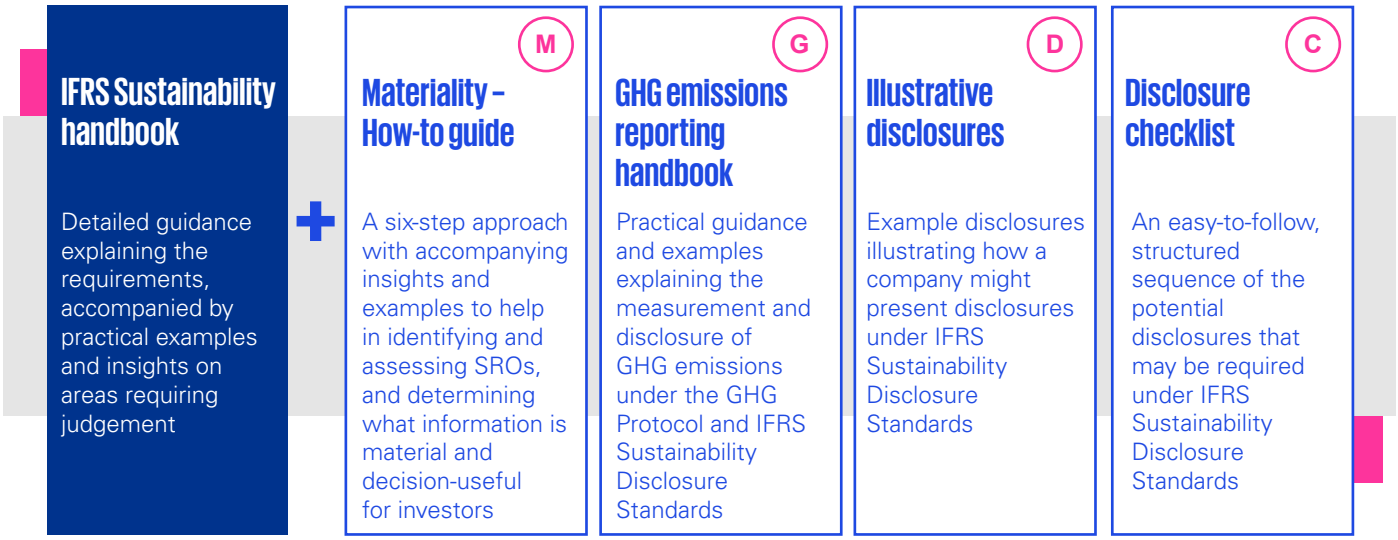
This handbook provides guidance on applying IFRS Sustainability Disclosure Standards. It is organised around the structure of the standards and brings together guidance on foundational concepts, core content requirements and topic-specific disclosure requirements. Using illustrative examples and interpretative insights, it can help companies navigate and apply the standards. It builds on, and should be read alongside, the standards.



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This handbook is designed to be read in conjunction with the following resources in our IFRS Sustainability toolkit.

See it brought to life: Your IFRS Sustainability toolkit



Together, our toolkit resources provide:

- interpretative guidance;
- examples on how to apply the requirements and present disclosures; and
- insights on questions that may arise in practice.

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1.2 About the standards

IFRS Sustainability Disclosure Standards comprise two currently effective standards:

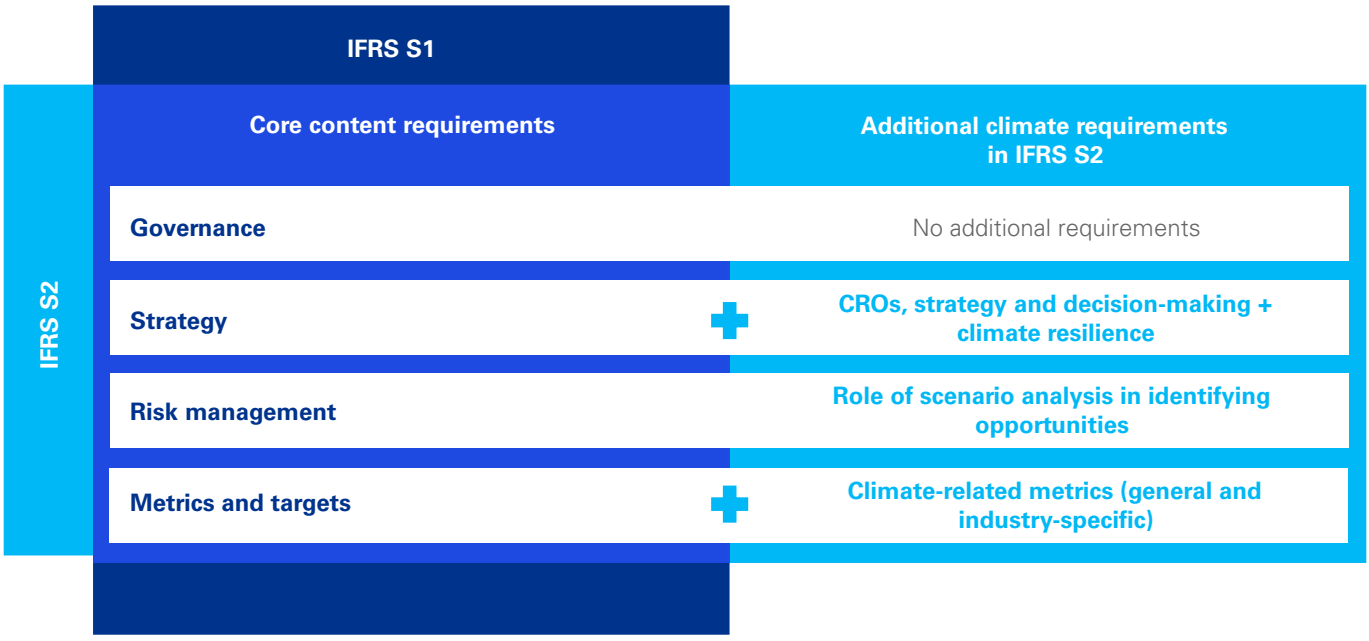
- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*; and
- IFRS S2 *Climate-related Disclosures*.

Designed to be applied together (and alongside future topic- or industry-specific standards and guidance), they require companies to report across four core content areas – governance, strategy, risk management, and metrics and targets.

IFRS S1 underpins reporting under all IFRS Sustainability Disclosure Standards, defining the scope and objectives of reporting and providing core content, presentation and practical requirements. It requires disclosure of material information on all SROs that could reasonably be expected to affect the company's prospects – not just those related to climate.

Building on this foundation, IFRS S2 replicates the core content requirements and expands on them with climate-specific reporting requirements – e.g. information on transition plans, scenario analysis and climate-specific metrics and targets. It also provides industry-specific guidance based on Sustainability Accounting Standards Board (SASB) Standards.

The following diagram shows the relationship between the standards.



For topics other than climate, preparers use the sources identified in IFRS S1 – e.g. SASB Standards.

The International Sustainability Standards Board (ISSB) publishes educational materials to help companies apply IFRS Sustainability Disclosure Standards in practice. It also convenes the Transition Implementation Group (TIG), a public forum for discussing implementation questions.

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1.2.10 Currently effective requirements

The text in this handbook is based on the requirements in IFRS Sustainability Disclosure Standards that a company is required to apply for annual reporting periods beginning on 1 January 2026 – i.e. an annual reporting date of 31 December 2026. These requirements are referred to as currently effective requirements.

References to the currently effective requirements are included at the end of paragraphs.

[IFRS S1.18] Paragraph 18 of IFRS S1.

[IFRS S1.BC35] Paragraph BC35 of IFRS S1 *Basis for Conclusions*.

[TIG 03-24] Transition Implementation Group on IFRS S1 and IFRS S2, March 2024 meeting.

Parts of this handbook illustrate how the requirements of IFRS Sustainability Disclosure Standards are applied by reference to principles applied under IFRS Accounting Standards. These are intended to illustrate how the requirements of IFRS Sustainability Disclosure Standards may be applied in practice; they do not introduce additional requirements for a company applying IFRS Accounting Standards or other financial reporting frameworks. Unless otherwise stated, the guidance in this handbook focuses on a company applying IFRS Accounting Standards in its related financial statements.

1.2.20 Forthcoming requirements

A currently effective requirement may be subject to change by a new requirement that has been issued at 1 August 2026 but is not yet effective for an annual reporting period ending on 31 December 2026. These new requirements are referred to as forthcoming requirements.

In December 2025, the ISSB issued *Amendments to IFRS S2: Amendments to Greenhouse Gas Emissions Disclosures* to clarify aspects of IFRS S2. The amendments are effective for annual periods beginning on or after 1 January 2027 (see 6.2.30), subject to jurisdictional adoption. Early application is permitted.

Throughout this publication, references to forthcoming requirements are clearly identified in separate call-out boxes.

The amendments to IFRS S2 affect the following areas.

Area	Amendment
Scope 3 category 15 – financed emissions	• Permits a company to limit the measurement and disclosure of scope 3 category 15 greenhouse gas (GHG) emissions to financed emissions as defined in IFRS S2. This change is particularly relevant for companies with insurance or investment banking activities (see 4.1.205). [IFRS S2.29(a)(vi)(2)]
Jurisdictional relief	• Clarifies the circumstances in which a company can use a method other than the Greenhouse Gas Protocol (GHGP) A Corporate Accounting and Reporting Standard (GHGP Corporate Standard) to measure GHG emissions (see 4.1.145). [IFRS S2.29(a)(ii)]
Global warming potential (GWP) values	• Allows a company to use the GWP values required by its local regulator or stock exchange. For further guidance, see Chapter 5B in the GHG emissions reporting handbook. [IFRS S2.B21–B22]
Industry classification system	• Enables a company to select a commonly used industry classification system as an alternative to the Global Industry Classification System (GICS) when disaggregating financed emissions by industry (see 4.1.205). [IFRS S2.B62A(a), B63A(a)]

G For further guidance on the IFRS S2 amendments, see the GHG emissions reporting handbook.

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1.2.30 Future developments

The ISSB intends to issue additional standards, guidance and supporting materials over time.

The ISSB is developing a draft IFRS practice statement on disclosure requirements for nature-related risks and opportunities. It is intended to provide more comprehensive support in applying IFRS S1, IFRS S2 and related SASB Standards to nature-related topics, such as land use, pollution, resource extraction, water and biodiversity.

For the latest updates, refer to our IFRS Sustainability page.

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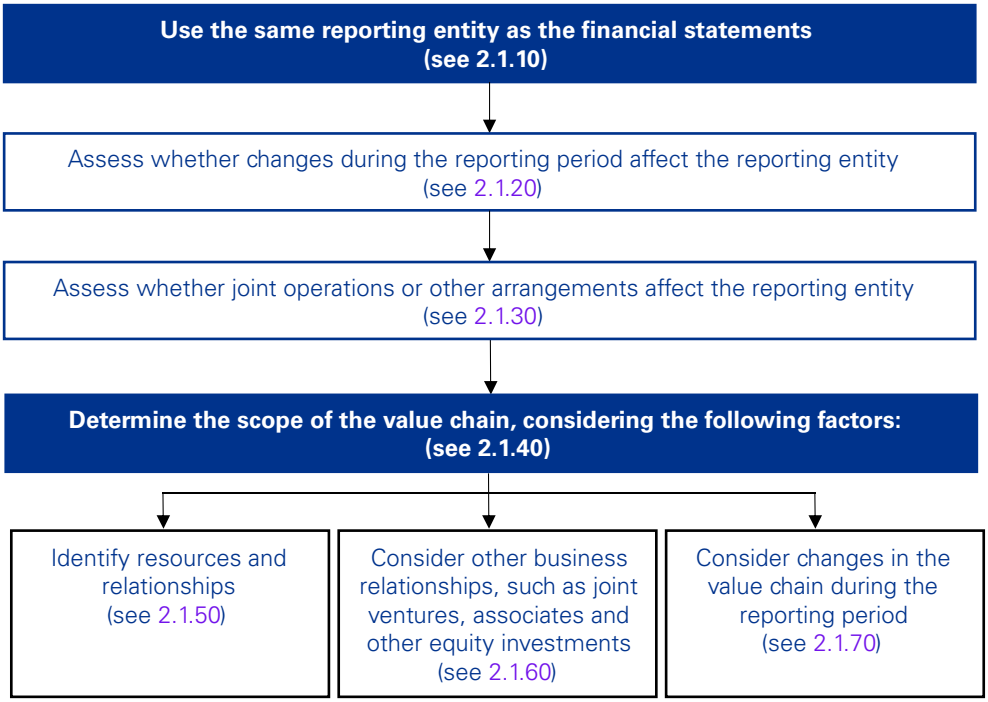
2.1 Reporting entity and value chain

Currently effective requirements: IFRS S1

A company reports material information about SROs that could reasonably be expected to affect its prospects. A company's sustainability report includes information about its reporting entity and value chain because SROs arise from both the company's own activities and the activities across its value chain. As a result, the sustainability report provides broader information than the financial statements. In reporting SROs under IFRS Sustainability Disclosure Standards, a company needs to:

- identify the reporting entity (see 2.1.10); and
- determine the scope of its value chain (see 2.1.40). [IFRS S1.2–3, B1–B5]

Whether an activity, resource or relationship is considered part of the reporting entity (e.g. a subsidiary) or value chain (e.g. an associate) can influence the type and nature of information a company discloses about it.



Parts of this chapter illustrate how the reporting entity and value chain are determined by reference to principles applied under IFRS Accounting Standards. These are intended to illustrate how the requirements of IFRS Sustainability Disclosure Standards may be applied in practice; they do not introduce additional requirements for a company applying IFRS Accounting Standards or other financial reporting frameworks. Unless otherwise stated, the guidance in this chapter focuses on a company applying IFRS Accounting Standards in its related financial statements.

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2.1.10 Reporting entity

A company prepares its sustainability report for the same reporting entity as its financial statements. For example, consolidated financial statements prepared in accordance with IFRS Accounting Standards provide information about the parent and its subsidiaries as a single reporting entity. This means that each component of a company's general purpose financial reports (which include both the financial statements and the sustainability report) provides information about the same consolidated group or reporting entity. [IFRS S1.20, B38, IFRS 10.A]

IFRS Sustainability Disclosure Standards are designed to be applied irrespective of a company's financial reporting framework. Because a company is required to align its sustainability report with the reporting entity used for its financial statements, the reporting entity is determined based on the applicable financial reporting framework. [IFRS S1.20]

A company determines the boundary of the reporting entity for its sustainability report based on its specific facts and circumstances, including whether:

- there are changes to the reporting entity during the reporting period – e.g. acquisitions or disposals of subsidiaries (see 2.1.20); and
- other arrangements affect the reporting entity (see 2.1.30).

However, the boundary of the reporting entity may differ when calculating certain metrics – e.g. GHG emissions can be measured using an equity share, financial control or operational control approach (see 4.1.140).

Insight 2.1.10
Can subsidiaries that are immaterial for financial reporting still be relevant for sustainability reporting?

Yes. If such a subsidiary gives rise to, or contributes to, SROs that could reasonably be expected to affect the company's prospects, then the company includes material information about those SROs in its sustainability report.

Insight 2.1.20
How does an investment entity as defined in IFRS Accounting Standards determine the reporting entity?

A company aligns the reporting entity for sustainability reporting with that of its financial statements. Therefore, it appears that when a company qualifies as an investment entity and applies the investment entity exception in IFRS 10 *Consolidated Financial Statements*, the subsidiaries that are controlled but not consolidated in the financial statements should not be included within the reporting entity for sustainability reporting. Instead, we believe that the company should consider whether its relationships with those investees give rise to SROs through its value chain. [IFRS S1.20, IFRS 10.31]

The investment entity exception in IFRS 10 does not apply for a parent company that is not itself an investment entity, even if it controls subsidiaries through an investment entity. In these cases, the parent company consolidates all controlled subsidiaries in its financial statements. Therefore, it appears that those subsidiaries should be included within the reporting entity for sustainability reporting. [IFRS S1.20, IFRS 10.33]

The following table summarises the reporting implications for an investment entity and its parent company.

Reporting implications for the:	Financial reporting	Sustainability reporting
Investment entity	IFRS 10 exception: subsidiaries are not consolidated.	Subsidiaries should be part of the value chain for the investment entity's sustainability report.
Parent company (not an investment entity)	Subsidiaries are consolidated.	Subsidiaries should be included in the reporting entity for the parent company's sustainability report.

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2.1.20 Changes during the reporting period

The boundary of the reporting entity can change following transactions or events that result in the acquisition or disposal of a subsidiary.

IFRS Sustainability Disclosure Standards do not specify how to reflect the acquisition or disposal of a subsidiary during the reporting period. Therefore, a company aligns the reporting entity with that of the financial statements when accounting for these types of transactions in the sustainability report. [IFRS S1.20, TIG 06–24]

Consistent with the treatment in the financial statements under IFRS Accounting Standards, a company consolidates a subsidiary from the date on which it obtains control; similarly, it stops consolidating a subsidiary on the date it loses control. Accordingly, the company reports information about SROs associated with the subsidiary only for the period during which it forms part of the reporting entity. Similar considerations apply when a company obtains control of a business which is not a subsidiary (i.e. not a legal entity). [IFRS S1.20, TIG 06–24]

Acquisitions and disposals during the reporting period may affect several aspects of a company's sustainability report, including the following areas.

Area	Effect of changes during the reporting period
Materiality assessment	The scope of a company's relevant SROs, and the material information disclosed, may differ before and after an acquisition or disposal, and may require reassessment (see 2.2.50 and 2.2.120). [IFRS S1.B11(b)]
Current-period information	Metrics and other quantitative or qualitative information reflect the revised reporting entity from the date control is obtained or lost. [TIG 06–24]
Comparative information	Comparative information is not adjusted; however, it may need to be explained to remain meaningful and consistent, depending on the nature of the change. [TIG 06–24]
Base periods	The base period or a baseline amount used for metrics or targets may need updating, depending on the nature of the change (see Insight 3.5.140).
Aggregation and disaggregation of information	The level at which information is aggregated or disaggregated may change – e.g. if newly acquired activities differ materially from existing operations (see 2.2.140).
Targets, policies and strategies	The scope, achievability or relevance of existing targets and related policies, plans or transition strategies and plans may be affected and require explanation or updating (see Chapter 3.5).

Companies may face practical challenges in obtaining data for an acquired business when preparing the sustainability report for the period in which the acquisition occurs. A company provides estimates and explanatory disclosures, when necessary, to reflect the effects of the acquisition in the sustainability report. If a company identifies new information about these estimates after the reporting date that provides evidence of circumstances that existed during the reporting period, then it may need to revise comparative information when preparing its sustainability report in the subsequent period (see 2.3.130). [IFRS S1.B50]

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Example 2.1.10
Acquisition of a subsidiary during the reporting period

Company X acquired a controlling interest in Company Y during the reporting period on 1 July 2026 – the 'date of acquisition' for the purposes of the financial statements. From that date, Y became part of the reporting entity for X's sustainability report.

As part of its materiality assessment, X considers whether impacts and dependencies from Y's activities and value chain give rise to SROs that could reasonably be expected to affect X's prospects for the period in which Y is part of X. X assesses whether the acquisition results in it identifying new SROs, or changes the relevance of those it has already identified.

In its sustainability report, X includes information relating to Y from the date it acquired Y, consistent with the financial statements. X discloses information about SROs associated with Y's activities for the period from 1 July 2026 to the reporting date.

X provides information about the effect of the acquisition in its sustainability report to help investors understand changes in the nature and extent of disclosures, including explaining any effects on current-period information, comparative information, targets, policies and strategies.

Example 2.1.20
Disposal of a subsidiary during the reporting period

Continuing Example 2.1.10, Company X lost control of its wholly owned subsidiary, Company Z, on 30 September 2026. From that date, Z ceased to form part of the reporting entity.

As part of its materiality assessment for the year ended 30 September 2026, X reassesses how its disposal of Z affects the SROs and the material information it identifies.

When preparing its sustainability report, X includes information about SROs associated with Z's activities and value chain up until 30 September 2026.

X provides information about the effect of the disposal in its sustainability report to help investors understand changes in the nature and extent of disclosures, as well as how the disposal affects current-period information (including the period before the disposal of Z), comparative information, targets, policies and strategies.

Example 2.1.30
Demerger of a business during the reporting period

Company P is a logistics company. On 31 October 2026, P completed the demerger of its refrigerated transport business. P classified the demerged business as a discontinued operation under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and presents it separately in its financial statements.

The following table lists some of the areas P assesses when evaluating how the presentation of the demerged business as a discontinued operation in its financial statements affects the information in its sustainability report. It is not a complete depiction of all potential impacts on P's sustainability reporting.

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Area	Considerations for P's sustainability reporting
Reporting entity and scope	P's sustainability report includes information for the discontinued operation up to the date control is lost – i.e. 31 October 2026.
Risks and opportunities	P evaluates how the demerger affects its exposure to relevant SROs. For example, climate-related transition risks associated with energy-intensive cold-chain logistics. P considers how its exposure to those transition risks is expected to change following completion of the demerger. For example, P might: • identify that the demerger reduces its exposure to climate-related transition risks related to energy-intensive cold-chain logistics; and • conclude that, following completion of the demerger, it expects its exposure to these transition risks to decrease, reflecting the removal of the associated activities from its business.
Effects on strategy and business model	P considers whether the demerger significantly affects its overall strategy and business model. P reassesses the scope of its value chain and whether the previously identified SROs remain relevant following the transaction (see 2.1.70).
Metrics	P considers how the demerger affects the scope and comparability of metrics reported for the period, and whether historical baselines need to be adjusted to reflect the change in the business. This includes evaluating whether disaggregating metrics for the discontinued business would be material and decision-useful for investors.
Targets	P assesses whether existing targets continue to align with its strategy and business model following the demerger and revises them – including adjusting the baseline – as necessary. P distinguishes between performance against its existing targets – which include the discontinued operation – and performance against its revised targets, which relate to continuing operations (see Insight 3.5.140).
Connectivity with the financial statements	P considers how to facilitate connectivity between the sustainability report and the financial statements in presenting the discontinued operation. This includes assessing the extent to which the classification, timing (i.e. up to loss of control) and scope of activities align across both financial and sustainability reporting, and whether any differences are clearly explained and appropriately cross-referenced.

2.1.30 Other arrangements – Joint operations

Under IFRS Accounting Standards, a joint operation exists when two or more parties jointly control an arrangement in which each party has the rights to the assets and obligations for the liabilities relating to the arrangement. Common examples include a jointly controlled oil or gas field, manufacturing facility or infrastructure project. [IFRS 11.A]

A company that is a joint operator accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation including its share of those incurred jointly in its financial statements. [IFRS 11.20–21]

It appears that a company's share of a joint operation's assets, liabilities and transactions should be treated as being within the reporting entity for sustainability reporting purposes because they are part of the reporting entity for the financial statements. The company may also need to assess whether there are any value chain impacts relating to the other party's activities. [IFRS S1.B5, IFRS S2.BC103]

Although a company considers its share of the joint operation's assets, liabilities and transactions as part of the reporting entity for sustainability reporting purposes, this does not necessarily determine the methodology used to measure individual metrics. For example, under IFRS S2 a company measures its GHG emissions in accordance with the GHGP, which permits the use of different organisational boundary approaches (i.e. equity share, financial control or operational control). As a result, the GHG emissions attributable to a joint operation under the GHGP may differ from the share of assets, liabilities and transactions recognised for financial reporting purposes. [IFRS S2.29(a)(ii)]

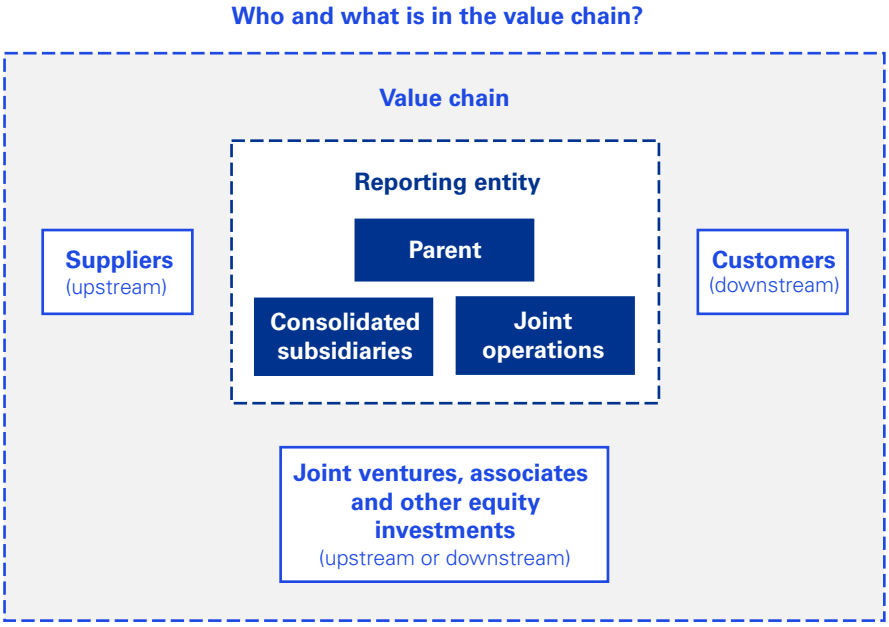
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2.1.40 Value chain

A company's value chain comprises the interactions, resources and relationships related to its business model and the external environment in which it operates. It encompasses everything that the company uses and relies on to create, consume and dispose of its products or services. [IFRS S1.A]

The value chain may include interactions, resources and relationships:

- within the reporting entity – e.g. production activities or relationships with the workforce;
- upstream – e.g. with raw material manufacturers, service providers or suppliers;
- downstream – e.g. with distributors or customers; and
- with the broader external environment – e.g. financing, geographical, geopolitical or regulatory environments. [IFRS S1.A]



SROs that could reasonably be expected to affect a company's prospects can arise within the reporting entity and across its value chain. Value chain relationships can affect prospects because the company may rely on them for critical inputs, customers, financing or specialist capabilities. As a result, when identifying what to include in its sustainability report, a company considers not only its own activities but also its upstream and downstream value chain.

To understand its value chain, a company needs to consider the full life cycle of its products and services so that it can:

- identify the interactions, resources and relationships along its supply, marketing and distribution channels (see 2.1.50); and
- understand where and how it is exposed to different financing, geographical, geopolitical and regulatory environments. [IFRS S1.B2, B4–B5]

IFRS Sustainability Disclosure Standards do not require a company to map its value chain. However, a company needs to consider its specific business model and the environment in which it operates to identify key resources and relationships that are part of its value chain (see 2.1.50). [IFRS S1.B2]

A company then needs to assess where SROs arise within its value chain and provide material information about them (see Chapter 2.2).

In assessing its value chain, a company needs to use all reasonable and supportable information available to it at the reporting date without undue cost or effort (see 2.3.170). [IFRS S1.B6, B10]

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M For further guidance on understanding impacts and dependencies across the value chain, see Step 1 in our Materiality for sustainability reporting – How-to guide.

Example 2.1.40
Assessing the value chain of a financial institution

Company F is a diversified banking group providing retail banking, commercial banking and capital markets services. As a financial institution, F considers its value chain from the context of how it sources capital, runs its operations and allocates finance.

Value chain stage	Activities and value chain partners
Upstream – F considers the resources, relationships and external conditions that enable the bank to operate and deploy capital	• Access to funding and capital that provide the financial resources used to support lending and investment activities, including retail and corporate depositors, wholesale funding markets and bondholders and shareholders. • Financial market infrastructure that enables transactions and liquidity management, including payment, clearing and settlement systems and banking networks. • Key suppliers and service providers that support core banking, risk management and reporting processes, including technology platforms, data and analytics providers and outsourced service partners. • The regulatory and macroeconomic environment that influences F's operating model, risk profile and access to capital, including central banks, supervisors and broad market conditions.
F's operations – F considers the activities and processes it controls that transform upstream resources into financial products and services	• Core banking activities, including originating and servicing loans, deposit taking, payments, treasury and capital management, and the provision of advisory and transactional services. • Risk management and control functions, including credit, market and liquidity risk management, climate-related risk assessment, compliance, internal audit and regulatory reporting. • Product development and innovation, including the design of sustainability-linked products, green finance offerings and client solutions that respond to emerging SROs. • Operational footprint and enabling functions, including branches, offices, data centres, procurement, IT systems and workforce management.
Downstream – F considers how it deploys capital and services to clients and markets	• Financing and investment activities that expose F to sectoral, geographical and counterparty risks. These include lending, project finance, underwriting and investment portfolios – e.g. exposure to climate-related transition risk through loans to oil and gas companies (carbon policies) and to climate-related physical risks through investments in agricultural companies (drought, floods). • Client and counterparty relationships that use F's products and services. These include retail and corporate customers, borrowers, investees and market counterparties. • Ongoing portfolio management and stewardship, including post-disbursement monitoring, engagement with clients on risk management and transition strategies, and credit or investment decision-making over time.

For many financial institutions, SROs such as exposure to climate-related physical and transition risks and opportunities are concentrated downstream.

F uses this understanding of its value chain to identify where SROs may arise and to determine the level of detail needed to provide decision-useful information to investors.

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Example 2.1.50
Assessing the value chain of an automotive manufacturer

Company B is a global automotive manufacturer that designs, manufactures and sells passenger and commercial vehicles. As an automotive company, B considers its value chain from the context of how it sources components and materials, operates its manufacturing processes and delivers vehicles and services to customers.

Value chain stage	Activities and value chain partners
Upstream – B considers the resources, relationships and external conditions that enable it to design and manufacture vehicles	• Raw material extraction and processing that provide critical inputs into vehicle production, including steel, aluminium, plastics and critical minerals such as lithium, cobalt and nickel used in batteries. • Suppliers of components and systems that are integrated into vehicles, including battery suppliers, semiconductor providers and electronic system manufacturers. • Logistics and transportation providers that enable the movement of materials and components across supply chains. • Key suppliers and strategic partners that support innovation and product development, including joint ventures for battery technology, software providers and engineering partners. • The regulatory, geopolitical and market environment affecting supply chain resilience, input costs and sourcing decisions, including trade policies, environmental regulations and resource availability.
B's operations – B considers the activities and processes it controls to design, manufacture and assemble vehicles	• Core vehicle production activities, including engine and powertrain manufacturing, vehicle assembly, machining, painting and quality control processes. • Research and development, including the design of internal combustion engine vehicles, electric vehicles and alternative fuel technologies. • Operational footprint and enabling functions, such as manufacturing plants, testing facilities, warehouses, procurement functions, IT systems and workforce management. • Energy and resource use within operations, including electricity consumption, water use, waste management and emissions from manufacturing processes. • Risk management and compliance processes, including product safety, environmental management, regulatory reporting and climate-related risk assessment.
Downstream – B considers how it sells, distributes and services vehicles and how its products are used	• Distribution networks and sales channels through which vehicles are delivered to customers, including dealerships, fleet sales, digital platforms and intermediaries. • Customers and end users, including individual consumers, commercial fleet operators and leasing companies that use B's vehicles. • Use-phase impacts of vehicles, including fuel or electricity consumption, emissions, maintenance requirements and performance over the vehicle life cycle. • After-sales services and support, including maintenance, repairs, spare parts, financing and insurance services. • End-of-life management and circular economy activities, including vehicle recycling, battery reuse and recovery of critical materials.

B uses this understanding of its value chain to identify where SROs may arise and to determine the level of detail needed to provide decision-useful information to investors.

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2.1.50 Identifying resources and relationships

Identifying resources and relationships is a key part of determining the value chain. A company needs to understand the stages of its value chain and the activities that are part of each stage (see Examples 2.1.40 and 2.1.50). It then connects its business activities to the relevant resources and relationships. [IFRS S1.B2]

Resources and relationships may be internal or external and include the following.[1] [IFRS S1.B4]

Type	Resources and relationships	Type	Resources and relationships
Human 	• Company's workforce • Workers in the value chain	**Natural** 	• Land • Water • Minerals
Intellectual 	• Patents • Copyrights • Trademarks	**Manufactured** 	• Machinery • Equipment • Buildings • Infrastructure
Financial 	• Cash • Investments • Access to financial resources	**Social and relationship** 	• Stakeholder relationships • Contractual relationships (e.g. with customers) • Indigenous communities

Example 2.1.60
Identifying resources and relationships in the value chain

Company Z is a construction company that specialises in the design and construction of commercial buildings. Z operates within a single jurisdiction but has several sites under development across the country.

Z considers its operations in the pre-construction, construction and post-construction stages of its value chain, the key activities it performs and the resources and relationships on which it relies and that it impacts in each stage.

Value chain stage	Pre-construction	Construction	Post-construction
Key activities	Contracting Raw materials sourcing Supplier engagement Design and planning Permitting and regulatory compliance	Project management and logistics On-site construction Health, safety and environmental controls Quality assurance and compliance monitoring	Handover and commissioning Post-sale service and maintenance Client support and warranty management

1. ISSB Educational Material Sustainability-related risks and opportunities and the disclosure of material information, page 25.

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Value chain stage	Pre-construction	Construction	Post-construction
Resources and relationships	***Human:*** • Engineering and construction workforce ***Social and relationship:*** • Customer contracts • Supplier relationships • Relationships with local and indigenous communities • Relationships with government agencies issuing construction permits	***Human:*** • Engineering and construction workforce ***Social and relationship:*** • Relationships with trade unions • Relationships with local and indigenous communities ***Natural:*** • Land and water use ***Natural and manufactured:*** • High-quality building materials, including various metal, cement and lumber products ***Manufactured:*** • Machinery and equipment ***Financial:*** • Access to financing	***Human:*** • Engineering and construction workforce ***Social and relationship:*** • Customer contracts • Relationships with government agencies issuing construction permits

Insight 2.1.30
Does a company need to assess every direct and indirect supplier in its value chain?

No. A company considers direct and indirect suppliers and other upstream relationships to the extent necessary to identify SROs that could reasonably be expected to affect its prospects, using reasonable and supportable information available without undue cost or effort (see 2.3.170). There is no predetermined number of direct and indirect suppliers that a company is required to assess. [IFRS S1.B6]

Depending on the facts and circumstances, this may require a company to consider indirect suppliers and other upstream relationships. For example, relevant SROs may arise through indirect suppliers, including those involved in raw material extraction, manufacturing activities or product use. [IFRS S1.B5]

Example 2.1.70
Considering indirect suppliers in the value chain

Company E manufactures electric vehicles and sources lithium-ion battery cells from a direct supplier. That supplier relies on the extraction and processing of lithium, cobalt and other minerals by entities further upstream in its own value chain.

Based on information from internal and external sources (e.g. its due diligence processes and sector data), E is aware that extracting and processing battery minerals are associated with known environmental and social impacts in certain sourcing geographies, including impacts on workers and local communities, water resources and biodiversity. E identifies that these impacts could give rise to sustainability-related risks arising from potential supply disruptions, regulatory changes, reputational effects and changes in stakeholder behaviour. Because these activities take place beyond its direct suppliers, E extends its understanding of the value chain to the relevant extraction and processing activities, even though it has no direct relationship with the entities involved.

When identifying relevant SROs, E considers relevant parts of its value chain beyond its direct suppliers, including indirect suppliers, to the extent they are connected to material information about relevant SROs (see Chapter 2.2). E does not need to perform an exhaustive search for information when identifying relevant SROs (see 2.3.170).

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2.1.60 Joint ventures, associates and other equity investments

A company may have interests in joint ventures, associates and other equity investments (e.g. financial assets under IFRS 9 *Financial Instruments*). Although these investees are not part of the reporting entity – because they are not consolidated in the company's financial statements – they can still be relevant for sustainability reporting. This is because these relationships can give rise to SROs that could reasonably be expected to affect a company's prospects. [IFRS S1.BC54]

Joint ventures, associates and other equity investments may form part of the company's value chain – e.g. when they act as suppliers, customers or strategic partners.

When considering joint ventures, associates and other equity investments for sustainability reporting purposes, a company:

- identifies such interests;
- considers whether the investee is connected to the company's value chain – e.g. supplier or customer; and
- assesses whether SROs arise through these relationships that could reasonably be expected to affect the company's prospects.

A company only identifies and reports SROs that could reasonably be expected to affect its prospects – i.e. the assessment is made from the reporting entity's perspective. For example, an associate may have a climate-related risk in its operations; however, the reporting entity has only a small investment in the associate and does not rely on it as a supplier, customer or strategic partner. If the associate's climate-related risk is not expected to affect the company's prospects, then the company would not identify that same climate-related risk.

IFRS S2 includes specific requirements to disaggregate certain climate-related information between associates and joint ventures, when applicable (see 4.1.140). [IFRS S2.29(a)(iv), IFRS S1.BC54–BC55]

A company might apply the financial control approach when measuring its GHG emissions under the GHGP Corporate Standard when applying IFRS S2. This may result in GHG emissions from joint ventures being measured on a different basis from the reporting entity used for the sustainability report (see 4.1.140). [IFRS S2.B27]

G For further guidance, see Question 3A.4.10 in the GHG emissions reporting handbook. [IFRS S2.B27]

Example 2.1.80
Transactions with associates and joint ventures in the value chain

Company P is a manufacturer that buys specialised components from Associate D and sells finished products to Joint Venture J.

In assessing SROs across its value chain, P identifies that relying on D exposes it to climate-related transition and physical risks associated with D's manufacturing operations. Increased energy costs, climate-related disruption at D's production facilities and regulatory changes affecting emissions-intensive processes could result in supply delays or increased input costs. These could affect P's ability to meet customer demand and maintain its margins.

P also identifies a sustainability-related opportunity arising from its sales to J, which is expanding operations in a new market with increasing demand for products that support customers' decarbonisation and resource-efficiency goals. Growth in J's activities could increase demand for P's products.

P treats D and J in the same way as any other supplier or customer in its value chain when identifying relevant SROs. For example, P's disclosures and metrics on supply concentration, customer dependency and exposure to climate-related transition risks reflect the full extent of its purchasing and sales relationships, rather than being limited to P's equity ownership interests.

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2.1.70 Changes in the value chain

A company reassesses the scope of its value chain when a significant event or a significant change in circumstances occurs during the reporting period (see 2.2.120). [IFRS S1.B11]

Changes in a company's value chain can influence how it identifies and reports its SROs. These changes may result from the company's own decisions or from external developments. Changes in a company's value chain may arise from:

- transactions and events within the reporting entity (e.g. acquisitions, disposals and restructurings);
- changes in suppliers, customers or other value chain partners;
- changes in geography, sourcing locations or logistics routes; and/or
- regulatory changes, technological disruptions or shifts in the market or consumer behaviour.

These changes can alter the resources and relationships on which a company relies, and therefore the SROs that could reasonably be expected to affect its prospects. Understanding how the value chain evolves is important because these developments can affect what information a company discloses.

When changes occur within a company's value chain, it needs to consider areas including the following.

Area	A company needs to:
Changes in the reporting entity	Assess whether changes in the reporting entity's structure (e.g. as a result of an acquisition or disposal of a subsidiary) result in changes to the value chain (see 2.1.20).
Reassessment of SROs	Reassess the scope of SROs that are affected by changes in its activities and value chain (see 2.2.50 and 2.2.120). [IFRS S1.B11]
Current-period and comparative information	Apply judgement to ensure that information remains decision-useful and that material changes are explained, when relevant. • Current-period information needs to reflect the company's value chain during the reporting period. • Comparative information is not restated. • Base periods may need updating to remain meaningful and consistent, depending on the nature of the change (see Insight 3.5.140).
Information availability	Consider how changes in its value chain may create practical challenges in obtaining information – e.g. from new suppliers or when activities shift to new jurisdictions (see 2.3.90 and 2.3.160).
Disclosure of judgements	Consider whether significant judgements were made in determining the scope or scale of changes in a company's value chain and whether information about those judgements would be material to investors (see 2.3.80). [IFRS S1.74, 77–78]

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2.2 Materiality

Currently effective requirements: IFRS S1

Materiality determines the information a company reports, and at what level of detail, by focusing on what is decision-useful to investors. Information is material if it could reasonably be expected to influence the decisions of a company's investors.

Materiality acts as a filter on reported information, and therefore affects the volume, nature and precision of information disclosed. Determining what information is material requires judgement, taking into account both quantitative and qualitative factors that reflect the company's specific circumstances and the information needs of its investors. [IFRS S1.B21]

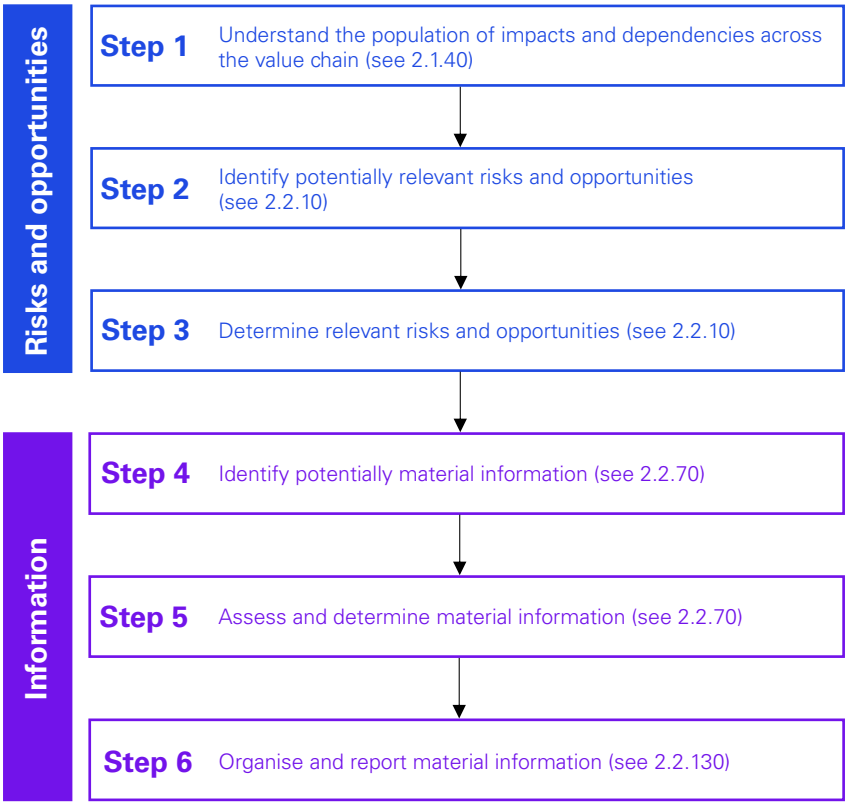
Under IFRS S1, a company:

- identifies relevant SROs (see 2.2.10); and
- discloses material information about those SROs (see 2.2.70). [IFRS S1.17]

IFRS Sustainability Disclosure Standards do not include specific guidance on how a company identifies material information to report.

M For further guidance on performing a materiality assessment, see our Materiality for sustainability reporting – How-to guide.

The How-to guide is more in-depth than this chapter and includes our interpretative guidance, as well as a practical six-step approach to use when performing a materiality assessment. The guide also includes an illustrative example that demonstrates how those steps may be applied in practice in a specific scenario.



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2.2.10 Sustainability-related risks and opportunities

Business leaders routinely assess and manage the risks and opportunities that influence the success or failure of their company. Some of these risks and opportunities will be 'sustainability-related' because they arise from the company's dependencies or impacts on:

- resources, including natural and social capital; or
- relationships with stakeholders, society, the economy and the natural environment. [IFRS S1.2, B2–B5]

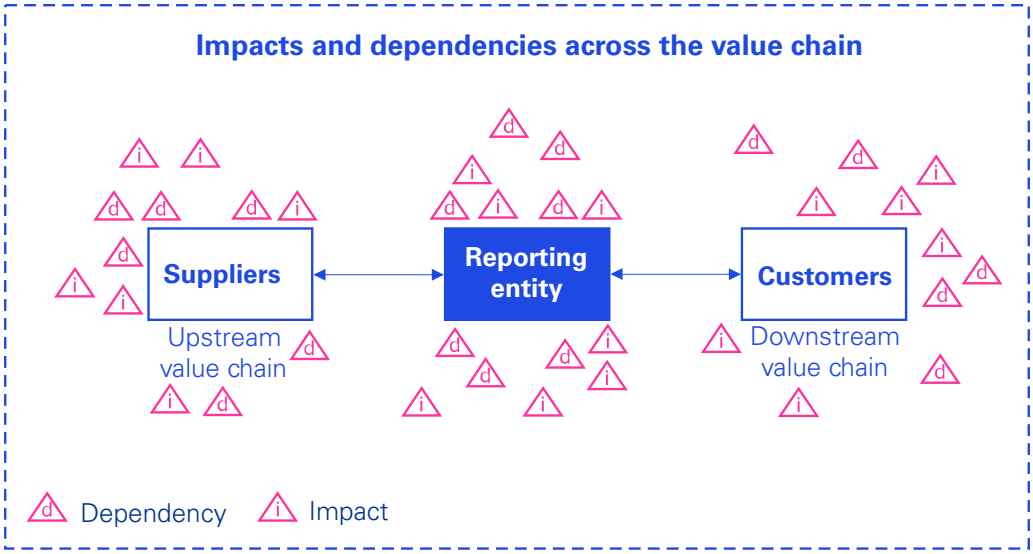
Neither 'sustainability-related' nor 'SROs' is defined in IFRS S1. Instead, a company applies judgement to determine which risks and opportunities are sustainability-related, focusing on those that could reasonably be expected to affect its prospects. This judgement is informed by a company's understanding of its dependencies, and impacts, on resources and relationships.

The description of SROs in IFRS S1 is intentionally broad. The standard does not provide a prescriptive list of SROs. This allows a company to reflect its specific circumstances, business model and existing approaches to identifying and managing SROs. [IFRS S1.B2]

M For further guidance, see Steps 2 and 3 of our Materiality for sustainability reporting – How-to guide.

2.2.20 Impacts and dependencies on resources and relationships

Resources and relationships, and therefore impacts and dependencies, exist within the reporting entity and across its value chain, including upstream and downstream activities. As a result, a company needs a thorough understanding of its value chain when identifying SROs (see 2.1.40).



When identifying SROs, a company considers how it:

- depends on resources and relationships to generate cash flows; and
- affects resources and relationships through its activities and outputs.

This assessment considers whether the company preserves, regenerates, develops, degrades or depletes resources or relationships. These effects may arise directly from the company's own activities or indirectly through activities within its value chain. [IFRS S1.2, B2–B5]

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The following factors may indicate that a dependency or impact gives rise to an SRO.

- ***Impact on business model:*** If a change in an underlying resource or relationship could affect an aspect of a company's business model, then there is likely to be a risk associated with the impact or dependency.
- ***Competitive advantage:*** If an underlying resource or relationship could result in a competitive advantage for the company, then this may indicate that an opportunity associated with the impact or dependency exists.

In many cases, a company may be aware of SROs through its existing risk management processes.

A company is not required to identify every possible dependency or impact across its value chain. However, it needs to use all reasonable and supportable information available at the reporting date without undue cost or effort to identify those impacts and dependencies giving rise to SROs that could reasonably be expected to affect its prospects (see 2.3.170). For example, if a company depends on resources that can readily be replaced without significant cost or disruption, then they are unlikely to give rise to an SRO. [IFRS S1.B6]

Example 2.2.10
Assessing impacts and dependencies

Continuing Example 2.1.60, Company Z's management uses its understanding of Z's value chain and business model to identify how Z depends on and affects the resources and relationships identified.

Resources and relationships (continued from Example 2.1.60)	**Example dependencies**	**Example impacts**
Engineering and construction workforce (human)	Availability of its skilled workforce in multiple locations (direct)	Health, safety and wellbeing of employees at work (direct)
Relationships with trade unions (social and relationship)	Constructive labour relations to maintain operations and avoid disruption (direct)	Poor relationships with trade unions, including not supporting employees' freedom of association and collective bargaining (direct)
High-quality building materials, including various metal, cement and lumber products (natural and manufactured)	Timely access to materials and products to maintain operations (direct) Raw material supplier working practices relating to its workforce, local communities and environmental protection (indirect)	Damage to natural environment in source locations for lumber and mining, quarrying and processing sites for metals and cement (indirect)
Machinery and equipment (manufactured)	Availability and reliability of plant and equipment to carry out construction (direct)	Emissions, noise and waste arising from equipment (direct)
Land and water use (natural)	Access to land and water needed for site development (direct)	Land degradation and water consumption at development sites constraining access to land and water (direct)
Supplier relationships (social and relationship)	Continuity and reliability of supply to maintain operations (direct)	Procurement practices may improve suppliers' labour and environmental performance, strengthening supply continuity, product quality and access to customers with responsible-sourcing requirements (indirect)

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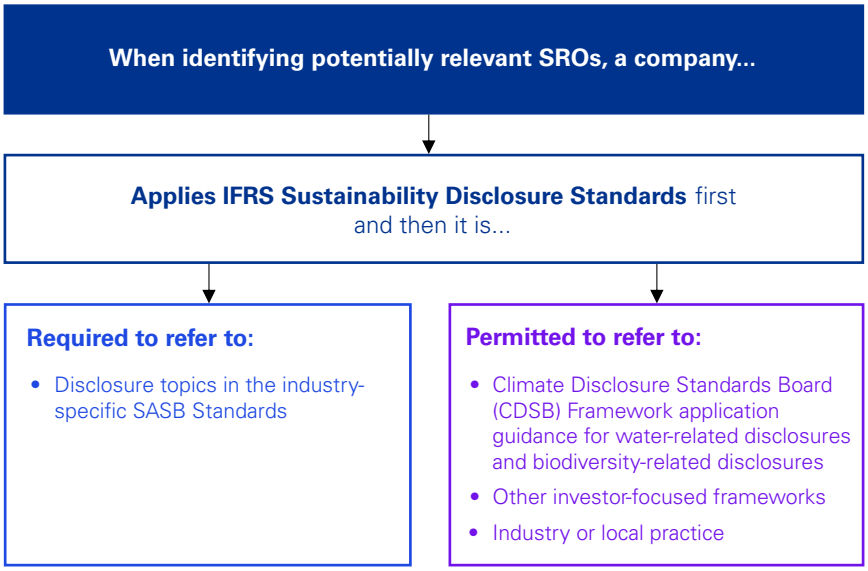
Resources and relationships (continued from Example 2.1.60)	**Example dependencies**	**Example impacts**
Relationships with local and indigenous communities (social and relationship)	Community acceptance of development activities and continued access to development sites (direct)	Poor relationships with local and indigenous communities arising from development activities, including disruption, noise, pollution, restricted access to land or resources (direct)
Customer contracts (social and relationship)	Profitability of operations (direct)	–
Relationships with government agencies issuing construction permits (social and relationship)	Availability of permits issued by the government (direct) Relevant construction standards set by the government (direct)	Ability of the government to meet regeneration targets in key locations (indirect)
Access to financing (financial)	Adequate cash flow to operate (direct)	–

2.2.30 Identifying relevant SROs

To identify relevant SROs, a company evaluates whether its impacts and dependencies on resources and relationships within the reporting entity and across its value chain give rise to sustainability-related risks and opportunities that affect its prospects.

In doing so, a company applies IFRS Sustainability Disclosure Standards and then refers to the required and permitted sources of guidance in IFRS S1. A company that has previously prepared sustainability reports under other frameworks may have performed an assessment of impacts and dependencies or SROs. [IFRS S1.54–55, B7]

A company uses judgement and considers its own and investors' perspectives when identifying relevant SROs (see 2.2.50 and 2.2.60).



A company is required to refer to and consider SASB Standards in:

- determining the industry or industries that are relevant to its activities; and
- considering the disclosure topics included in the relevant SASB standard(s) to assess whether those topics give rise to SROs based on the company's specific facts and circumstances. [IFRS S1.55(a)]

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When performing this assessment, a company considers each disclosure topic to determine whether it applies. However, a company is neither required to report on all disclosure topics identified in SASB Standards, nor to provide information on all associated metrics.[2] [IFRS S1.55(a), BC132]

For climate-related risks and opportunities (CROs), IFRS S2 requires that a company first refers to and considers the disclosure topics in the *Industry-based Guidance on Implementing IFRS S2* (IFRS S2 industry-based guidance). This guidance is derived directly from SASB Standards (see 4.1.190). [IFRS S2.12]

M For further resources on sources of guidance when identifying SROs, see Step 2 in our Materiality for sustainability reporting – How-to guide.

2.2.40 Key considerations when identifying SROs

When identifying SROs, a company considers the following concepts. Many of these concepts are also relevant when identifying material information (see 2.2.70).

- ***Thresholds:*** Using thresholds and scoring can be useful when determining relevant SROs; however, a company needs to ensure that any threshold or scoring system used in assessing SROs does not exclude material information.
- ***Time horizons:*** A company allocates SROs to appropriate time horizons based on when they could be expected to affect its prospects (see 2.2.110). [IFRS S1.30(b)]
- ***Reasonable and supportable information:*** A company uses all reasonable and supportable information available to it at the reporting date without undue cost or effort when identifying SROs (see 2.3.170). [IFRS S1.B6, B10]
- ***Mitigation activities:*** A company may undertake mitigation activities (i.e. strategies and actions taken to reduce or eliminate the potential effect of risks) in response to relevant risks.

M For further guidance on mitigation activities, see Step 2 in our Materiality for sustainability reporting – How-to guide.

Example 2.2.20
Using SASB Standards to identify SROs

Company G has significant activities in the consumer goods, food and beverage and healthcare industries, and has limited activities in the transportation industry.

G refers to, and considers, SASB Standards and identifies the following six that could apply to its activities.

Directly align with G's activities

SASB	SASB	SASB	SASB	SASB
Household & Personal Products	Meat, Poultry & Dairy	Processed Foods	Non-Alcoholic Beverages	Road Transportation

Mostly aligned

SASB
Biotechnology & Pharmaceuticals

Of these six SASB standards, G considers that five of them directly align with its significant activities.

2. ISSB Educational Material Sustainability-related risks and opportunities and the disclosure of material information, page 34.

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However, G's healthcare activities are complex in nature and do not directly align with any SASB standard. Through contracts with pharmaceutical companies, G develops generic medications that are subsequently trialled, manufactured and marketed by an integrated pharmaceutical company. G determines that the Biotechnology & Pharmaceuticals SASB standard is most aligned to its healthcare operations, and therefore includes it among the six SASB standards considered.

G considers the disclosure topics in each of the six SASB standards and concludes:

- for significant activities, excluding healthcare, most disclosure topics apply;
- for transportation activities, only some disclosure topics apply;
- for healthcare activities, only the 'Drug Safety' disclosure topic applies, because of the reputational risk from fatalities or recalled medications; and
- that the other topics in the Biotechnology & Pharmaceuticals SASB standard do not apply because none of the related SROs are potentially relevant.

G documents its rationale in reaching these conclusions and considers these disclosure topics when identifying SROs. It may also refer to other permitted sources of information.



Example 2.2.30
Using a range of sources to identify SROs

Company H owns and operates hotels across multiple jurisdictions.

H maps its value chain and identifies a large population of impacts and dependencies that are connected to resources and relationships from across its value chain.

To identify SROs connected to these impacts and dependencies, H uses all reasonable and supportable information available to it at the reporting date without undue cost or effort. It considers:

- disclosure topics included in the Hotels & Lodging SASB standard;
- the results of scenario analysis performed (see 4.1.90 and Chapter 5.2); and
- the risks it monitors as part of its existing risk management processes.

As part of its existing risk management processes, H:

- performs peer benchmarking;
- reviews responses to ratings questionnaires and the recent questions asked by its investors during outreach;
- analyses regulatory trends across its key jurisdictions; and
- conducts risk identification workshops with key internal stakeholders.

Based on the activities performed, H verifies whether additional SROs exist relating to its impacts and dependencies.

H is satisfied that its list of identified SROs is complete, and therefore does not refer to additional sources of guidance beyond those identified above.

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Insight 2.2.10
Can a risk be relevant if a company determines that it has no or low exposure to it?

Yes, if investors expect that the company may be exposed to this risk (see 2.2.50–60).

For example, a company may have operations located in an area prone to flooding (i.e. companies in the area are generally exposed to flood risk). Because the company is located on higher ground, it has never experienced any flooding and has obtained specialist opinions that the flood risk is minimal across its sites and key access routes. However, investors expect that the company may be exposed to flood risk, and therefore this risk is relevant.

2.2.50 Using judgement when identifying SROs

A company does not need to report on all SROs, only those that are relevant. SROs are considered relevant if they could reasonably be expected to affect a company's prospects – i.e. cash flows, access to finance or cost of capital over the short, medium or long term. [IFRS S1.3, B1]

A company applies judgement to assess whether SROs are relevant. In making this assessment, it considers SROs individually and in aggregate and takes into account the perspectives of management and its investors (see 2.2.60). This filters the range of potentially relevant SROs to focus only on those that are relevant so that a company can provide material information to meet investors' needs. If there is no prospect of identifying material information about an SRO, then it is unlikely that the SRO is relevant.

A company needs to reassess the scope of affected SROs across its value chain when a significant event or change in circumstances occurs. It may need to use judgement when identifying such changes, as they may arise even if not caused by the company itself. Examples include significant changes to the company's:

- value chain – e.g. the introduction of a major new supplier or changes in procurement strategy;
- business model, activities or corporate structure – e.g. a major acquisition or the development of a new product type; or
- exposure to SROs – e.g. the introduction of new environmental regulations. [IFRS S1.B11, IFRS S2.B34]

In some cases, this reassessment may be required outside the annual reporting cycle, depending on when significant events or changes in circumstances occur.

For additional guidance on changes to the reporting entity and a company's use of judgement, see 2.1.20 and 2.3.80 respectively.

Example 2.2.40
Identifying a relevant SRO

Company L, a logistics company, identified a dependency on supply of labour in a key hub location when understanding the impacts and dependencies across the value chain. L's business model relies on agency workers to manage its fluctuating demand.

L then identified a potentially relevant risk of higher labour costs due to a sharp increase in competition for the same pool of agency workers following the recent relocation of major employers to the same local area. L also noted a risk of reduced revenue if it is unable to meet its customers' demands, particularly as flexibility in meeting unpredictable demand is a key differentiator for L against its competitors.

When considering the potentially relevant risk, L identifies a relevant disclosure topic in the Road Transportation SASB standard, namely 'Workforce conditions, health and safety'. L already manages a risk relating to availability and cost of labour in its risk management system.

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L determines that this is a relevant risk. In making this judgement, L considers information from its existing risk management processes about the potential magnitude and likelihood of the labour cost increases and revenue reduction.

It also considers that the risk:

- is connected to one of the company's principal risks and already tracked via the company's risk management system;
- could affect a key value driver of the business – i.e. its ability to be flexible to demand;
- could have a pervasive impact on its business strategy if it changes the decision to rely on agency workers rather than employees;
- relates to a topic (relationships with workforce) that has been a priority for investors in recent engagement with them; and
- relates to a topic that is pervasive across its industry and could also affect other locations in its operations.



Example 2.2.50
Applying judgement in identifying relevant SROs

Company Q is a manufacturer that operates several plants in regions with differing levels of water availability. Q's management identifies water scarcity as a potential sustainability-related risk. However, it concludes that operations in only one region give rise to a risk that could reasonably be expected to affect Q's prospects.

Q's management exercises judgement in:

- assessing which impacts and dependencies across the value chain could reasonably be expected to affect cash flows, access to finance or cost of capital; and
- distinguishing between risks that are potentially relevant and those that are relevant – i.e. those that could reasonably be expected to affect Q's prospects.

Q discloses:

- that it assessed water-related risks across all operating regions;
- the factors considered in concluding that water scarcity risk is relevant in only one region – e.g. reliance on a single water source and the absence of viable alternatives; and
- why water scarcity risks in other regions were not identified as relevant for its sustainability report.



Example 2.2.60
Reassessing relevant SROs after a significant change in circumstances

During the reporting period, Company R acquires a new subsidiary that operates in a different geographical region. Management assesses whether this acquisition represents a significant change in circumstances that requires a reassessment of SROs across the value chain.

R's management uses judgement to determine that the acquisition is significant enough to require a reassessment of previously identified SROs and the scope of its value chain.

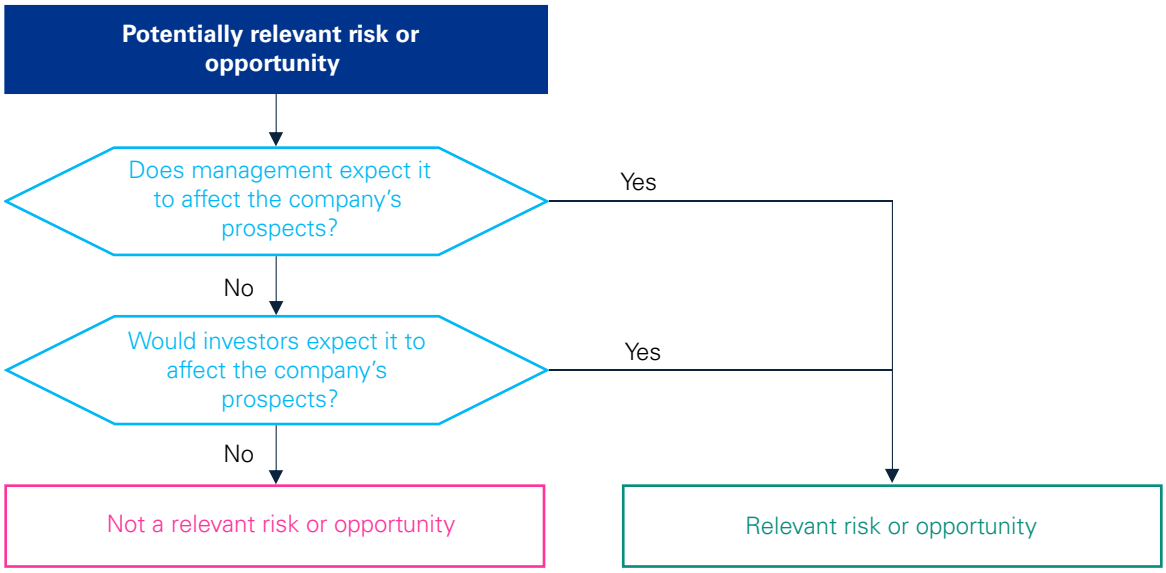
R discloses:

- that it assessed the acquisition for its effect on relevant SROs;
- the factors considered in determining the reassessment scope; and
- how this judgement affected the sustainability report – e.g. inclusion of new risks related to labour practices in the new region.

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2.2.60 Management and investors' perspectives when identifying SROs

It is important that a company considers both its own and investors' perspectives. Investors have access to different information and their expectations may differ about how certain risks and opportunities could affect a company's prospects. A potentially relevant risk or opportunity is considered relevant if either management or investors would reasonably expect it to affect the company's prospects. [IFRS S1.B16]



Example 2.2.70
Identifying a relevant sustainability-related risk from an investor perspective

Company T, a chemical company, is aware of an industry risk related to the illegal dumping of toxic waste by suppliers. The issue has received substantial global press attention and is included in T's list of potentially relevant risks.

Through its due diligence process, T has not identified any evidence of current or past illegal practices either within its own manufacturing sites or at those of any of its suppliers. T does not believe that the risk would affect its prospects; however, it understands that investors are aware that the company operates in the same jurisdictions and industry as competitors that have identified issues.

Because investors could reasonably expect this industry risk to affect T's prospects, T determines that the risk is relevant.

Example 2.2.80
Identifying a relevant sustainability-related risk from management's perspective

Company B, a bank, provides loans to a diversified portfolio of companies across multiple jurisdictions and industries. Given this diversity, B is aware that investors may not expect that a biodiversity-related risk could reasonably be expected to affect its prospects.

However, B has analysed the exposure of companies in its loan portfolio for the purposes of its financial and sustainability reporting. Based on its analysis, B identified several concentrations of biodiversity-related risk.

In assessing the credit risk of customers that could be affected, management identifies these areas of biodiversity-related risk and concludes that, in aggregate, they could reasonably be expected to affect B's prospects. B determines that the biodiversity-related risk is relevant.

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2.2.70 Material information

A company needs to disclose material information about its relevant SROs. This does not mean that all information about the SROs needs to be reported. Some information may faithfully represent a company's facts and circumstances related to a relevant SRO but may not influence investors' decisions. [IFRS S1.18]

In the context of a company's sustainability report, information is material if it could reasonably be expected to influence investors' decisions on:

- providing resources to the company (e.g. buying, holding or selling the company's equity shares, or providing or selling loans and other forms of credit); or
- influencing management's actions (e.g. by exercising voting rights or engaging in dialogue with management). [IFRS S1.18, B14]

M For further guidance, see Steps 4 and 5 of our Materiality for sustainability reporting – How-to guide.



Insight 2.2.20
How does assessing material information under IFRS Sustainability Disclosure Standards differ from IFRS Accounting Standards?

Materiality judgements under IFRS Sustainability Disclosure Standards and IFRS Accounting Standards are made on a similar basis – i.e. by considering the information's ability to influence investors' decisions. However, the types of information required to meet the objectives of each set of IFRS Standards differ.

Sustainability reports provide information about relevant SROs. Financial statements provide information about a company's assets, liabilities, equity, income and expenses.

This means that the information required by IFRS Sustainability Disclosure Standards may:

- include information that does not form part of the financial statements (e.g. information about the company's strategy);
- include information about a company's value chain, which is outside the reporting entity boundary;
- be material even though there is no corresponding financial statement effect (e.g. information about a potential change in strategy that has not yet affected the financial statements); and
- cover a longer time horizon than the information in the financial statements.

A company needs to be aware of the different objectives when identifying material information to disclose in the financial statements and sustainability report. It also needs to connect relevant pieces of information (see 6.1.80).

2.2.80 Identifying material information

A company identifies material information using the applicable sources of guidance and considering other information available to it, making sure that any information faithfully represents its specific facts and circumstances.

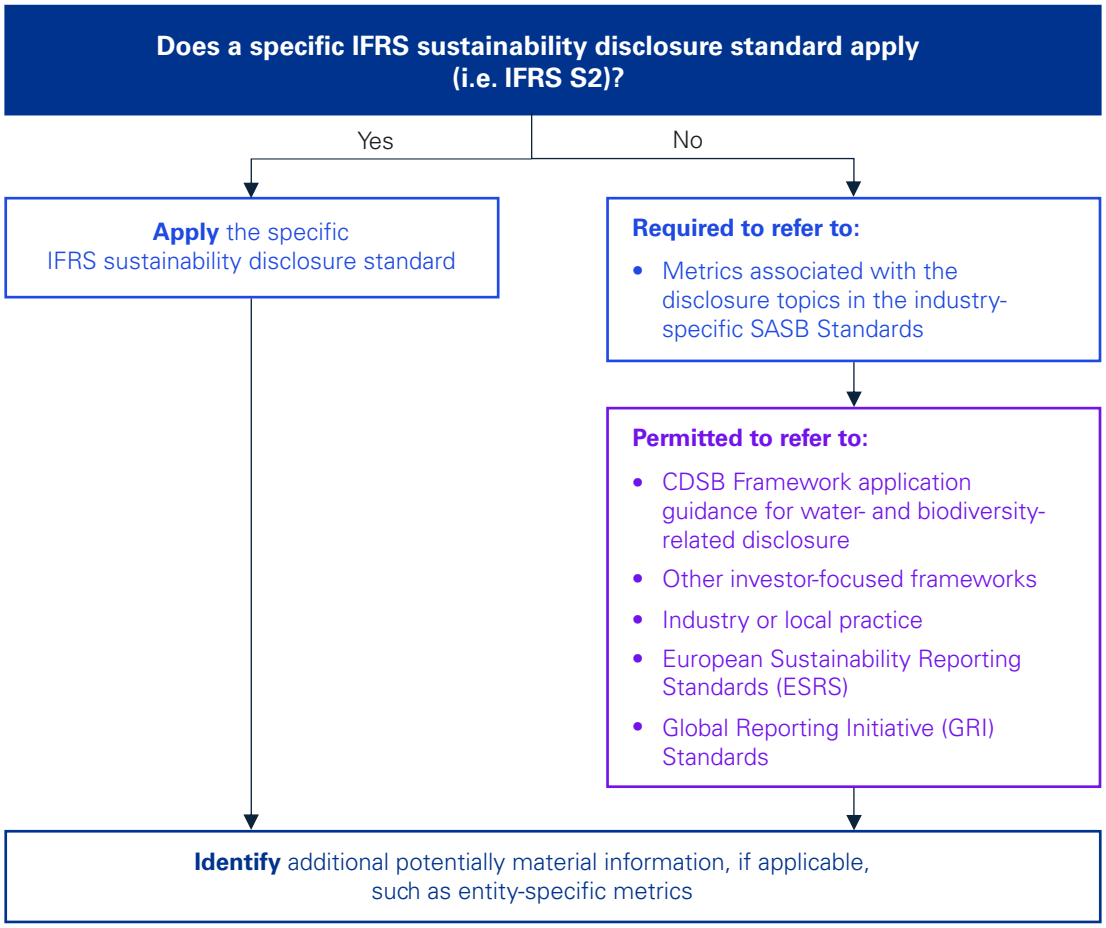
A company considers whether information could reasonably be expected to influence investors' assessments of the company and assesses future cash flows when determining whether information is material (see 2.2.100 and 2.2.110).

A company needs to consider whether a specific sustainability disclosure standard (i.e. IFRS S2) applies to an SRO. It then uses judgement to identify additional information that:

- is relevant to investors' decision-making; and
- faithfully represents the characteristics of, and the circumstances related to, the identified SRO. [IFRS S1.57]

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When there is no currently effective sustainability disclosure standard that applies specifically to a relevant SRO (i.e. for topics other than climate), a company refers to the additional sources of guidance. These will apply while the ISSB develops a full suite of standards and guidance. [IFRS S1.56]



The additional sources of guidance include other sustainability reporting standards and frameworks. Information prepared under these sources may help a company identify material information under IFRS Sustainability Disclosure Standards. However, a company needs to assess whether that information meets the investor-focused objective of IFRS Sustainability Disclosure Standards and to update it as necessary. [IFRS S1.56–58, C1–C3]

2.2.90 Key considerations when identifying material information

When identifying material information, a company needs to consider the following concepts. Many of these concepts are also relevant when identifying relevant SROs (see 2.2.30).

- ***Aggregation:*** Aggregation and disaggregation are important factors when determining how to present material information (see 2.2.140). [IFRS S1.B29–B30]
- ***Common information needs:*** When assessing SROs, a company only needs to consider the common information needs of primary users. It is not required to consider the needs of individual investors or specific types of investors that may have different information needs – e.g. if they are making decisions based specifically on a company's social impacts. [IFRS S1.B18]
- ***Mitigation activities:*** Information about mitigation activities may be material. Furthermore, information about underlying risks that management believes to have been mitigated may still be material.

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M For further guidance on mitigation activities, see Step 2 in our Materiality for sustainability reporting – How-to guide.

Example 2.2.90
Identifying material information for a clothing retailer

Company R is a clothing retailer. R has identified that its relevant SROs include:

- environmental impacts in the supply chain (particularly focusing on climate- and water-related risks);
- labour conditions in the supply chain; and
- management of chemical products.

R determines that its activities align with the *Apparel, Accessories & Footwear* SASB standard.

R applies IFRS S2 and considers the relevant SASB standard to identify disclosure topics and metrics that apply to its specific facts and circumstances.

R then uses judgement to determine whether additional information exists about its relevant SROs that might be necessary to meet investors' needs. It determines that the Climate Disclosure Standards Board (CDSB) Framework's *Application guidance for water-related disclosures* and ESRS E3 *Water* are potentially relevant to investors' decision-making and could result in information that faithfully represents its circumstances. R considers the requirements and guidance in these sources in the absence of other IFRS sustainability disclosure standards.

R assesses the requirements and guidance of the sources it has referred to and determines whether the related information could influence investors' assessments of the company.

R discloses information about the sources of guidance, disclosure topics and metrics that it applied in preparing its sustainability report.

Example 2.2.100
Applying judgement when using the IFRS S2 industry-based guidance

Company B runs a diversified consumer goods business. It considers whether the IFRS S2 industry-based guidance applies to its circumstances. However, B decides not to disclose certain industry-specific metrics because they do not reflect its particular business model.

B's management exercises judgement in:

- identifying which industry or industries best align with its business model; and
- concluding that certain disclosure topics or metrics in the IFRS S2 industry-based guidance do not apply to its circumstances.

B discloses:

- industries in the IFRS S2 industry-based guidance that it considered in preparing its disclosures; and
- why the use of alternative metrics provides more decision-useful information for investors.

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Example 2.2.110
Determining the appropriate level of detail for value chain disclosures

Company P mills agricultural products such as wheat, corn and other grains, and distributes its products for sale around the world. P sources key agricultural inputs from multiple regions through its international supply chain. Based on its value chain, P determines that water scarcity is a relevant SRO in certain upstream suppliers.

P considers the requirements of metric 430a.3 *Discussion of strategy to manage environmental and social risks arising from contract growing and commodity sourcing* in the Agricultural Products SASB standard and notes that it requires only a high-level discussion of strategies. P expands its disclosure by explaining:

- how it prioritises supplier audits in high-risk regions;
- how diversification and long-term sourcing agreements support resilience; and
- how scenario-based assessments inform its supply-chain risk management processes.

Although a specific metric relating to the value chain information may be high-level, P ensures that its disclosures provide investors with an understanding of the specific upstream value chain risk and the steps management is taking in response because P determines the information is material.

Insight 2.2.30
Can information about the absence of a risk be material?

Yes, information that a company is not exposed to a risk may be material if the risk is relevant – i.e. investors expect the company to be exposed to that risk (see 2.2.60). For example, this may occur when the company's industry peers have disclosed that they are affected by the risk (qualitative factor). Management needs to consider whether information about why it is not exposed to this risk could affect investors' assessments of the company enough to influence their decisions (see Example 2.2.70).[3]

Insight 2.2.40
Are there scenarios in which a company would not need to disclose otherwise material information?

It depends. A company needs to disclose all material information about sustainability-related risks; however, IFRS S1 includes an exemption from reporting commercially sensitive information about sustainability-related opportunities (see 2.3.190).

3. ISSB Educational Material Sustainability-related risks and opportunities and the disclosure of material information, page 14.

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Insight 2.2.50
Can a company disclose information that is estimated?

Yes. Information included in a sustainability report will come from a variety of sources and will include a combination of direct and indirect measurement, as well as estimation (see 2.3.90).

A company is not required to report information that is perfectly precise, but factual information needs to be free from material error. If a company discloses estimates, then they need to be clearly identified and based on reasonable assertions and inputs, with judgements faithfully presented. [IFRS S1.D15]

This is particularly relevant as many companies are likely to face challenges in obtaining information about activities outside their control. These challenges may include:

- understanding the quality and availability of data;
- obtaining information in a timely manner;
- using measurement techniques that are aligned with other parties; and
- identifying appropriate estimates and approximations when data is unavailable.

Companies will need to implement systems, processes and controls that allow timely reporting.

Example 2.2.120A
Estimating unavailable value chain data

Manufacturing Company X purchases and receives delivery of raw materials on a quarterly basis from Company Y. X determines its scope 3 category 1 emissions (purchased goods and services) for the purchased raw materials based on supplier-specific emissions data provided by Y.

Y has provided emissions data for the first three-quarters of the year; however, the Q4 data will not be available before the date that its sustainability report is authorised for issue.

In the absence of supplier-specific data, X uses the average-data method to calculate its Q4 emissions. X uses the trailing four-quarter-average emissions-per-unit rate for the raw materials based on the supplier-specific data available and multiplies it by the amount of raw materials purchased in Q4.

X considers the effectiveness of its inventory controls and the reliability of the supplier's data for the periods used in the estimate and determines that the assumptions used in the calculation are reasonable, supportable and free from material error.

Example 2.2.120B
Estimating data and updating it for actual results

Continuing Example 2.2.120A, in the absence of supplier-specific emissions data, Company X uses the average-data method to calculate its Q4 emissions.

Before the date its sustainability report was authorised for issue, X obtained the Q4 supplier-specific emissions data from Company Y.

This supplier-specific data relates to conditions that existed during the reporting period. X recalculates its Q4 emissions data and determines that adjustments to its scope 3 category 1 emissions metrics are not required because information about the revised metric is not material.

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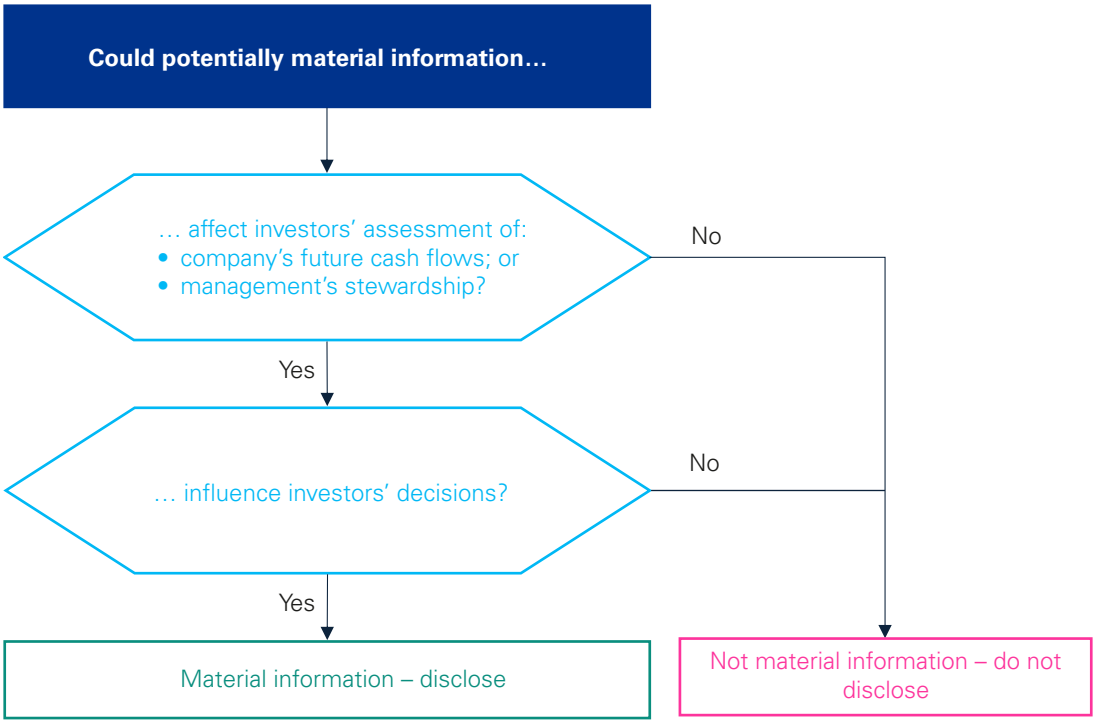
2.2.100 Considering investors' assessments of a company

A company assesses the materiality of information based on whether that information could reasonably be expected to influence investors' assessments of the company – i.e. whether it could influence investors' investing or financing decisions relating to the company. This assessment considers both quantitative and qualitative factors. [IFRS S1.B21]

Investors make these decisions based on expectations about their returns (e.g. dividends, principal and interest payments or share price increases). In forming these expectations, investors assess the amount, timing and uncertainty of a company's future cash flows and management's stewardship of its economic resources. Therefore, it is important that a company considers how to assess its future cash flows across all time horizons when identifying material information (see 2.2.110). [IFRS S1.B15]

Not all pieces of information that could influence investors' expectations about their returns would influence their decisions. Information about a risk could indicate to investors that a company's cash flows will be affected; however, the potential effects may be insufficient to influence their decisions.

A company needs to filter out any information that it believes would not influence investors' decision-making, based on its specific facts and circumstances. It uses judgement to determine if a potentially material piece of information is, in fact, material. [IFRS S1.18, B19]



2.2.110 Assessing future cash flows when identifying material information

Investors consider the amount, timing and uncertainty of future cash flows when making their assessments. Therefore, a company needs to consider the same factors when determining what information may influence investors' decisions. [IFRS S1.B15]

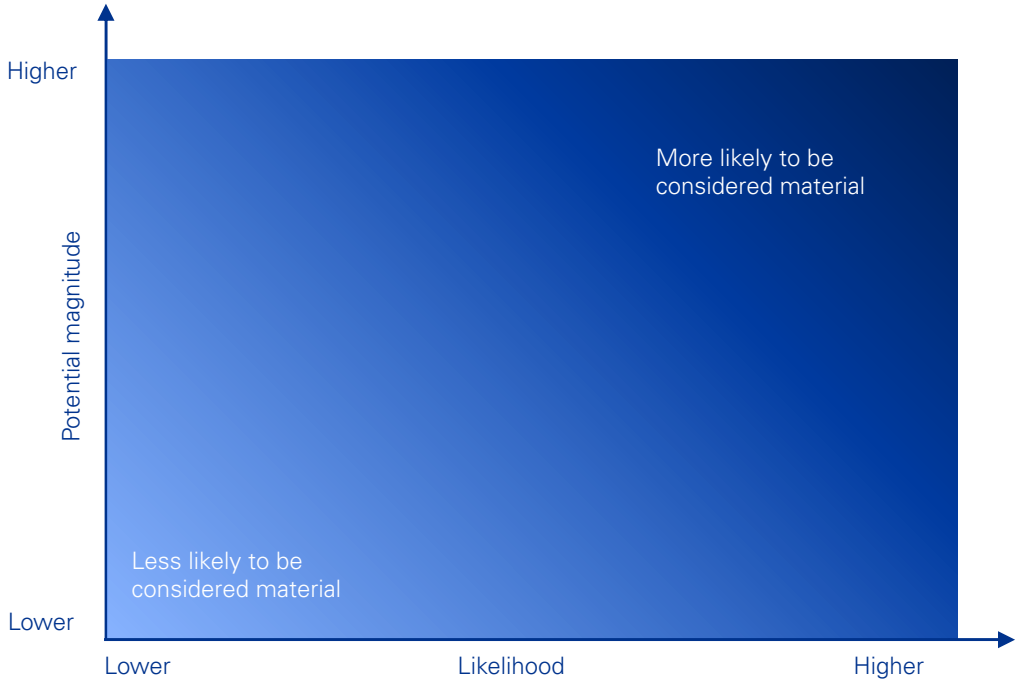
Information about a possible future event that is only expected to affect the company's cash flows many years in the future is less likely to be considered material than information about a possible future event with similar effects that is expected to occur sooner. [IFRS S1.B24]

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When assessing information about a company's exposure to an uncertain outcome, a company considers whether investors' assessments of the company might be influenced by the information, taking account of both:

- the range and likelihood of possible outcomes; and
- the potential effect on the amount, timing and uncertainty of its future cash flows. [IFRS S1.B22–B24]

To allow investors to assess the timing of future cash flows, a company needs to provide material information about the time horizons in which an SRO could be expected to affect its prospects (see 3.3.10). [IFRS S1.30(b)]



Example 2.2.130
When a quantitatively small metric provides material information

Company S has information about a quantitatively large change in water consumption at a location where the availability of water is plentiful and associated costs are insignificant. S concludes that this information is not material because the level of water consumed at the site is not likely to influence investors' decisions.

S also has information about a quantitatively small change in water consumption at a location where the water supply is severely restricted and costly. S concludes that this information is material because it could influence investors' assessments of future cash flows due to the potential effect on the site's ability to continue in operation, and therefore influence their decisions.

Insight 2.2.60
Does a company need to model its future cash flows when assessing if information is material?

No. Although a company needs to assess potential magnitude and likelihood of occurrence when determining whether information is material, it does not need to model its future cash flows (e.g. prepare detailed forecasting specifically for this purpose).

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Insight 2.2.70
Could information be material regardless of its timing or potential magnitude?

Yes. Some information could reasonably be expected to influence investors' decisions regardless of the timing or magnitude of the potential effect on the related SRO. [IFRS S1.B24]

A company may determine that a quantitatively small metric is material because it expects the associated SRO to be subject to a high level of scrutiny from investors (qualitative factor). For example, a company may undertake mitigation activities that reduce the potential magnitude of the effect of an SRO. Investors' views on these activities may differ from management's and unless management provides sufficient information, investors may be unable to make an informed decision (see 2.2.60).

2.2.120 Reassessing materiality judgements

IFRS S1 requires a company to reassess its materiality judgements at each reporting date. This is because, as a company's circumstances and strategies change, so too can its determinations of what is material. [IFRS S1.B28]

The purpose of the reassessment is to identify whether additional information is now material or if previously disclosed information is no longer material. Judgements are based on what could influence investors' decisions. For example, a company may:

- revisit old assessments in light of new risks, opportunities or investor expectations;
- consider if information previously deemed immaterial could now influence investors' decisions;
- evaluate whether investors might misunderstand its exposure or response to a risk, and if clarification would influence decision-making; or
- include additional forward-looking information when long-term risks become more probable or better defined.

Information that becomes available after the reporting date may influence investors' decisions. Therefore, a company needs to assess whether updates to its sustainability report may be required (see 2.3.70).

Insight 2.2.80
Does a company need to reassess both materiality judgements and the scope of the value chain at every reporting date?

It depends. Under IFRS S1, a company revisits its judgements over time, but it does so through two related yet distinct reassessments, which differ in timing and focus. [IFRS S1.B28]

At each reporting date, a company reassesses its materiality judgements. This reassessment focuses on whether additional information has become material to investors' decision-making, or whether information previously disclosed is no longer material. It forms part of the normal reporting cycle and is concerned with the materiality of information disclosed, rather than reidentifying all relevant SROs. [IFRS S1.B28]

By contrast, a company reassesses the scope of its value chain and the SROs affected only when a significant event or change in circumstances occurs. This event-driven reassessment focuses on whether changes to the business model, value chain, activities or external environment give rise to new SROs, or change the scope of existing SROs. [IFRS S1.B11]

A significant change in circumstances may trigger a reassessment of the value chain and affected SROs, which may then lead to changes in materiality judgements and disclosures at the reporting date. However, the absence of such a change does not remove the requirement to reassess materiality judgements at each reporting date.

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2.2.130 Reporting material information

There is no explicit requirement to disclose the process followed for identifying material information about SROs. However, a company needs to disclose its process to identify, assess, prioritise and monitor relevant SROs as part of its risk management disclosures (see Chapter 3.4). [IFRS S1.43(a)]

In addition to risk management disclosures, a company discloses material information about the key decisions made in preparing its sustainability report. These judgements depend on facts and circumstances at the time the company prepares its disclosures. [IFRS S1.74]

Some of these decisions may be made during the materiality assessment process. [IFRS S1.75]

A company needs to disclose the following information.

Area	What to disclose
Significant judgements (see 2.3.80)	• The judgements that have had the most significant effect on the information included in the disclosures about relevant SROs. [IFRS S1.74] • This could include explaining judgements made in: – identifying relevant SROs; – assessing the impact of mitigation activities; – determining which sources of guidance to apply (see below); – identifying material information to include in the sustainability report; and – assessing whether an event or change in circumstances is significant and requires the company to reassess the scope of affected SROs in its value chain. [IFRS S1.75]
Sources of guidance (see 2.2.30 and 2.2.80)	• Which SASB standard(s) and other sources of guidance the company has used in preparing its disclosures, including the industry or industries it has used. [IFRS S1.59] This is to help investors understand how the company has identified material information and prepared the disclosures.

M For further guidance, see Steps 4 and 5 of our Materiality for sustainability reporting – How-to guide.

D For an example illustrating how a company can disclose information about its materiality assessment process, see Example 10 in our Illustrative disclosures.

Insight 2.2.90
Does a company need to document its materiality process?

Yes. As facts and circumstances can change, materiality judgements may be vulnerable to hindsight challenge if they are not subject to due process and properly documented. Therefore, a company needs to ensure that its materiality assessment, including the process followed, the judgements made and the basis for those judgements, is properly documented for governance and/or assurance purposes.

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2.2.140 Aggregating information

When preparing its sustainability report, a company needs to aggregate and disaggregate information at the appropriate level. It considers whether:

- some information about an SRO may be material to investors when considered in aggregate, even though it would not be material when considered in isolation; and
- some aggregated information about an SRO may not be material to investors, but disaggregated information relating to a particular site or activity may be material. [IFRS S1.B29–B30]



Example 2.2.140
Presenting aggregated sustainability-related financial information

Food Manufacturer Company U has a diverse supply chain that includes a large number of small businesses across multiple jurisdictions. It has identified multiple location-specific biodiversity-related risks that could affect its supply chain resilience.

U determines that information about each individual risk is not material because the supply chain is diverse and any individual impact would be too small to influence investors' decisions. However, when considered in aggregate, information about the risks is material to investors. This is because of U's high dependence on small producers that U assesses as having low resilience to biodiversity-related risks. U considers the prevalence of the risks and the significant impact that would occur if multiple risks crystallised at the same time. Therefore, U provides information about its exposure to this aggregated risk, including explaining its actions to manage the resilience of its supplier portfolio.



Example 2.2.150
Presenting disaggregated sustainability-related financial information

Company W assesses that water is a critical part of its operations. The availability of water varies across all sites, one of which is water-stressed. W determines that reporting its aggregated water usage is not a useful metric because it obscures the location-specific risk. Therefore, W provides disaggregated information about water usage at the water-stressed site but does not provide disaggregated water usage data covering other sites where water supply is plentiful.



Insight 2.2.100
Can a company use segments identified under IFRS Accounting Standards as the level of disaggregation for its sustainability report?

Generally, no. Segment information reported under IFRS 8 *Operating Segments* is based on a management approach. The core principle of IFRS 8 is to require disclosures in the financial statements that enable investors to evaluate the nature and financial effects of the business activities of the company and the economic environments in which it operates.

Disaggregation at the segment level in financial reporting fits a different purpose and may not be sufficiently granular or relevant for sustainability reporting purposes.

A company is required to disclose information about significant differences between the data and assumptions used in preparing the financial statements and those used in preparing the sustainability report (see 6.1.120). [IFRS S1.23, B24]

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Insight 2.2.110
Can a subsidiary use information disclosed by a parent company when preparing its own disclosures?

It depends. A subsidiary may leverage information prepared at a group level in preparing its own disclosures; however, it needs to apply judgement to ensure that information disclosed in its sustainability report faithfully represents its own facts and circumstances, meets the common information needs of its investors and provides material information about its relevant SROs (see 2.3.80).

In some cases, sustainability-related processes may be designed at a parent level and applied consistently across a group. A subsidiary may provide information about these processes because they relate to its relevant SROs, including how it applies them to its own activities. However, if a subsidiary supplements or applies its own processes, then it considers whether group-level information alone remains sufficient and if it needs to provide additional information to ensure its disclosures faithfully represent its facts and circumstances. [IFRS S1.B27]

Insight 2.2.120
Does a group need to disaggregate information by subsidiary when preparing its sustainability disclosures?

It depends. A group disaggregates sustainability-related information by subsidiary when doing so is necessary to provide material information to investors.

The group needs to exercise judgement about the appropriate level of aggregation, assessing whether information about how its subsidiaries govern, manage, monitor and measure SROs would be material for the group-level SROs, and whether it could influence investors' decision-making (see 2.3.80).

The group also considers whether aggregation could obscure material information – e.g. when subsidiaries differ in their exposure to SROs such that clarity or decision-usefulness would be reduced. In this case, the group may disaggregate information by subsidiary or supplement group-level disclosures, as necessary, to ensure its sustainability disclosures faithfully represent how SROs are managed across the group. [IFRS S1.B27]

2.2.150 Ensuring material information is not obscured

When organising its sustainability report, a company needs to ensure that material information is not omitted or obscured by immaterial information.

Information is obscured if it is communicated in a way that would have a similar effect for investors as omitting or misstating that information. Obscuring information can erode the understandability and fair presentation of the report, and reduce its usefulness.

Some ways that material information can be obscured include:

- scattering material information about an SRO throughout the sustainability report;
- over-relying on cross-references without sufficient context;
- using unclear or overly vague descriptions;
- inappropriately aggregating or disaggregating certain pieces of information; and
- reducing the understandability by hiding material information among immaterial information, such that an investor is unable to identify which information is material. [IFRS S1.B27]

A company may present information in its sustainability report prepared under IFRS Sustainability Disclosure Standards to satisfy other requirements (e.g. GRI Standards or ESRS) provided that material information is not obscured (see 6.1.60).

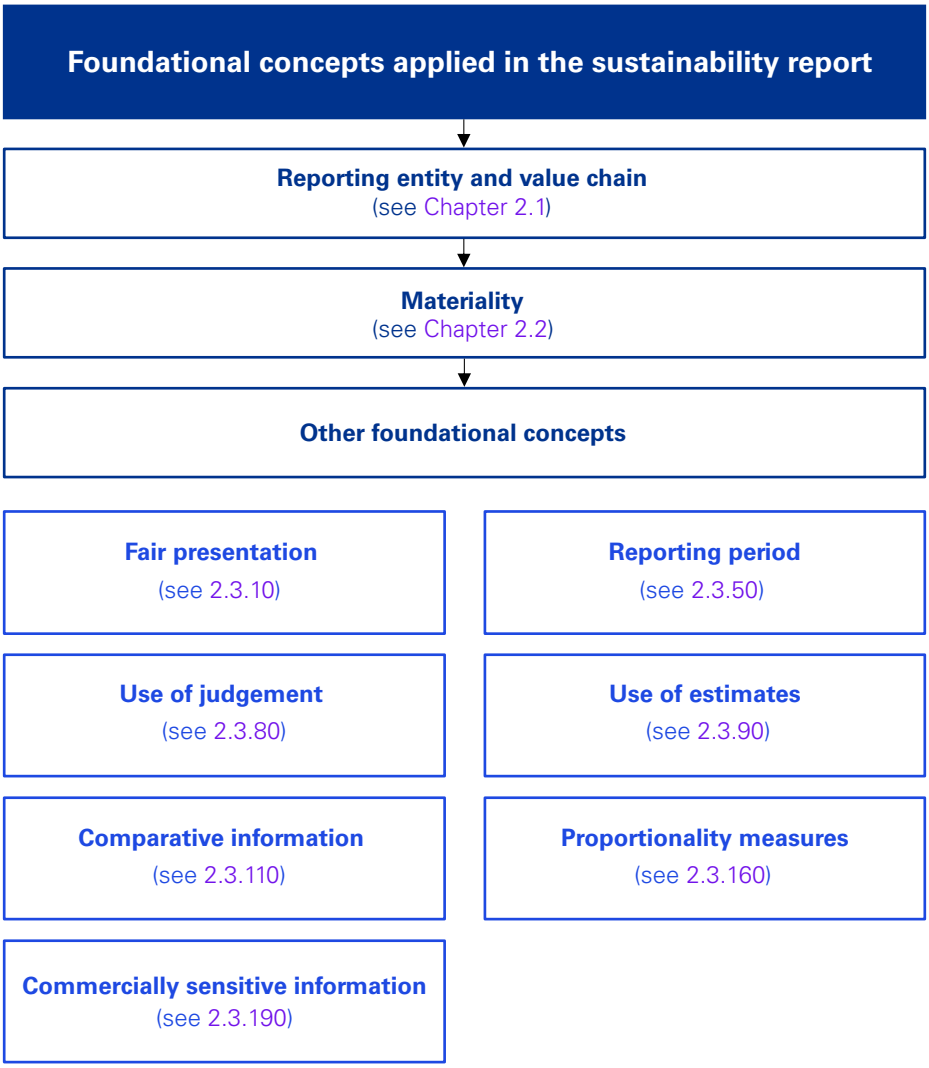
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2.3 Other foundational concepts

Currently effective requirements: IFRS S1

A company applies the following foundational concepts in IFRS Sustainability Disclosure Standards when preparing its sustainability report to help it determine:

- what information to provide about SROs; and
- how to present that information so that it is useful for investors.



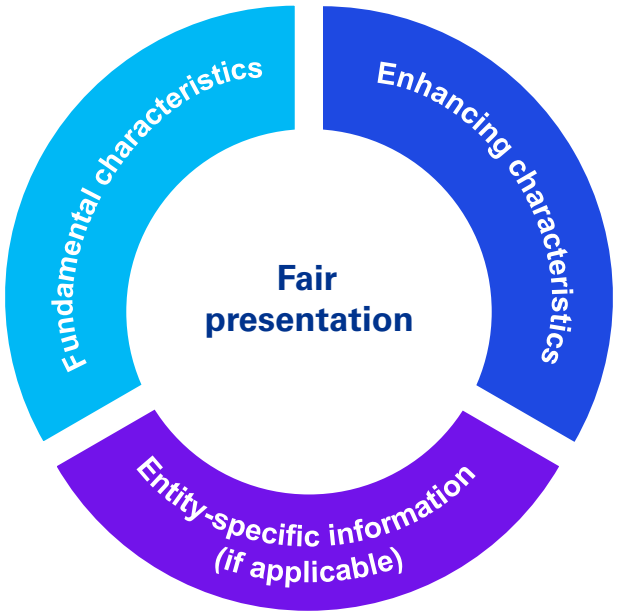
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2.3.10 Fair presentation

Information needs to be decision-useful for investors – i.e. it needs to be fairly presented. Determining whether information is fairly presented requires an overall assessment of the extent to which the disclosed information meets the fundamental and enhancing qualitative characteristics of information (see 2.3.20 and 2.3.30, respectively). [IFRS S1.1, 10–11]

Achieving fair presentation requires not only meeting these qualitative characteristics but also when necessary, providing additional information to enable investors to assess the effect of relevant SROs on a company's prospects. This additional information may include entity-specific information relevant to the company's particular facts and circumstances (see 2.3.40). [IFRS S1.15(b)]

Fair presentation requires a company to consider whether its sustainability report provides information that faithfully depicts relevant SROs arising from either the reporting entity or its value chain. A company considers the entirety of its sustainability report, rather than focusing solely on compliance with individual disclosure requirements. [IFRS S1.10]



2.3.20 Fundamental qualitative characteristics of information

Information meets the fundamental qualitative characteristics when it is:

- ***relevant:*** capable of influencing investors' decisions; and
- ***faithfully represented:*** providing a complete, neutral and accurate depiction of the SROs it purports to represent. [IFRS S1.10, 13, D, BC66]

Information that does not meet these fundamental qualitative characteristics may fail to provide decision-useful information to investors and may undermine the objective of reporting under the standards.

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Insight 2.3.10
Does providing an accurate depiction of an SRO mean that the information needs to be precise?

No. Information does not need to be precise in all respects. The level of precision depends on the nature of the information and the matters to which it relates. Accuracy means that:

- there are no material errors in:
  - factual information; or
  - selecting and applying the process for developing a forecast, estimate or approximation;
- forecasts, estimates and approximations are clearly identified as such;
- descriptions are precise;
- assertions and inputs used in developing estimates are reasonable and based on information of sufficient quality and quantity; and
- information on judgements about the future faithfully reflects the information on which those judgements are based and the judgements themselves (see 2.3.80). [IFRS S1.D15]

2.3.30 Enhancing qualitative characteristics of information

The usefulness of information is enhanced if it is:

- ***comparable:*** can be compared to prior periods' disclosures and with other companies' disclosures;
- ***verifiable:*** possible for a knowledgeable and independent observer to come to a similar conclusion;
- ***timely:*** available to investors in time to be capable of influencing their decisions; and
- ***understandable:*** clear and concise. [IFRS S1.15(a), D16–D33]

Insight 2.3.20
Is comparability the same as consistency?

No. Comparability and consistency are related; however, they are not the same. Comparability enables investors to identify similarities and differences in information across reporting periods and between companies. Information is more useful when it allows comparison over time and, when relevant, with other companies – particularly within the same industry.

Consistency refers to using the same approaches or methodologies over time and supports comparability. However, a company may need to revise its methodologies when its circumstances change.

For example, if a company updates its GHG emissions calculation method due to improved data availability, then this may reduce comparability between reporting periods. In these cases, the company can help investors understand and assess the impact on comparability by:

- revising the previously reported figures; and
- disclosing the change, the reasons for that change and its effect on the previously reported figures (see 2.3.110). [IFRS S1.52, B52, D17–D20]

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Insight 2.3.30
Does information need to be supported by evidence to be verifiable?

Yes. Information is verifiable when it is supported by evidence, either through the information itself or through the inputs and methods used to produce it. Under IFRS S1, information is considered verifiable when independent and well-informed observers reviewing the same evidence are likely to reach similar conclusions on whether that evidence faithfully reflects the underlying matter.

To facilitate verification, a company presents information in a way that:

- allows it to be corroborated;
- explains estimates or approximations; and
- includes information that has been reviewed and agreed by its board, relevant committees or equivalent bodies. [IFRS S1.D22–D23]

Insight 2.3.40
Can forward-looking information be verifiable?

Yes. Forward-looking information can be verifiable for the purpose of applying the standards when it faithfully represents fact-based strategies, plans or risk analyses, and when the company clearly explains the assumptions, inputs and methodologies used. Verifiability does not require certainty about future outcomes, but it does require that the information is transparently described. [IFRS S1.D24]

Insight 2.3.50
Does understandability require omitting complex or technical information?

No. Information is understandable when it is clear, concise, entity-specific and presented as a coherent whole. Understandability does not require a company to omit complex or technical information. [IFRS S1.D26]

For example, when disclosing a biodiversity-related risk, a company may accompany technical ecosystem metrics with a clear explanation of how local ecosystem degradation could affect water availability, regulatory constraints, operating costs and long-term viability of the site.

Further ways in which a company can ensure that information is understandable include the following.

Improving understandability	How a company achieves this in its disclosures
Focuses on material information	Includes information that is material to investors' understanding and avoids including immaterial detail that could obscure what is important. [IFRS S1.D29]
Avoids boilerplate language	Uses entity-specific language that reflects its own circumstances and SROs, rather than generic or standardised wording. [IFRS S1.D26(a)]
Minimises unnecessary duplication	Avoids repeating the same information within the sustainability report, or duplicating information already provided elsewhere in the general purpose financial reports, unless doing so improves clarity. [IFRS S1.D26(b)]
Uses clear language and logical structure	Organises disclosures using clear, well-structured sentences and paragraphs that guide the reader through the information. [IFRS S1.D26(c)]
Uses the most appropriate format	Presents information in the form that best supports understanding – e.g. narrative text, tables, graphs and diagrams – and provides additional explanation when necessary to avoid obscuring material information. [IFRS S1.D27]

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Improving understandability	How a company achieves this in its disclosures
Is coherent and connected	Explains the context and relationships between related disclosures and clearly links SROs to the financial statements, when relevant. [IFRS S1.D31–D33]
Clearly distinguishes new developments from standing information	Identifies what has changed during the reporting period and what information remains largely unchanged from prior periods. [IFRS S1.D28]
Includes complex information clearly, rather than omitting it	Includes material complex or technical information, but explains it as clearly as possible instead of omitting it to simplify disclosures. [IFRS S1.D30]

2.3.40 Entity-specific information

Entity-specific information may include entity-specific metrics and other information needed to explain a company's specific facts and circumstances. When preparing its sustainability report, a company applies judgement to determine whether this information is needed to provide a faithful representation of its SROs. Entity-specific information may be necessary when:

- an IFRS sustainability disclosure standard addresses an SRO, but does not cover all aspects relevant to the company's facts and circumstances;
- the company identifies a relevant SRO for which no specific IFRS sustainability disclosure standard applies;
- the company uses entity-specific metrics to measure and monitor SROs; or
- additional entity-specific information is required to explain a metric or a disclosure and to ensure that it is complete, neutral and accurate. [IFRS S1.15(b), 46(b), B26]

The standards are designed to meet the needs of investors; however, a company is permitted to report additional information (even if it is not material) to meet either public policy objectives or the needs of other stakeholders. This additional information needs to be clearly identifiable and not obscure material information required by the standards (see 6.1.60). [IFRS S1.62, B26–B27]

Insight 2.3.60
Will all companies in a particular industry provide the same information?

No. Companies provide information that is specific to their facts and circumstances. Although information may be comparable with that provided by industry peers, a company does not align its disclosures with peers if doing so would make the information less relevant or less useful to investors. [IFRS S1.B19, D18]

For example, companies in a particular industry may provide information on global water usage. However, if one company has a specific sustainability-related risk affecting a water-stressed site, then it would provide additional material information about that site even if other companies in the industry do not provide similar site-specific information.

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Insight 2.3.70
Are entity-specific disclosures required for relevant SROs arising in the value chain, even if the applicable standard or guidance does not explicitly refer to the value chain?

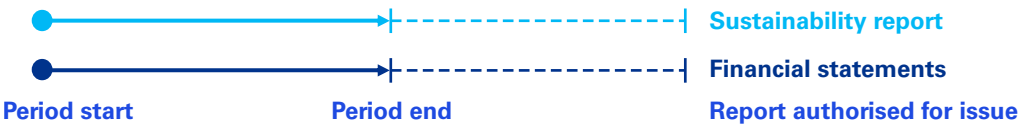
Yes. When relevant SROs arise in the value chain, the company provides entity-specific metrics, if material, to explain how it monitors and manages those SROs. It does this even when the applicable standard requires metrics only for the activities that arise within the reporting entity. [IFRS S1.15(b)]

For example, a company may identify a relevant human rights-related risk in its supply chain but the relevant SASB standard it considered only requires metrics for the company's own workforce. In this case, the company might disclose entity-specific metrics – e.g. the percentage of suppliers assessed for human rights-related risks or the number of supplier audits conducted to monitor and manage that risk.

2.3.50 Reporting period

A company prepares its sustainability report for the same reporting period as its annual financial statements and makes both reports available to investors at the same time, subject to any applicable transition relief (see 6.2.50). [IFRS S1.64]

Under the standards:



If a company changes its reporting date, and therefore the length of its reporting period (e.g. because it changes its reporting date from 31 December to 30 September), then it is required to provide information to enable investors to understand the change. Specifically, it needs to disclose the following information.

Information	What to disclose
Changes to reporting period	• The reporting period covered by the sustainability report – e.g. nine-month period from 1 January 2026 to 30 September 2026. [IFRS S1.66(a)] • The reason for using a longer or shorter reporting period. [IFRS S1.66(b)] • An explanation that amounts disclosed in the sustainability report are not comparable. [IFRS S1.66(c)]

Insight 2.3.80
Can a company use estimates in place of directly measuring information for a portion of the reporting period?

It depends. IFRS S1 does not explicitly allow a company to default to estimated information for a portion of the reporting period (e.g. fourth-quarter information). However, estimates are an important part of sustainability reporting and reasonable assumptions and estimates do not undermine the usefulness of information. [IFRS S1.79]

A company can use estimates when direct measurement is not possible – e.g. if the information is not available on a timely basis – provided the use of estimates is adequately explained (see 2.3.90). [IFRS S1.79]

For example, a company disclosing its water consumption based on actual data may be unable to collate Q4 information before publishing its sustainability report. In this situation, the company can estimate the missing data if this is necessary to provide material information to investors, provided that it explains the estimation method and any related limitations.

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Insight 2.3.90
When a company has a different reporting period from some or all of the companies in its value chain, can it measure its scope 3 emissions using data based on the different reporting period?

Yes. A company is permitted to measure its scope 3 emissions using data based on those different reporting periods, on the condition that:

- it uses the most recent data available from those companies;
- the length of the reporting periods is the same; and
- it discloses the effects of significant events and changes in circumstances (relevant to its scope 3 emissions) that occur between the reporting dates of the companies in its value chain and the date of the company's general purpose financial reports. [IFRS S2.B19]

2.3.60 Interim reporting

IFRS S1 does not require a company to prepare an interim sustainability report. However, local laws and regulations may require interim sustainability reports, or a company may choose to prepare them on a voluntary basis. [IFRS S1.69]

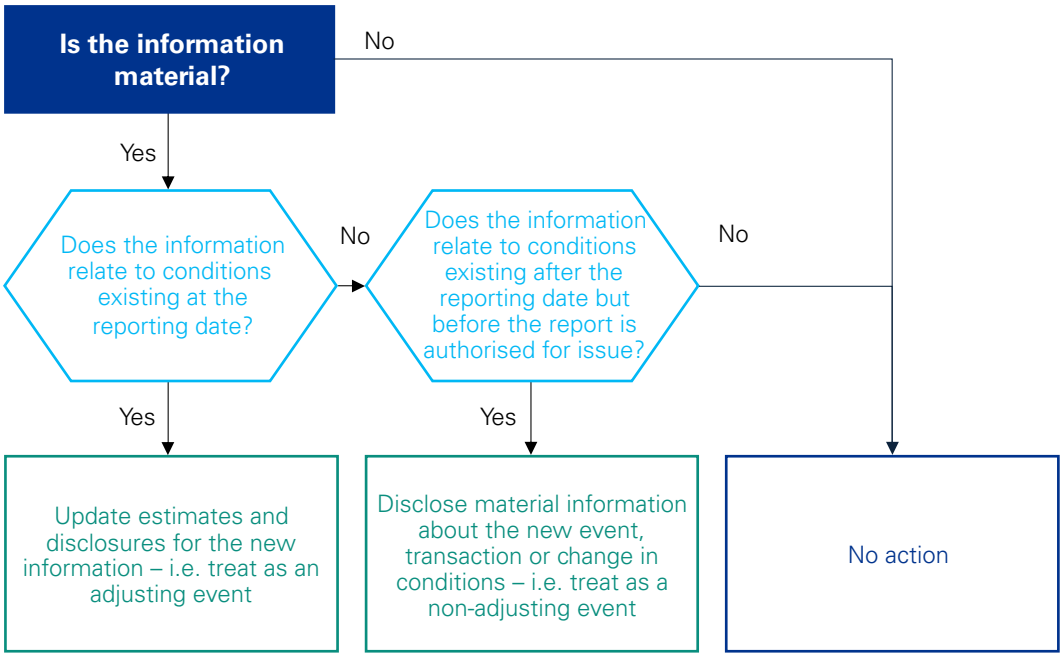
Interim disclosures prepared under IFRS S1 are intended to provide an update on the most recent complete set of annual disclosures, focusing on new information, events and circumstances. As a result, disclosures may be more condensed than those in the annual sustainability report. [IFRS S1.B48]

Unlike IFRS Accounting Standards which include IAS 34 *Interim Financial Reporting*, IFRS S1 does not prescribe the content of an interim sustainability report.

2.3.70 Subsequent events

Information that becomes available after the reporting date may influence investors' decisions. Therefore, a company needs to assess any information obtained between the reporting date and the date on which the sustainability report is authorised for issue. This is consistent with the approach followed for adjusting and non-adjusting events under IFRS Accounting Standards. [IFRS S1.67]

If a company obtains material information after the reporting date relating to conditions that existed at that date, then it updates its estimates and disclosures (adjusting event). If this information relates to conditions arising after the reporting date but before the report is authorised for issue, then it discloses the information as a non-adjusting event. [IFRS S1.67–68]



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A company needs to disclose the following information.

Information	What to disclose
Adjusting events	• Update the disclosures for the new information – i.e. treat as an adjusting event. [IFRS S1.67]
Non-adjusting events	• Disclose the information about the new event, transaction or change in condition – i.e. treat as a non-adjusting event. [IFRS S1.68]



Insight 2.3.100
Do updates to third-party data received after the reporting date need to be reflected in reported metrics?

It depends. Updates to third-party data constitute new information that a company may need to reflect in its sustainability report if they are material and relate to conditions that existed at the reporting date. In these circumstances, the company recalculates the affected metrics and updates the related disclosures. [IFRS S1.67]

For example, a company reports scope 3 emissions based on data provided by a key supplier. After the reporting date but before the sustainability report is authorised for issue, the supplier informs the company that it changed its energy mix during the year, resulting in previously reported emissions being understated.

Because the revised data relates to conditions that existed at the reporting date, it constitutes new information. If the effect is material, then the company recalculates the affected scope 3 emissions metrics and updates the related disclosures.

G For further guidance on updates to third-party GHG data, see Questions 2B.3.60 and 5B.2.40 in the GHG emissions reporting handbook. [IFRS S2.B27]



Example 2.3.10
Events after the reporting date

Company D is a drinks manufacturer. It relies on a third-party company to bottle its product before it sells on to consumers. After the reporting date, new information is identified from the outcome of an audit at this supplier.

The new information shows that the supplier had switched its energy provider during the year, which impacted the GHG emissions of the bottles produced. The information is identified before D's sustainability report is authorised for issue.

Although the information provides evidence of conditions existing at the reporting date (i.e. the supplier switched energy providers during the year), in this case, D determines that the metrics disclosed would not materially change based on the new information provided. Therefore, D makes no adjustment to the related metrics and disclosures in its sustainability report.



Example 2.3.20
Adjusting vs non-adjusting event

Company Q prepares its sustainability report using water withdrawal data obtained from an external utility provider. After the reporting date but before authorisation of the sustainability report, Q receives updated information from the utility provider following the identification of an error in the water consumption data during the reporting period. The error materially changes the water consumption data.

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Q adjusts its water withdrawal metrics because the updated data:

- provides evidence about conditions that existed at the reporting date; and
- would result in a material change to the information disclosed.

After the reporting date, Q implemented new technology that is expected to materially reduce future water consumption. Q does not adjust its metrics for the reporting period because the change did not exist at the reporting date. Instead, Q discloses information about the change that it judges to be material.

2.3.80 Use of judgement

A company uses judgement in preparing its sustainability report. It needs to provide disclosures about these judgements to help investors understand their impact on the information presented in the company's sustainability report. [IFRS S1.74–75, BC158]

This includes judgements relating to estimates (see 2.3.90 and Example 2.3.40) and judgements the company makes when it:

- identifies relevant SROs (see 2.2.10);
- determines how to apply sources of guidance (see 2.2.30 and 2.2.80);
- identifies material information to be disclosed (see 2.2.70); and
- assesses whether an event or change in circumstances is significant, requiring reassessment of SROs (see 2.2.120). [IFRS S1.75, B11]

A company needs to disclose the following information.

Information	What to disclose
Judgements	• The judgements that have affected the information reported most significantly. [IFRS S1.74] • Any other information that specific IFRS Sustainability Disclosure Standards require about judgements. [IFRS S1.76]

Example 2.3.30
Applying judgement when using industry average as proxy data

Company F is a diversified financial institution. It reports financed emissions under scope 3 category 15. Its business loan portfolio covers several industries, including manufacturing, real estate, transport and services. F collects borrower-specific GHG emissions data for approximately 90% of its outstanding business loan exposure.

The remaining 10% of borrowers do not report emissions and cannot provide reliable estimates. These borrowers operate across several industries and represent a significant source of financed emissions. Therefore, the approach used to estimate their emissions has a significant effect on the information reported in F's sustainability report.

Management considers various approaches to estimating the missing emissions data. F identifies that for each major industry segment, these borrowers have business activities, operating scale and geographical profiles that compare to those of reporting borrowers in the same segment.

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Based on this analysis, F uses industry segment-specific average emissions intensity factors, derived from reporting borrowers within each segment, as a proxy for the missing data.

F discloses this approach, including:

- the proportion of the loan portfolio for which it uses proxy data;
- the assumptions and methodology used to estimate missing emissions data, including the use of industry segment-specific average emissions intensity factors; and
- key limitations and sources of estimation uncertainty associated with using proxy data.



Insight 2.3.110
Does a company need to provide disclosures describing all judgements made?

No. IFRS S1 includes a threshold to focus on judgements with 'the most significant effect'. This is intended to support investors' understanding of the information presented in the company's sustainability report. [IFRS S1.74]

2.3.90 Use of estimates

Estimates are an inherent part of preparing sustainability reports. They are used throughout a sustainability report to disclose information when a company cannot measure amounts directly – e.g. when information is forward-looking and when relevant data or measurement techniques are unavailable. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see 2.3.20–30 and Insight 2.3.10). Using estimates requires management judgement and often involves difficult, subjective or complex assessments, some of which may give rise to measurement uncertainty. [IFRS S1.79]

2.3.100 Measurement uncertainty

Measurement uncertainty arises when amounts cannot be measured directly, either when presenting historical information or when predicting future outcomes. However, the disclosures may still provide useful information when a company clearly discloses the key assumptions and sources of uncertainty. Sources of measurement uncertainty can include:

- measurement techniques;
- dependence on future events; and
- the quality or availability of data from the value chain.

A company needs to disclose the following information.

Information	What to disclose
Measurement uncertainty	• The most significant uncertainties affecting the amounts included in the sustainability report. [IFRS S1.77] • Amounts disclosed that are subject to a high level of measurement uncertainty. [IFRS S1.78(a)] • Sources of that measurement uncertainty. [IFRS S1.78(b)(i)] • Assumptions, approximations or other judgements made by management (see 2.3.80). [IFRS S1.78(b)(ii)]

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Example 2.3.40
Estimating value chain information

Company C is a clothing manufacturer. It encounters significant difficulties when collecting data from suppliers in its value chain to calculate its scope 3 category 1 purchased goods and services emissions. Scope 3 category 1 emissions account for the majority of C's emissions.

C's internal purchasing records include the volumes and weights of the raw materials purchased during the period. However, C is unable to obtain emissions data from its suppliers, and therefore decides to estimate the relevant emissions.

The absence of supplier-specific emissions data is not a timing issue arising from information being unavailable for part of the reporting period. Rather, the suppliers do not provide emissions information that C can use to measure emissions directly. Therefore, estimating emissions using an alternative measurement methodology forms part of C's measurement process.

C obtains sector-specific economic input-output model emissions factors and applies these to convert the volumes and weights purchased into reportable GHG emissions. As part of its disclosures, C provides information about:

- the scope 3 category 1 emissions metric, including the unit of measure, calculation methodology and sources used to calculate the metric;
- the estimation methodology used, including the application of sector-specific economic input-output model emissions factors and the significant assumptions and limitations underlying the estimate;
- the measurement uncertainty associated with the estimate; and
- the significant judgements management made in developing the estimate.

Example 2.3.50
Disclosing measurement uncertainty

Company Z discloses information about the exposure of its biological assets to flooding risks, which it describes as climate-related physical risks. Because the extent of the risks depends on the expected severity of flooding in the future – and the possible outcomes vary significantly – Z needs to estimate the level of its exposure. It also determines that it needs to provide disclosures about the high level of measurement uncertainty.

Z discloses the source of the measurement uncertainty by reporting the range of reasonably possible future outcomes. Z also discloses the sensitivity of the disclosed amount, illustrating the impact from changing key inputs by a certain percentage.

Despite the inherent uncertainty in these estimates, clear disclosure of the assumptions and sources of uncertainty enables investors to understand the reported amounts and their possible variability.

Insight 2.3.120
Can measurement uncertainty affect information other than metrics?

Yes. Measurement uncertainty is not limited to metrics and can also affect other information presented in the sustainability report – e.g. when a company discloses how climate-related risks could affect its prospects. [IFRS S1.BC163–BC164]

For example, a company operating coastal facilities may disclose that rising sea levels and increased storm intensity could disrupt operations, shorten assets' useful lives or require significant adaptation investments in future periods. Because these disclosures rely on assumptions about future environmental conditions and economic responses, they are subject to measurement uncertainty.

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2.3.110 Comparative information

Comparative information helps investors understand changes in a company's sustainability-related performance, assess trends over time and understand the significance of current-period information. It also helps them distinguish genuine changes in sustainability-related performance and position from changes arising from updated estimates or methodologies.

A company is not required to provide comparative information in the first year it applies the standards (see Chapter 6.2). It needs to disclose the following information. [IFRS S1.E3]

Information	What to disclose
Comparative information	• Comparative information for the previous period for all amounts disclosed in the current reporting period (unless an IFRS sustainability disclosure standard permits or requires otherwise). These amounts include, but are not limited to, metrics and targets a company discloses. They may also relate to current and anticipated financial effects of SROs. [IFRS S1.70–71, B49, BC147] • Comparative information for narrative and descriptive disclosures when the information is useful to investors' understanding of the current period's disclosures. [IFRS S1.70]

2.3.120 Revising comparative information

A company revises comparative information, unless it is impracticable to do so, when it:

- revises estimates based on new information that relates to a previous reporting period (see 2.3.130);
- redefines or replaces a metric or target (see 2.3.140); or
- corrects material prior-period errors (see 2.3.150). [IFRS S1.52, 70–71, 83–86, B50–B59]

2.3.130 Revising comparative information for estimates

Estimates are a fundamental part of sustainability reporting (see 2.3.90). They are used in forward-looking information (e.g. forecasts about future planned capital investments to mitigate risks) as well as in data that is primarily historical (e.g. metrics).

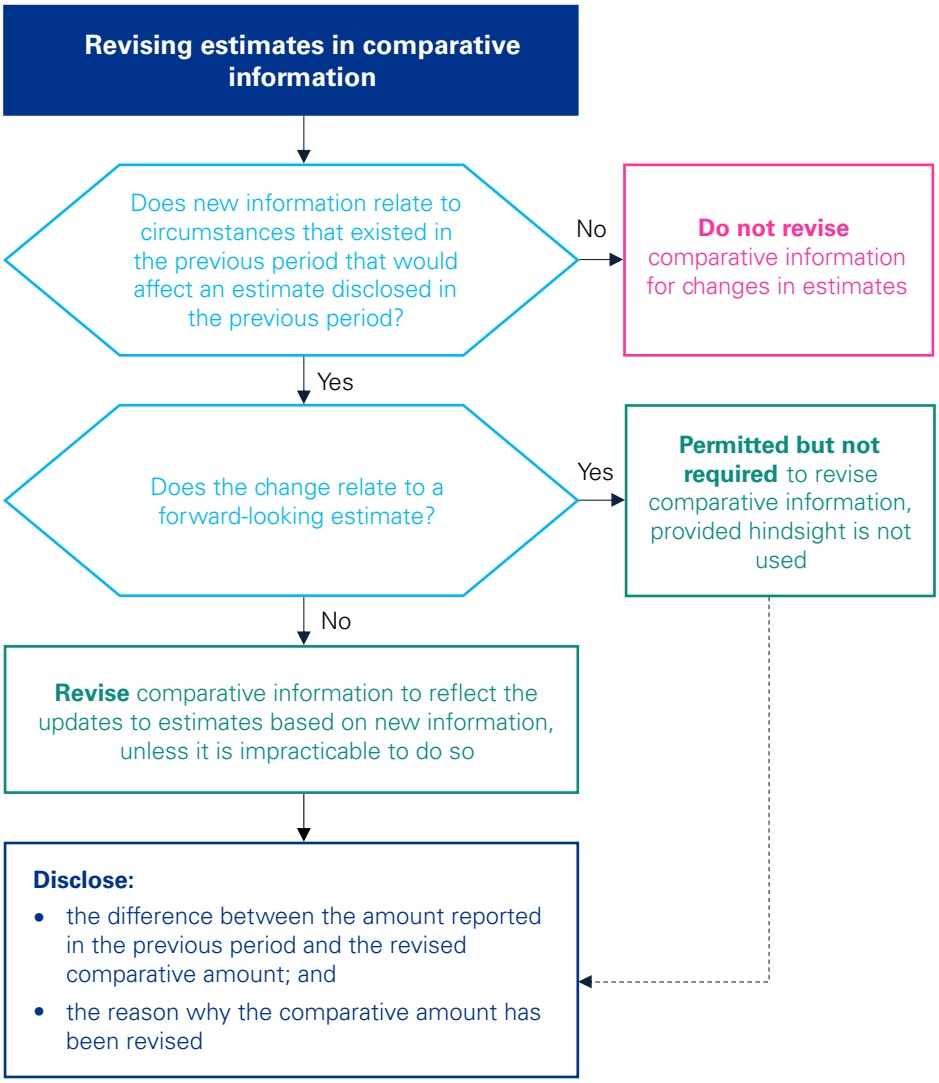
IFRS S1 requires comparative information to reflect updated estimates. If a company identifies new information about circumstances that existed in the previous reporting period and that would affect an estimated metric disclosed in the previous period, then it may need to revise the comparative amount. [IFRS S1.B50]

A company may need to update its estimates as a result of:

- changes in calculation methodology;
- changes in inputs used; or
- availability of new data sources.

This requirement does not apply to narrative disclosures or forward-looking estimates, or when revising the comparative information is impracticable. A company is permitted to revise comparative information for a forward-looking metric only if doing so does not involve using hindsight. [IFRS S1.B51, BC27]

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A company is only required to update comparative information if the change is material. Specifically, it needs to disclose the following information. [IFRS S1.B51]

Information	What to disclose
Updated prior-period estimates	• Revised comparative amount. [IFRS S1.B50(a)] • The difference between the amount reported in the previous period and the revised comparative amount. [IFRS S1.B50(b)] • An explanation of why comparative amounts have been revised. [IFRS S1.B50(c)]
Impracticable to revise a comparative	• An explanation that revising a comparative amount is impracticable. [IFRS S1.B54]

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Example 2.3.60
Disclosing comparative information when measurement data improves

Company W is a retailer. It discloses metrics based on average hourly wages by location for certain low-paid employee groups to illustrate its sustainability-related risk of financial penalties from minimum-wage legislation breaches.

W estimates its average hourly wage figures for the lowest pay grades at each of its locations and compares them to minimum wages in that location. It does this by dividing the total wages paid to these employees (excluding overtime pay) by their actual working hours (excluding overtime). For 2025, W obtained actual employee working hour data from the working time management system, which records information only for completed hours.

In 2026, W implemented a new working time management system to record working time data by minute. This followed an inspection in late 2025 which identified potential breaches of minimum-wage legislation caused by poor record-keeping.

In 2025, management estimated that the fine for breaches of minimum-wage legislation could be 3,000 and obtained initial estimates of 4,000 for the new system's required capital expenditure. In 2026, a fine of 2,000 was imposed and W incurred expenses of 4,500 to purchase and implement the new system.

In its sustainability report in 2025 and 2026, W discloses the items as follows.

2025 sustainability report

Comparative period 2024	Current period 2025
• Reports the 2024 average hourly wage figures derived from the original working hour data system and compares them to minimum wages by location.	• Reports the 2025 average hourly wage figures derived from the original working hour data system and compares them to minimum wages by location. • Discusses the results of the inspection and planned response, including the planned future capital expenditure of 4,000. • Cross-refers to the financial statements, in which a provision for the fine of 3,000 was discussed.

2026 sustainability report

Comparative period 2025	Current period 2026
• Reports the 2025 average hourly wage figures derived from the original working hour data system and compares them to minimum wages by location. • Explains that in 2026 it was discovered that the 2025 estimate was understated compared with that under the new methodology. However, it was impracticable to update the estimate because updated data for 2025 had not been recorded at the time. • Reports the planned future capital expenditure of 4,000. • Cross-refers to the financial statements in which the comparatives include a provision of 3,000 for the potential fine (not revised).	• Reports the 2026 average hourly wage figures derived from the new working time system and compares them to minimum wages by location. • Discusses the response to the 2025 inspection, including the incurred expenditure on the new system of 4,500, and noting that this had risen compared with the prior-year estimate of 4,000. • Cross-refers to the financial statements in which the imposed fine of 2,000 was recorded as paid and the related provision released.

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Example 2.3.70
Revising comparative information is impracticable

Company T changes its methodology for measuring a sustainability-related metric during the current reporting period. When assessing whether it can revise comparative amounts, T identifies that it did not collect the data required under the new methodology in prior periods. T is unable to recreate this data in the current period.

In this situation, it is impracticable for T to revise comparative amounts. Therefore, T discloses:

- that it has not revised comparative information; and
- the reasons why it was unable to revise the comparatives, including the absence of the necessary information in prior periods. [IFRS S1.B54]

Example 2.3.80
Considering hindsight when revising comparative, forward-looking information

In 2025, Company Y disclosed that it expected carbon prices to increase moderately over the medium term based on information available at that date. Y included information about sources of measurement uncertainty and assumptions made related to the forward-looking carbon prices (see 2.3.100).

In 2026, significant regulatory changes resulted in carbon prices increasing more rapidly than previously expected. Y considers whether it needs to revise the prior-period forward-looking disclosures to reflect this information that became available after the prior-period reporting date.

Y determines that updating the new information would involve the use of hindsight. Therefore, Y does not update the forward-looking disclosures for 2025 and discloses the effects of the new regulation on the current period in its 2026 report.

Insight 2.3.130
Can a company use hindsight when revising comparative information?

No. A company is permitted to revise comparative information for a forward-looking metric only if doing so does not involve using hindsight. [IFRS S1.B51]

Insight 2.3.140
Is revising comparative information impracticable simply because obtaining updated data is difficult?

No. Impracticability is a high-threshold concept and is not triggered merely because retrospective application or revision is difficult, costly or time-consuming. Rather, impracticability applies only when the requirement cannot be met after all reasonable efforts. [IFRS S1.BC152]

IFRS S1 indicates that impracticability arises only in limited circumstances – e.g. when data cannot be accessed or reconstructed without relying on hindsight, or when any estimate would require highly uncertain, generic or arbitrary assumptions that do not reflect the company's specific facts and circumstances. [IFRS S1.B51, B54]

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Insight 2.3.150
Does a company need to revise comparative information when updated value chain data becomes available?

It depends. Under IFRS S1, a company revises comparative information for estimated amounts when new information becomes available that provides evidence of conditions that existed in the previous reporting period. This includes estimates that use information obtained from the company's value chain – e.g. scope 3 emissions disclosed under IFRS S2. [IFRS S1.B50]

However, this does not mean comparative information is revised in every case. It is revised only if the effect of the change is material; it need not be revised if doing so is impracticable. In addition, the requirement to revise comparatives does not apply to forward-looking metrics. [IFRS S1.17–18, B51]

Under IFRS S1, a company assesses whether the revised information is material when determining if it needs to revise comparative information. In making this assessment, a company exercises judgement based on its specific facts and circumstances, considering both quantitative and qualitative factors (see 2.3.80 and Example 2.3.90).

Example 2.3.90
Revising comparative financed emissions information

Company F is a financial institution that discloses scope 3 category 15 financed emissions associated with its investments. F calculates financed emissions using investees' reported scope 1 and 2 emissions data, combined with information about its exposure to those investees.

Emissions data from investees is generally available with a one-year lag. Consequently, at each reporting date F estimates its financed emissions using the most recent emissions data that is reasonably available without undue cost or effort. The blended attribution factor is used to determine F's share of investee emissions for reporting, reflecting its economic exposure to its investees. Typically, F calculates financed emissions at the investee level and aggregates the results.

Financed emissions for the year ended 31 December 2026 (estimated) are as follows.

Period	31 December 2026 (estimated)
Blended attribution factor (tCO_2e per million of exposure)	5
Investment value (m)	10
Total scope 3 category 15 financed emissions (tCO_2e)	**50**

The attribution factor used for the current year ended 31 December 2026 is based on investees' most recently available reported emissions data for 2025 – i.e. a one-year lag.

New information obtained during 2027

During 2027, F obtains actual 2026 emissions data from a significant portion of its investees. This information provides evidence of conditions that existed in the previous reporting period, and therefore constitutes new information under IFRS S1.

If the newly available data were applied to F's 2026 portfolio, then the attribution factor would be lower. F considers whether it is required to revise its comparative financed emissions disclosure for 2026 when preparing its sustainability report for the year ended 31 December 2027. If F were to revise the 2026 comparative information and continue to apply its established estimation methodology for 2027, then both periods would be based on the same underlying investee emissions data.

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Period (31 December)	2026 (estimated)	2026 (revised)	2027 (estimated)
Blended attribution factor (tCO_2e per million of exposure)	5	4	4
Investment value (m)	10	10	11
Total scope 3 category 15 financed emissions (tCO_2e)	**50**	**40**	**44**

F assesses whether revising the comparative financed emissions information would result in material information for investors. This assessment considers both quantitative and qualitative factors and is based on whether the revised information could reasonably be expected to influence investors' decisions.

In making this assessment, F notes that:

- its financed emissions are calculated, and the related scope 3 category 15 target is established and communicated to investors using a lagged-data methodology;
- using the actual emissions factor, the revised emissions do not materially affect F's progress against its target, nor is there any remuneration linked to scope 3 category 15 emissions; and
- investors primarily assess F's exposure to climate-related transition risks and progress against its financed emissions target by reference to trends based on its consistently applied methodology.

Accordingly, the revised comparative information would not reasonably be expected to influence investors' assessments or decision-making in relation to F's climate-related transition risks, portfolio direction and strategy or progress against its scope 3 category 15 target.

Based on its specific facts and circumstances, F concludes that revising the comparative financed emissions amount would not result in material information for investors.

F does not revise its comparative financed emissions information and instead:

- explains why it has not revised comparative figures;
- discloses information about data limitations and the estimation methodology used;
- describes the materiality judgements applied; and
- provides contextual information to support investors' understanding of year-on-year movements and performance against its scope 3 category 15 target.

2.3.140 Updating or replacing a metric or target

Defining and calculating metrics – including metrics used to set targets and monitor progress towards them – needs to be consistent over time. [IFRS S1.52]

When a company changes, replaces or stops disclosing a metric, or revises a target that was disclosed in the previous period, it provides information about the change. Specifically, it needs to disclose the following information. [IFRS S1.B52]

Information	What to disclose
Redefined or replaced metric or target	• An explanation of the change. • The reason for the change, including why the updated metric or target is more useful. • Revised comparative information for the new metric or target, unless impracticable to disclose. [IFRS S1.51(g), 52, B52]
Impracticable to revise comparative	• An explanation that revising a comparative amount is impracticable. [IFRS S1.B51(a), B54]

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2.3.150 Errors in prior-period information

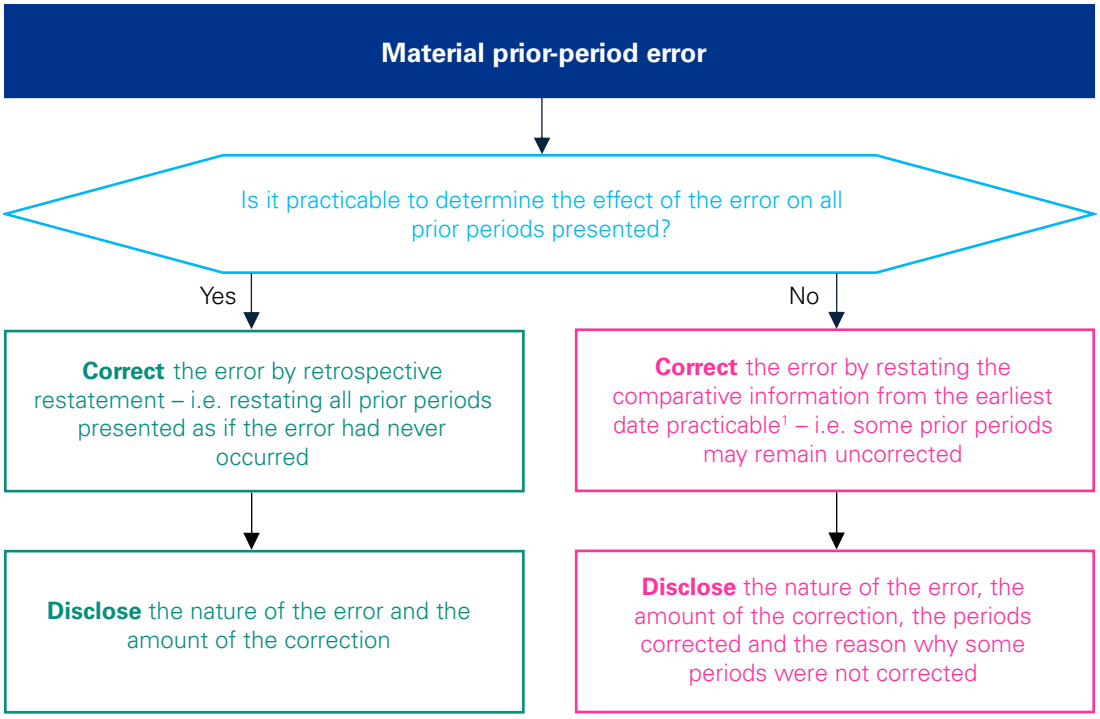
Prior-period errors are omissions from, and misstatements in, a company's sustainability report for one or more periods. Errors arise from a failure to use, or the misuse of, reliable information that:

- was available when the sustainability report for those periods was authorised for issue; and
- the company could reasonably have obtained and considered in preparing those disclosures. [IFRS S1.84]

Errors include mathematical mistakes, mistakes in applying the definitions of metrics or targets, oversights or misinterpretations of facts, and fraud. [IFRS S1.B56]

When a company identifies a material error in its sustainability report from a previous period, it restates the comparative amounts for the previous period unless it is impracticable to do so. In addition, it needs to disclose the following information. [IFRS S1.83]

Information	What to disclose
Material error in prior period(s)	• The nature of the prior-period error. [IFRS S1.B58(a)] • The correction, to the extent practicable, for each prior period disclosed. [IFRS S1.B58(b)] • If correction is impracticable, then the circumstances that led to that condition and a description of how and from when the error has been corrected. [IFRS S1.B58(c)] • If correction is impracticable for all prior periods presented, a restated comparative from the earliest date practicable. [IFRS S1.B59]



[1] Although the requirement refers to restatement from the earliest date practicable, a company generally presents only one comparative period. As a result, restatement will typically relate to one period of comparative information presented.

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2.3.160 Proportionality measures

Proportionality measures help a company apply the standards in a practical way, taking account of differences in resources and data availability. They allow it to balance providing decision-useful information with the practical challenges of applying the standards. [IFRS S1.BC8–BC9]

Proportionality measures do not override disclosure requirements; instead, they define the boundaries of the effort expected for certain requirements.

Proportionality measures differ from transition reliefs (see Chapter 6.2), which apply only during initial application and are common to all companies. Proportionality measures are specific to each company's circumstances. They are not time-limited, but their application may diminish as reporting maturity evolves. [IFRS S1.BC9]

The two proportionality measures 'reasonable and supportable information that is available to the company at the reporting date without undue cost or effort' and 'skills, resources and capabilities' can be applied in the following circumstances.

Circumstance	Reasonable and supportable information (see 2.3.170)	Skills, resources and capabilities (see 2.3.180)
Identifying SROs	Yes – see 2.2.10	
Anticipated financial effects	Yes – see 3.3.60	Yes – see 3.3.60
Climate-related scenario analysis	Yes – see Chapter 5.2	Yes – see Chapter 5.2
Metrics (IFRS S1)	Yes – see 3.5.10	
Certain climate-related metrics	Yes – see 4.1.120	



Insight 2.3.160
Do proportionality measures applied in the current period continue to automatically apply in future reporting periods?

No. A company needs to reassess whether proportionality measures remain applicable at each reporting date. As its systems, data, skills and capabilities develop, information that was previously not obtainable without undue cost or effort may become available, supporting more robust and decision-useful disclosures. [IFRS S1.B10]

2.3.170 Reasonable and supportable information

To understand the appropriate types and sources of inputs for its disclosures, a company applies the reasonable and supportable information concept – i.e. it assesses the information available to it at the reporting date without incurring undue cost or effort. This allows a company to report less-than-perfect information that results from 'best efforts' endeavours, while making an effort to use the information to which it reasonably has access. [IFRS S1.B8, BC17]

The concept can be explained as follows.

Concept	What it means
Reasonable and supportable information	A company needs to have a reasonable basis for using the information and that information needs to be relevant to what is being reported. Appropriate governance and controls need to be in place to ensure that the information is supportable.

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Concept	What it means
Available without undue cost or effort	A company needs to consider all information that is 'reasonably available' to it. This means that it could not disregard any information it already has or knows about – e.g. if a company is aware of exposure to an SRO that could materially affect its prospects, then it is likely that some disclosure of information would be required. However, a company does not need to undertake an exhaustive search for information – i.e. it is not expected to source information beyond what can be obtained without undue cost or effort. 'Undue cost or effort' weighs the costs and benefits of information and is proportional to the company, considering the: • degree of the company's exposure to SROs; • skills, capabilities and resources available to the company; and • benefits of the resulting information for investors. This assessment can change over time as the company's circumstances change. [IFRS S1.B8–B10]
At the reporting date	When relevant, a company considers information about past events, current conditions and forecasts of future conditions as at the reporting date. The information available, particularly forward-looking information, will change over time and may differ at subsequent reporting dates. [IFRS S1.B8, B10]



Example 2.3.100
Applying the reasonable and supportable information proportionality measure on scope 3 emissions

Company N is an agricultural producer. Approximately 30% of its supply chain consists of hundreds of small producers which do not track or report their own emissions. Collecting producer-specific data from all of them would require significant time, resources and cost, particularly in the first year of reporting.

In applying the reasonable and supportable information concept, N considers the following.

Consideration	N's actions
Prioritising key suppliers	Prioritises collecting primary emissions data from its largest suppliers, representing more than two-thirds of its procurement spend.
Using the most recent available data	Uses the most recent emissions data available from these key suppliers. If they have reporting periods that differ from N, then N applies the relief permitted under paragraph B19 of IFRS S2. This relief allows a company to use the most recent available value chain emissions data from companies with different reporting dates, provided the reporting periods are of the same length and significant intervening events and changes in circumstances are considered.
Estimates for smaller suppliers	Estimates emissions for smaller suppliers using industry-average emissions factors, sector data and information from comparable suppliers. N cannot obtain data from smaller suppliers without disproportionate effort because the data is unavailable.

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Consideration	N's actions
Clearly disclosing methods and limitations	Discloses its mixed-data approach, including the estimation methods applied, data sources used and key limitations in data quality. Explains any significant changes in supplier activity that could materially affect reported emissions.
Ongoing improvement plan	Describes ongoing efforts to improve scope 3 data quality, including engagement with key suppliers and enhancements to data collection processes. Indicates that it may continue to use estimates and proxy data when obtaining supplier-specific data would involve undue cost or effort, and that what constitutes undue cost or effort may change as its capabilities develop.



Insight 2.3.170
Is a proportionality measure available for a company facing challenging data collection (e.g. obtaining data from value chain partners)?

No. IFRS Sustainability Disclosure Standards do not include explicit relief for situations when collecting data is challenging. Rather, a company needs to use all reasonable and supportable information available without undue cost or effort. It is not required to conduct exhaustive searches for value chain information that would demand disproportionate cost or effort. [IFRS S1.B8–B10]

This means that if small suppliers or distant indirect partners cannot readily provide data, then the company needs to use the best information available to it. Partners within the value chain are not expected to account for and provide data solely to meet the company's disclosure requirements.

When detailed data from value chain partners is unavailable, a company may use reasonable estimates, industry averages or other proxies in line with recognised methods. It needs to explain the methodologies, assumptions and proxies used in preparing its disclosures, as well as any limitations or uncertainties in the reported data (see 2.3.80–90). [IFRS S1.74, 77–78]



Insight 2.3.180
Is information used for other purposes considered to be available without undue cost or effort?

Yes. Information from existing systems or information that is otherwise available for financial reporting, business operations, strategy setting and risk management purposes is considered available without undue cost or effort.

In some instances, a company will need to source additional information reasonably available to it for its sustainability report. This information may be internal or external and can include materiality assessments or sustainability reporting prepared under a different framework, external ratings, reports and statistics, and industry and peer group experience. [IFRS S1.B9]

2.3.180 Skills, resources and capabilities

IFRS S1 requires a company to apply an approach that is commensurate with its internal and external skills, capabilities and available resources when disclosing anticipated financial effects and conducting climate-related scenario analysis (see 3.3.70 and Chapter 5.2). [IFRS S1.37(b)]

The level of sophistication expected depends on the company's specific circumstances, including its exposure to SROs, industry practice and the maturity of its internal processes. Simpler or more qualitative approaches may be appropriate initially, particularly where analysis is resource-intensive or capabilities are still developing. However, companies are expected to improve their approach over time as capabilities and available information evolve (see 3.3.70 and Chapter 5.2).

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2.3.190 Commercially sensitive information

IFRS S1 includes an exemption from reporting information about sustainability-related opportunities when that information is commercially sensitive, even when the information is material.

A company cannot use the exemption to justify broad non-disclosure of information about sustainability-related opportunities. It applies only to sustainability-related opportunities – no exemption applies for sustainability-related risks. [IFRS S1.B34, B37, BC83]

The exemption is applied only in limited circumstances, when:

- the company has a competitive advantage because the information is not publicly available – e.g. via investor presentations or marketing materials; and
- it would be 'impossible' to disclose the information without seriously prejudicing the economic benefits a company could otherwise realise from the opportunity. [IFRS S1.B35]

To apply the exemption, a company is required to consider if it could resolve the issue by disclosing it in a different way – e.g. providing less granular information. If this cannot be achieved, then the company could exclude the information, provided that it:

- discloses that it has applied the exemption for that piece of information; and
- reassesses at each reporting date whether the exemption remains appropriate. [IFRS S1.B36]

A company is not required to explain the reason for omitting commercially sensitive information. This is because providing such an explanation could itself risk revealing the commercially sensitive details that the exemption is designed to protect. [IFRS S1.BC81]



Example 2.3.110
Omission of commercially sensitive information

Company M is a car manufacturer operating in the automotive sector. As part of its strategy to transition to a lower-carbon economy, M has invested and developed a new technology that improves the performance of its electric vehicles, while reducing carbon emissions from the vehicles.

This technology uses hydrogen to produce electricity and is in the early stages of development. Although the information about M's strategy to transition to electric vehicles is market knowledge, the information about the exact technology under development is secret in nature and has high commercial value. M has taken steps to ensure the technology remains a secret.

M has omitted information about the technology from its disclosures, because the information is not publicly available and could seriously prejudice the economic benefits M may realise in continuing development. However, M is still required to disclose information about its climate-related transition plan and discloses the fact that it has applied the exemption to omit certain information about its proprietary technology.

M will also reassess at each reporting date whether the exemption remains appropriate.

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3.1 Core content in sustainability reporting

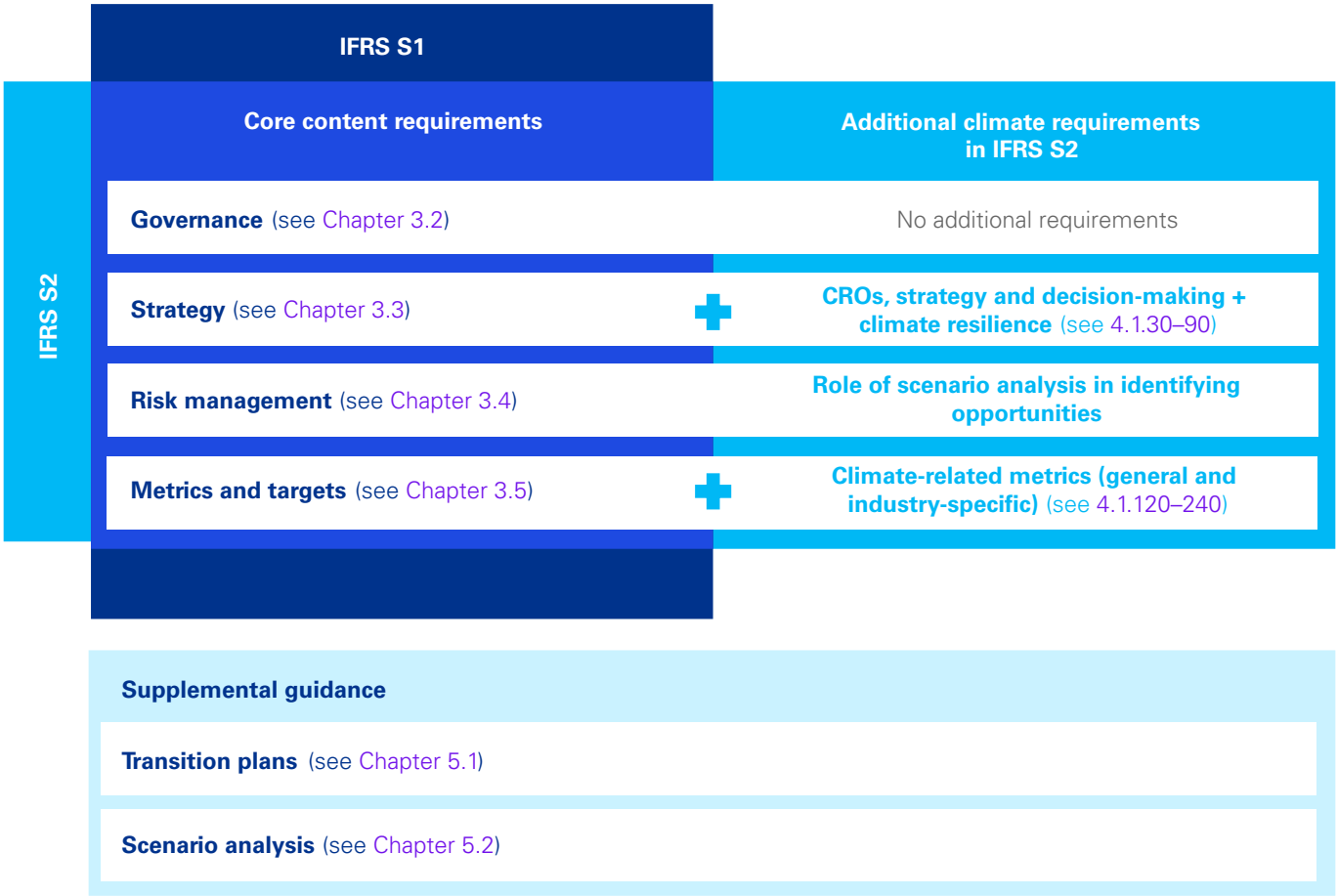
Currently effective requirements: IFRS S1, IFRS S2

Clear information about a company's governance, strategy, risk management and metrics and targets provides investors with the information on SROs they need to make decisions. A company therefore discloses material information about core content areas for all SROs.

The disclosure requirements in Chapters 3.2–3.5 – taken from IFRS S1 – apply to all SROs, including those relating to climate. To report, a company considers what information is material across each of the core content areas for its relevant SROs.

Chapter 4.1 then explains the additional requirements in IFRS S2, covering how to report specifically on CROs. The relevant requirements in IFRS S1 that apply to CROs are covered in this chapter; they are not duplicated in Chapter 4.1.

A company's reporting requirements may differ depending on the jurisdictions in which it operates. Jurisdictional adoption may result in modifications to the standards or differences in transition reliefs and effective dates (see 6.2.40).



The standards do not require a company to present its disclosures using this structure. Chapter 6.1 discusses the presentation of information across these content areas.

Some information provided as part of a company's core content disclosures may overlap across different areas of its sustainability report or general purpose financial reports. A company avoids unnecessary duplication by providing information once, in a clear and appropriate location, and cross-referring to it when relevant (see 6.1.130).

However, if the way a company manages specific SROs (e.g. management of certain CROs) differs from its broader processes, then it needs to provide additional information to explain those differences (see Chapter 4.1). [IFRS S1.B42(b), IFRS S2.26]

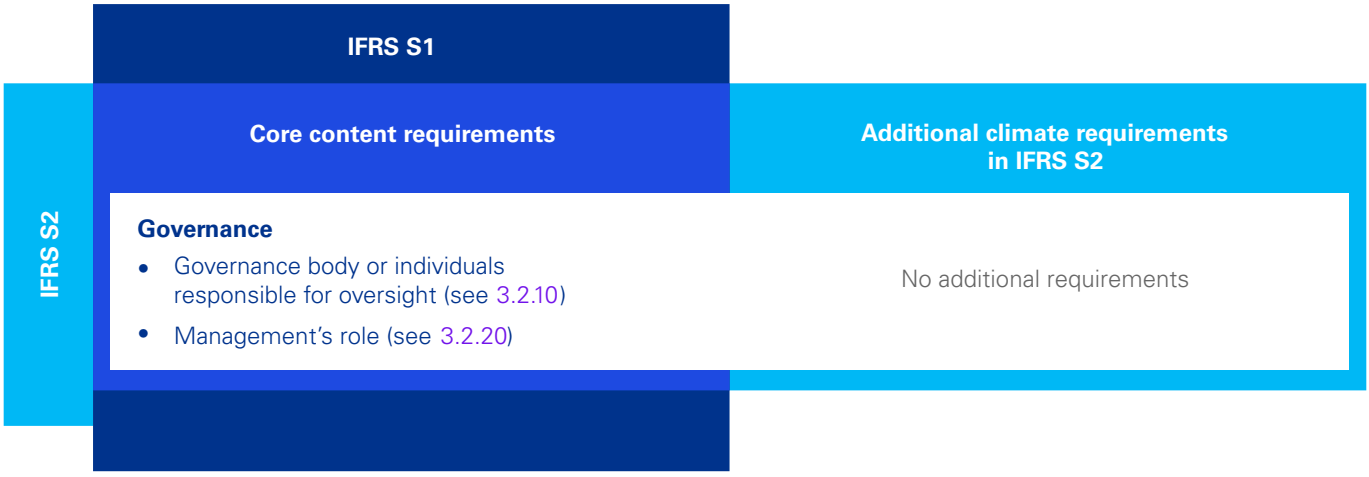
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3.2 Governance

Currently effective requirements: IFRS S1, IFRS S2

A company discloses information about its governance to help investors understand the processes, controls and procedures it uses to monitor, manage and oversee SROs, including how it allocates responsibilities between oversight and management roles, and how information flows between them. [IFRS S1.26]

The governance disclosure requirements in IFRS S1 and IFRS S2 are consistent. As part of cross-industry metrics, IFRS S2 requires a company to disclose whether and how it has factored climate-related considerations into executive remuneration (see 4.1.180).



Insight 3.2.10
Do IFRS Sustainability Disclosure Standards require a company to change its governance structures or activities?

No. The standards do not prescribe how a company organises or operates its governance arrangements; rather, a company needs to provide information about how its existing structures and activities are intended to function, including the role of management and those charged with governance.

For example, a company is required to disclose whether and how SROs are taken into account in remuneration decisions, but is not required to establish a direct, measurable link between sustainability-related performance and remuneration.

The nature of these disclosure requirements, and the potential scale of changes to existing reporting practices for some companies, may trigger additional scrutiny. As a result, management may reconsider the governance structures it has in place, as well as the related processes, controls and procedures over the company's sustainability reporting. This may present an opportunity for companies to integrate sustainability reporting with financial reporting and other operational processes. [IFRS S1.BC98]

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Insight 3.2.20
Does a company need to disclose information on governance if it has no separate committees and/or processes devoted to specific SROs?

Yes. SROs are often managed within existing governance structures, regardless of whether there are separate committees or processes for specific matters.

A company is required to disclose how it manages SROs, enabling investors to understand the governance processes, controls and procedures used to monitor, manage and oversee SROs. This may include clearly stating if there are no dedicated committees or processes, together with an explanation of how sustainability-related matters are managed within existing governance structures. [IFRS S1.27]

A company that does not have dedicated sustainability-related governance structures is not relieved of the requirement to disclose governance information.

Insight 3.2.30
Do governance arrangements need to be in place throughout the reporting period?

Not necessarily. IFRS S1 requires a company to disclose its governance processes, controls and procedures in place as at the reporting date. Governance arrangements do not need to have been in place throughout the reporting period. [IFRS S1.27]

However, a company explains how the governance processes, controls and procedures for monitoring and overseeing SROs functioned during the period. This could include clearly stating the date on which governance structures were implemented during the reporting period and whether any arrangements were changed, if that information is material to investors' understanding of the company's oversight of its SROs.

3.2.10 Governance body or individuals responsible for oversight

Oversight of SROs is typically exercised by the board or equivalent governance bodies, often supported by specialised committees or designated individuals. [IFRS S1.27(a), BC96, IFRS S2.6(a)]

Oversight extends beyond the formal allocation of responsibilities and reflects how SROs are considered within the company's governance structure. Information about how these structures operate may be relevant for investors seeking to understand whether SROs receive appropriate attention at the highest levels of the organisation. [IFRS S1.BC95]

To meet the requirement to disclose information about the governance body (or bodies) or individual(s) responsible for oversight of SROs, a company needs to explain how it defines, exercises and supports those oversight responsibilities in practice. Specifically, it needs to disclose the following information.

Information	What to disclose
Oversight responsibility	• Information about the governance bodies or individuals responsible for overseeing SROs and information about how they operate. [IFRS S1.27(a), IFRS S2.6(a)]
Definition of responsibilities	• How responsibilities for oversight of SROs are defined and documented, including references to: – terms of reference; – mandates; – role descriptions; and – other relevant policies. [IFRS S1.27(a)(i), IFRS S2.6(a)(i)]

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Information	What to disclose
Capabilities	• How the governance body (or bodies) or individual(s) determine whether a company has access to the appropriate skills and competencies to oversee its strategies around sustainability-related matters or how they will be developed. [IFRS S1.27(a)(ii), IFRS S2.6(a)(ii)]
Information provided	• How the governance body (or bodies) or individual(s) are informed about SROs, including: – the type of information received; and – the frequency of reporting. [IFRS S1.27(a)(iii), IFRS S2.6(a)(iii)]
Consideration in governance processes	• How the governance body (or bodies) or individual(s) take SROs into account when overseeing: – strategy; – major transactions; and – risk management processes and related policies, including whether trade-offs are considered. [IFRS S1.27(a)(iv), IFRS S2.6(a)(iv)]
Oversight of targets and performance	• How the governance body (or bodies) or individual(s) oversee the setting of sustainability-related targets and monitor progress towards those targets, including whether and how related performance metrics are considered in remuneration policies. [IFRS S1.27(a)(v), IFRS S2.6(a)(v)]



Example 3.2.10
Disclosing governance-related information for a subsidiary

Group C owns and operates a seafood processing plant that produces canned goods for wholesale food retailers. C's wholly owned Subsidiary F owns and operates a fish farm.

When preparing its sustainability report, C considers its governance arrangements in determining material information to report. C's governance structure is designed to have direct oversight of SROs associated with the processing operations. F has its own governance arrangements overseeing SROs related to fish farming activities. As part of the group's governance processes, F's board reports quarterly to C's board on farming-related SROs.

C concludes that information about the governance of F's operations is material to investors, given their focus on sustainable seafood production and the company's management of marine operations. Accordingly, C discloses information about its own governance structure and oversight of SROs, as well as the governance arrangements in place at F. This includes disclosure of the relevant processes, controls and procedures that operate at a group level, including how information about F's SROs is reported to and overseen by C.



Example 3.2.20
Disclosing information about sustainability-related remuneration

When preparing its sustainability report, Company U assesses whether and how remuneration is sustainability-related. It determines remuneration as sustainability-related when incentive outcomes are linked to specific sustainability-related objectives, metrics or targets.

U identifies the following key components of its incentive scheme as sustainability-related.

- Workforce health and safety metrics are included on the annual scorecard for all employees and affect annual incentive outcomes.

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- For executives, reducing environmental incidents and achieving environmental performance targets are bonus multipliers that are factored into the annual bonus pool.
- For selected senior leaders, achieving supplier standards (e.g. completion of due diligence and corrective action plans for high-risk suppliers) is a funded component of the annual scorecard.

U explains which parts of its pay are linked to managing SROs and how those links work in practice – e.g. how and by how much sustainability-related performance can increase or reduce incentive payments. U also explains how these sustainability-related measures align with its strategy and targets.

When relevant, U connects the information disclosed in its sustainability report with other aspects of its general purpose financial reports, including the notes to the financial statements and management discussion and analysis (see Insight 3.2.50).



Insight 3.2.40
Is disclosure required if governance arrangements are changed after the reporting date?

It depends. If changes to governance processes implemented after the reporting date but before the sustainability report is authorised for issue are material to investors' understanding of how SROs are monitored, managed and overseen, then a company needs to disclose that information. This is consistent with the approach for subsequent events in general, whereby a company would disclose information about this new condition if it could reasonably be expected to influence the decisions that investors make (see 2.3.70). [IFRS S1.17, 67]

When disclosing this information, a company needs to clearly indicate that the changes occurred after the reporting date and ensure that the information does not obscure or mislead investors about the governance arrangements that existed during the reporting period. [IFRS S1.68]



Insight 3.2.50
Is information about sustainability-related incentives for all employees required?

It depends. IFRS S1 requires a company to disclose how progress towards sustainability-related targets is included in remuneration policies. A company needs to consider whether information about sustainability-related incentives for all employees would be material to investors. [IFRS S1.27(a)(v)]

In addition, IFRS S2 requires that a company discloses:

- whether and how climate-related considerations are factored into executive remuneration (e.g. the extent to which these considerations could affect remuneration); and
- the percentage of executive remuneration recognised in the financial statements that is linked to those climate-related considerations. [IFRS S2.29(g)]

Because the standards do not define executive remuneration, a company needs to be clear about how it determines what constitutes executive remuneration when providing material information related to the IFRS S2 disclosure requirement.

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3.2.20 Management's role in governance processes

Management is responsible for implementing and operating the processes that support oversight in practice, including how the company assesses, manages and communicates sustainability-related matters. [IFRS S1.BC95, BC99]

A company needs to disclose information about management's role in governance processes, controls and procedures used to monitor, manage and oversee SROs. Specifically, it needs to disclose the following information. [IFRS S1.27(b), IFRS S2.6(b)]

Information	What to disclose
Management's role	• Information about how management monitors, manages and oversees SROs, including the processes, controls and procedures in place. [IFRS S1.27(b), IFRS S2.6(b)]
Definition of responsibilities	• How responsibilities for monitoring, managing and overseeing SROs are assigned, including: – whether specific roles are delegated to management-level positions or committees; and – how oversight is exercised over those positions or committees. [IFRS S1.27(b)(i), IFRS S2.6(b)(i)]
Processes, controls and procedures	• The processes, controls and procedures used by management to monitor and manage SROs, including how information is generated and used to support oversight. [IFRS S1.27(b)(ii), IFRS S2.6(b)(ii)]
Integration within the organisation	• How the processes, controls and procedures are integrated with other internal functions (e.g. risk management, finance, operations). [IFRS S1.27(b)(ii), IFRS S2.6(b)(ii)]



Example 3.2.30
Disclosing information about a company's skills and competencies

During the reporting period, Company J performed a capability assessment that:

- defined the skills needed for oversight and delivery of its sustainability-related strategy (e.g. scenario analysis, emissions accounting, climate-related risk and regulatory reporting);
- mapped organisational capability, including that of the board and management, using a skills matrix and performance/ effectiveness reviews; and
- assessed resourcing and controls for sustainability reporting, including data systems and internal control activities.

Management performs this assessment to support governance oversight.

J discloses the outcomes of this assessment, explaining how the skills identified are covered by individuals in oversight and key management roles. It also describes any gaps identified and the actions being taken in response, including targeted training, recruitment of specialists and enhancements to data governance and reporting controls. J further explains that progress is monitored through committee reporting and periodic reassessment.

D For examples illustrating how a company can present its governance disclosures, see Examples 3–9 in our Illustrative disclosures.

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3.3 Strategy

Currently effective requirements: IFRS S1, IFRS S2

Strategy disclosures enable investors to understand a company's SROs and its strategy for managing them. [IFRS S1.28, IFRS S2.8]

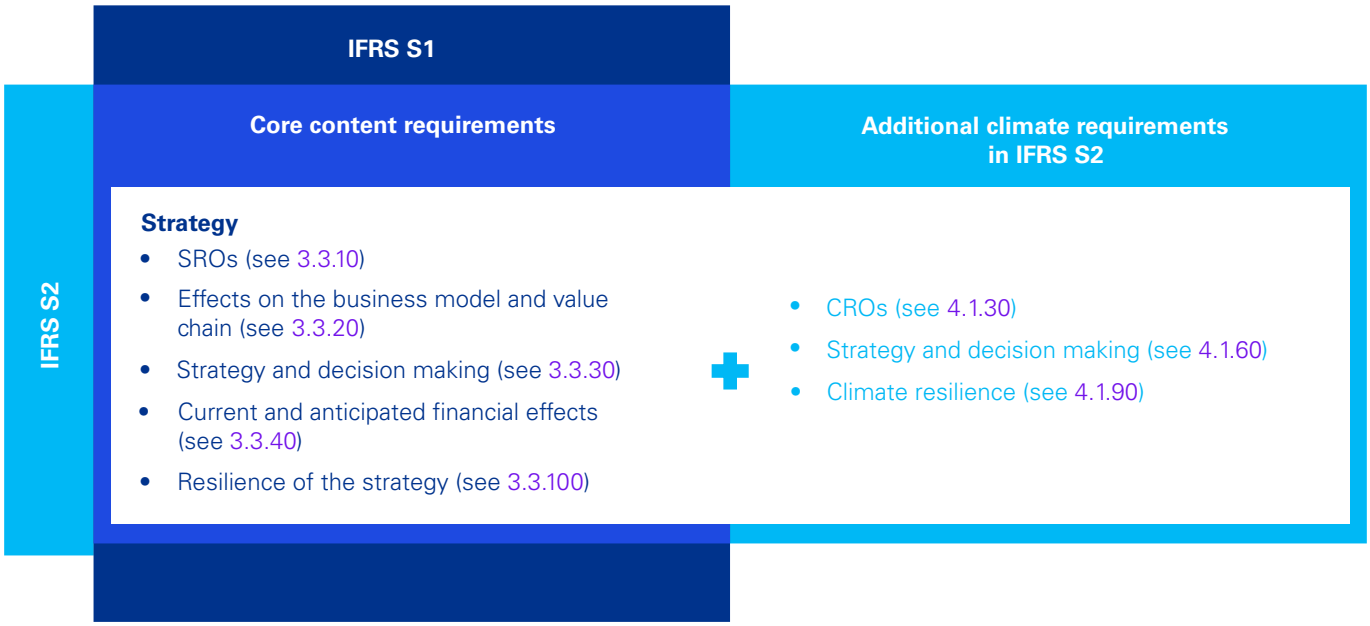
In IFRS S1, these disclosures include requirements to:

- identify and describe SROs (see 3.3.10);
- provide information that enables investors to understand the effects of the SROs on:
  - the business model and value chain over time (see 3.3.20);
  - strategy and decision-making (see 3.3.30); and
  - financial planning and the current and anticipated financial effects on financial position, performance and cash flows (see 3.3.40); and
- explain the resilience of the strategy and business model to the identified risks (see 3.3.100). [IFRS S1.29]

Many of the requirements in this section are forward looking and ask for information to 'enable investors to understand' a particular point – e.g. the anticipated financial effects of SROs. The objective of providing this type of forward-looking information is to help investors form their own assessments of the company's prospects. Therefore, although management may disclose its own expectations, it needs to ensure that disclosures provide a fair representation – e.g. they are complete, neutral and accurate. This then provides a clear basis for investors to make their own decisions.

The strategy disclosure requirements in IFRS S1 are relevant for all SROs and supplemented by more specific requirements in IFRS S2. The IFRS S2 requirements relate particularly to:

- climate-related risks;
- disclosing the effects of CROs on strategy and decision-making – including information about any climate-related transition plan the company has; and
- scenario analysis (see 4.1.100 and 4.1.110).



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Insight 3.3.10
Does a company need to connect sustainability-related strategy disclosures to information about its overall business model and strategy?

Yes. Information about the company's overall business model and strategy typically provides essential context for understanding the effect of SROs on specific features of a company's business model and strategy. [IFRS S1.29]

Many companies are already required under local legislation to provide information on their overall business model and strategy within the general purpose financial reports.

A company already disclosing its overall business model and strategy needs to:

- check that the descriptions provide sufficient context for the sustainability-related features to be understood; and
- consider how to present sustainability-related financial information and other information as an integrated whole (see 6.1.70), including whether cross-referencing is needed (see 6.1.130).

If a company is not already providing this information, then it may need to provide additional context within the sustainability report.

3.3.10 Sustainability-related risks and opportunities

A company identifies relevant SROs through its materiality assessment process. Relevant SROs are the risks and opportunities that could reasonably be expected to affect its prospects (see 2.2.10). [IFRS S1.29(a), IFRS S2.9(a)]

Providing information that describes the relevant SROs and explains the time horizons over which they may affect the company provides an important foundation for other strategy disclosures.

The disclosure requirements in this section can help investors to understand the outcomes of the materiality assessment process. There is no explicit requirement to disclose the process used to determine what information to include, but a company needs to provide information about the process to identify, assess, prioritise and monitor its SROs in its risk management disclosures (see Chapter 3.4).

IFRS S2 further supplements the general requirements by disaggregating climate-related risks into physical and transition risks (see Chapter 4.1).

To meet the requirement to disclose information about relevant SROs, a company needs to describe its SROs and explain how it defines the time horizons over which they may affect the company. Specifically, a company needs to disclose the following information.

Information	What to disclose
SROs identified	• A description of the SROs, including the time horizon over which each could reasonably be expected to impact the company's prospects. [IFRS S1.30(a)-(b), IFRS S2.10(a), (c)]
Time horizons	• How the company defines short, medium and long term, including how these definitions link to strategic planning horizons. [IFRS S1.30(c), IFRS S2.10(d)]

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Example 3.3.10
Aligning defined time horizons with strategic planning

In 2020, Manufacturing Company M identifies climate-related risks, including:

- obsolescence of a key product that it expects will be phased out via government legislation from 2025, leading to falling demand; and
- risk of supply chain interruption for a critical component manufactured solely at a factory in a high flood-risk zone.

In its disclosures about its strategy, M defines short term as less than two years, medium term as two to five years and long term as more than five years. It explains that these periods are in line with its internal strategic planning horizons and forecasting.

M provides the following information.

- Management expects the obsolescence risk to impact the business in the short and medium term. Therefore, M has incorporated the impact of falling demand into the financial plan used to support its asset valuations.
- Management expects that supply chain interruption risk could impact the business at any time but will increase over time. It did not model this risk in the two-year forecast because it estimated that any cash flow impact would be immaterial during that period, due to the low chance of occurrence. However, when modelling to inform the five-year strategy, it includes mitigations – e.g. costs associated with broadening the supply chain. It also includes a cross-reference for further discussion on investment planning and broader supply chain risk-mitigation activities elsewhere in the annual report.

Insight 3.3.20
Are time horizons for SROs entity-specific?

Yes. The standards do not prescribe the length of time horizons because they are entity-specific. Time horizons may vary between companies and need to reflect a company's particular circumstances. In determining appropriate time horizons, a company considers factors such as:

- its strategic objectives and business model characteristics;
- its capital planning and investment cycles, including the useful life of major assets;
- the nature of the industry in which the company operates, including typical cash flow patterns and business cycles; and
- relevant regulatory or policy timeframes for those jurisdictions in which the company operates. [IFRS S1.31, BC102]

Although companies define their own time horizons, these horizons do not limit the scope of material information disclosed. For example, a company cannot avoid providing material information about effects arising in the long term by specifying a closed long-term horizon, such as 5–10 years.

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Insight 3.3.30
What type of information can help investors understand a relevant SRO?

Information on relevant SROs needs to have sufficient detail to enable investors to understand the nature, magnitude and time horizons of an SRO. The appropriate level of detail depends on the characteristics of the SRO and how materiality is assessed.

In our experience, depending on the circumstances, relevant information may include:

- where in the company's own operations or value chain the SRO arises (e.g. locations, business units, divisions);
- whether the SRO is pervasive or concentrated in a particular area (see 3.3.20);
- how the SRO relates to broader business risks or operational drivers (see Insight 3.3.40);
- the assessed severity and likelihood (when used internally); and
- whether the SRO is relevant only on a gross basis or also when net of mitigation activities.

M For guidance on how to consider mitigation activities when identifying SROs, see our Materiality for sustainability reporting – How-to guide.

Insight 3.3.40
When an SRO is connected to a general business risk or opportunity, does a company need to explain that connection in its disclosures?

Yes. Many SROs will be managed as general business risks or opportunities, or as a specific part of a general business risk or opportunity. A company needs to make clear whether and how an SRO is connected to more general business risks and opportunities. This information supports investors in making connections between the sustainability report and other types of general purpose financial reporting. [IFRS S1.21(b)(ii)]

For example, a company discloses information about its exposure to supply chain disruption in its management commentary, including that this is driven by a number of different factors (e.g. geopolitics and disruption to global trade from conflict), as well as climate-related dependencies. Within its sustainability report, the company makes it clear that its climate-related transition risk of supply chain disruption is connected to this more general supply chain risk by cross-referring to the management commentary section of the report (to avoid duplicating the information).

IFRS S1 also requires a company to provide disclosures about whether and how sustainability-related risk management processes align with broader business risks (see Chapter 3.4). [IFRS S1.44(c)]

Insight 3.3.50
Does a company need to present granular information on every identified SRO?

No. The objective of disclosures that identify and describe SROs is to help inform investors' assessments of a company's future cash flows. Management determines the level of detail needed as part of its materiality assessment. Sometimes, individually immaterial information could become material when it is aggregated. In this case, aggregated information may be more relevant to investors than granular information.

The level of granularity is also likely to depend on the nature of the risk identified. Some risks may be understandable when they are disclosed at the overall group level (e.g. costs from high energy use), whereas others may be highly localised (e.g. water scarcity leading to supply chain disruption).

When risks are highly localised, disclosing granular information about specific geographical areas of concern may be useful, but may be less so for other locations where risk is not highly localised. Aggregating information across all locations may obscure relevant information in this case, which is not appropriate (see 2.2.140). [IFRS S1.B29–B30]

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Insight 3.3.60
Does a consolidated group and a subsidiary reporting in its own right disclose information about the same SROs?

Not necessarily. Materiality is assessed from the different perspectives of a consolidated group and a subsidiary that is also required to report in its own right. Information about an SRO that is needed to understand a subsidiary's future cash flows might not be material to an understanding of the group's future cash flows (see Insight 2.2.110).

Example 3.3.20
Aggregating and disaggregating SROs across a group and its subsidiaries

Group G produces consumer goods and operates through several subsidiaries with similar production and distribution activities. It also owns Subsidiary H, an agricultural company that supplies key raw materials.

G sets its sustainability-related strategy through group-level policies approved by the board when sustainability-related risks are common across the group. Subsidiaries' boards review the group policies and develop their own specific strategies, subject to group oversight, when risks arise from distinct activities or operating contexts.

G identifies a risk associated with ethical procurement practices. The risk is relevant across all subsidiaries and is addressed through group-level policies that are implemented consistently across subsidiaries. The risk is managed through group-wide risk management and due diligence processes, and monitored using group-wide metrics and targets. Subsidiaries implement the policies in accordance with their local regulatory and operating requirements.

Management concludes that disclosing information about this risk at the group level provides a faithful representation of how the risk is governed, managed and monitored and enables investors to assess its effect on G's prospects.

The risk affects H and the other subsidiaries differently. As well as the ethical procurement risk from the raw materials it buys, H is directly exposed to risks from breaching local environmental and social regulations in its own operations. The other subsidiaries are exposed only indirectly via their procurement practices. The potential impact on the group's prospects is more immediate and severe for H, and management's strategy for mitigating H's additional risk includes incremental policies and actions compared with the rest of the group. Given these differences, G provides disaggregated information about H's risk, making the connection to the group-wide risk but clearly highlighting how it differs.

Example 3.3.30
Different SROs within a group and subsidiary

Group D operates a portfolio of hotels through several subsidiaries, including Subsidiary B. Both B and the group prepare sustainability reports.

Most of the group's hotels are located in areas with sufficient water availability. However, hotels operated by B are located in a water-stressed region where water availability is limited and subject to increasing regulatory restrictions.

B's hotel operations place additional demand on scarce local water resources through water-intensive activities such as swimming pools, guest facilities, laundry and cleaning. In addition, the regulatory restrictions can prevent the hotels drawing the water they need to maintain all operations (e.g. swimming pools and cleaning).

Management identifies a related material risk for B. Because water availability is limited and subject to increasing regulatory restrictions, the hotels may be unable to draw the water needed to maintain all operations. This could result in restrictions on certain services, higher operating costs or reduced operating capacity.

At the group level, D discloses the water-related risk because B represents a significant portion of the group's operations. D's report clearly explains that this risk relates specifically to B. To ensure information is not obscured, D provides relevant water metrics for B only. Presenting only an aggregated group-level metric could dilute or obscure the severity of the local risk because most of D's other hotels operate in areas with sufficient water availability.

B also discloses information about the risk in its own sustainability report.

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Insight 3.3.70
Is a company required to explain how its SROs have changed compared with the prior year?

Generally, yes. IFRS S1 does not include an explicit requirement to explain how an identified SRO has changed significantly from the prior year, but a company generally needs to provide this information if there has been a significant change – e.g. if it identifies a new SRO or a significant change in the severity or likelihood of an existing SRO. This is because a significant change in an identified SRO generally drives multiple changes to the information that investors need about that SRO.

A company may also need to explain how its SROs have changed in order to:

- reassess its materiality judgements at each reporting date to take account of any changes in circumstances and assumptions (see 2.2.120); [IFRS S1.B29]
- disclose comparative information for narrative and descriptive sustainability disclosures, if it is required (see 2.3.110); and [IFRS S1.70]
- disclose whether and how it has changed its process to identify, assess, prioritise and monitor sustainability-related risks compared with the prior year (see Chapter 3.4). [IFRS S1.44(a)(vi)]

D For examples illustrating how a company can present its SRO disclosures, see Examples 11–12 in our Illustrative disclosures.

3.3.20 Effects on the business model and value chain

Building on its disclosures on identifying relevant SROs, a company explains where and how its SROs have affected the business model and the value chain that underpins it, as well as the changes it anticipates in the future. [IFRS S1.29(b), IFRS S2.9(b)]

This information provides context to allow investors to assess the company's long-term resilience (see 3.3.100) and how it will create value and manage its operations over time.

These disclosures draw on the company's understanding of its business model and value chain and information gathered via the materiality assessment process (see Chapter 2.2).

To meet the requirement to explain where and how its SROs have affected the business model and the value chain that underpins it, a company needs to disclose the following information.

Information	What to disclose
Current and anticipated effects	• Information to enable investors to understand the current and anticipated effects of SROs on the company's business model and value chain. [IFRS S1.32(a), IFRS S2.13(a)]
Risk and opportunity concentration	• A description of where SROs are concentrated within its business model and value chain (e.g. identifying geographical areas, facilities or types of assets). [IFRS S1.32(b), IFRS S2.13(b)]

Example 3.3.40
Impacts of SROs on the value chain

The value chain of Electronics Manufacturer E includes, among other resources and relationships:

- raw material mining and processing companies;
- component suppliers;
- own workforce, know-how and production capabilities; and
- distributors and retailers.

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In identifying its SROs, E identifies a sustainability-related risk arising from unsafe working conditions at supplier mining operations. If those conditions are not addressed, then E could face supply disruption, supplier restrictions, increased remediation costs or reduced access to key minerals. When disclosing information about how this risk impacts the business model and value chain, E discusses that:

- the risk is concentrated in upstream mining operations that provide key minerals used in its electronic components;
- its products depend on key minerals from a limited number of suppliers for those minerals;
- alternative sources of supply are currently limited, meaning the risk could affect production continuity, procurement costs and supply chain resilience in the short to medium term; and
- its strategy includes significant research and development activities to reduce the dependency on the minerals currently used and identify alternative materials.

E provides information about its strategy for managing the identified risk and related actions (see 3.3.30), including the:

- policies applied; and
- actions taken to assess, monitor and address the risk, both globally and in high-risk locations.



Insight 3.3.80
How can a company describe concentrations of effects on its business model and value chain?

A company uses judgement to assess what information is most useful for investors.

This could include describing, for example:

- supplier or customer concentration (e.g. reliance on a single supplier for a critical input, or a limited number of major customers);
- input or commodity dependency (e.g. use of a material with high transition or physical risk exposure);
- regulatory or policy dependency within the value chain (e.g. reliance on a jurisdiction's specific incentives or regulatory environment);
- process or technology reliance (e.g. dependence on a single production method or technology that is vulnerable to sustainability-related risks); and
- workforce or capability concentration (e.g. reliance on specialised skills that are scarce or at risk of disruption).

In some cases, operating segments as defined in IFRS 8 may provide a useful lens for understanding where SROs are concentrated.

A company may choose to present high-level information about SRO concentration alongside disclosures about the risks identified – e.g. presenting whether SROs arise from either the company itself or the value chain, and which operating segment or geographical region is affected. However, more detailed information about SRO concentrations may also be required. [IFRS S1.32, IFRS S2.13]

D For examples illustrating how a company can present disclosures on SRO concentrations, see Examples 12, 14 and 15 in our Illustrative disclosures.

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Insight 3.3.90
Is a company required to disclose where each relevant SRO occurs in the value chain?

It depends. IFRS S1 requires a company to disclose where SROs are concentrated in its business model and value chain and gives geographical areas as an example of a potentially relevant concentration. However, this does not mean that a company needs to disclose exactly where in its operations or value chain each SRO arises. [IFRS S1.32(b), BC52]

A company may determine that information about the concentration of SROs in a geographical area or asset class would be most useful for investors. To understand some SROs (e.g. nature-related SROs), more specific location-based information may be important. However, in other circumstances it may be appropriate for a company to focus on where in the value chain the SRO occurs.

3.3.30 Strategy and decision-making

Building on its disclosures about its relevant SROs (see 3.3.10), a company discloses information about how these SROs have affected its strategy and decision-making. [IFRS S1.29(c), IFRS S2.9(c)]

To do this, a company needs to identify the individual aspects of its overall strategy that relate directly or indirectly to its sustainability-related issues. Because different aspects of the strategy are interconnected, it may be challenging to isolate sustainability-related matters not only from each other but also from other matters. For example, a strategy to diversify the supply chain may have benefits for business continuity in addition to supporting climate-related objectives.

IFRS S1 provides a high-level overview of the type of information required, as shown in the table below. [IFRS S1.33]

IFRS S2 builds on the IFRS S1 requirements by including more granular disclosures and explicitly linking disclosure about changes in strategy and decision-making to a company's climate-related transition plan and climate-related targets (see Chapter 5.1 and 4.1.210). [IFRS S2.14]

To meet the requirement to disclose information about how relevant SROs have affected its strategy and decision-making, a company needs to disclose the following information.

Information	What to disclose
Strategic response	• The response to SROs – covering relevant past and future planned activities. [IFRS S1.33(a), IFRS S2.14(a)]
Progress since prior periods	• Quantitative and qualitative information about the progress of plans disclosed in prior reporting periods. [IFRS S1.33(b), IFRS S2.14(c)]
Trade-offs	• Information about trade-offs considered by management in its decision-making. For example, a company exits a particular market to manage a sustainability-related risk, but in doing so abandons a customer base and loses the opportunity to generate associated revenue and profit. [IFRS S1.33(c)] These trade-offs are important in understanding the connectivity between different SROs and in enabling investors to build a complete understanding of the company's overall exposure.

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Insight 3.3.100
Is information about a company's resource allocation required to explain the company's strategic response to its relevant SROs?

It depends. Information about resource allocations is important to allow investors to understand the feasibility of the strategy and its impact on the company's future financial position, performance and cash flows. Information about the company's plans, including its resource allocations, complements and may form part of disclosures about the anticipated financial effects of the company's SROs. This may be necessary to help investors understand the company's strategic response to its relevant SROs.

When SROs are incorporated into strategic planning and financial decision-making, a company commonly approves actions such as capital expenditure, investments, restructuring programmes and operational changes to execute its strategy.

Information about resource allocations is explicitly required under IFRS S2 to meet disclosure requirements about strategy and decision-making. Similar disclosures are likely to be relevant to other topics too. [IFRS S2.14(a)(i)]

For example, if a company decides to respond to water-related risks by investing in new technologies, adapting infrastructure or changing production processes, then it typically reflects those actions in planned capital expenditure or investment programmes. The financial amounts associated with these plans – e.g. expected investment levels, implementation costs and changes in operating costs – can help investors understand how the company expects its financial position, performance or cash flows to be affected.

Insight 3.3.110
Is disclosure of social- or nature-related trade-offs required when a company applies the 'climate-first' exemption?

Yes. Taking the climate-first exemption does not allow a company to exclude all information relating to topics other than climate. Information is still required when it is necessary to understand the company's CROs (see 2.2.70). [IFRS S1.BC175]

Determining what is 'climate-related' requires judgement and depends on the company's specific circumstances. IFRS S2 does not define the term 'climate-related' (see Insight 4.1.10).

Information about trade-offs with other SROs may be relevant if it influences the company's approach to managing a CRO. This is because it is likely to provide investors with a better understanding of the CRO[1].

For example, a company facing a shortage of skilled employees explains that this social-related risk may affect its climate-related transition risk and ability to operate, because planned emissions-reduction projects could be delayed or scaled back. [IFRS S1.BC87]

D For examples illustrating how a company can present its strategy and decision-making disclosures, see Examples 12, 13 and 37 in our Illustrative disclosures.

1. ISSB Educational Material Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2, page 8.

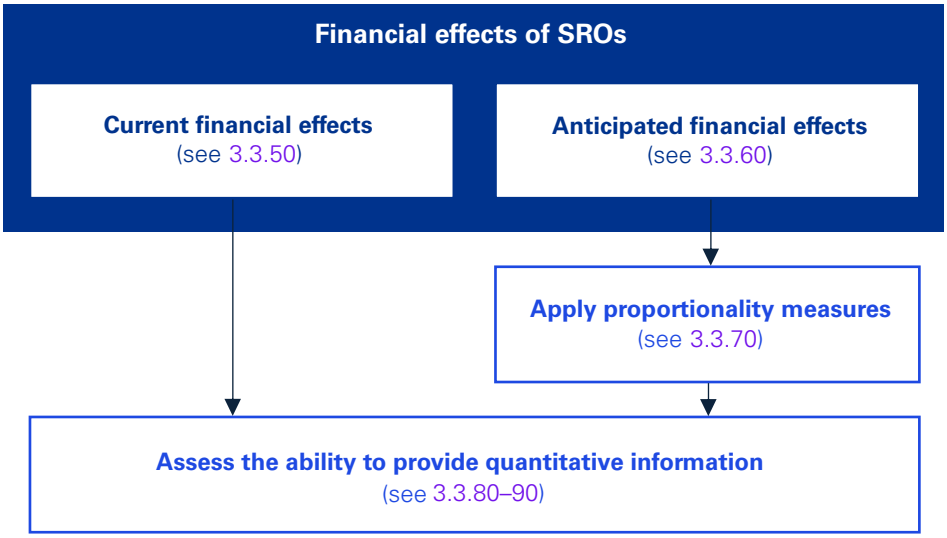
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3.3.40 Current and anticipated financial effects

Investors need to understand how SROs – and the strategies used to manage them – may affect a company's financial position, performance and cash flows.

IFRS S1 requires a company to disclose both qualitative and quantitative information about current and anticipated financial effects (see 3.3.50 and 3.3.60 respectively). [IFRS S1.34–35]

Due to the potential complexity in providing this information, IFRS S1 also provides proportionality measures to support companies in disclosing anticipated financial effects (see 3.3.70), as well as reliefs from requirements to quantify current financial effects or anticipated financial effects (see 3.3.80–90). [IFRS S1.37–40]



The disclosures help investors to understand the financial effects arising from a company's business model, including its reliance on supply chains and other key resources and relationships. [IFRS S1.29(d), 34, IFRS S2.9(d), 14]

Reporting information on current and anticipated financial effects provides an important connection between the sustainability report and the financial statements, because disclosures identify and explain the links between SROs and the amounts recognised or disclosed in the financial statements.

The assessment of anticipated financial effects is also closely linked to related analyses and disclosures, including:

- identifying SROs (see 2.2.10);
- assessing materiality of information (see 2.2.70);
- setting strategy and the business model (see 3.3.30); and
- assessing resilience and scenario analysis (see 3.3.100 and Chapter 5.2).

3.3.50 Current financial effects

Disclosures about current financial effects support investors in understanding how the relevant SROs have affected the company's financial position, performance and cash flows in the current reporting period, and how these effects are reflected in the financial statements. [IFRS S1.34(a), IFRS S2.15(a)]

Current financial effects are typically reflected in the financial statements through recognised transactions and events – e.g. costs for energy-efficient equipment or losses from extreme weather events. They may affect one or multiple line items in the financial statements. Alternatively, they may result from impairments or relate to amounts that are disclosed but not recognised in the financial statements (e.g. contingent liabilities). [IFRS S1.35(a)–(b), IFRS S2.16(a)–(b)]

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These impacts may originate from different types of drivers, including physical events, transition-related changes, regulatory developments, legal exposures and operational disruptions.

A company provides both qualitative and quantitative information on current financial effects, including the following.

Information	What to disclose
Current financial effects reflected in the financial statements	• The impact of SROs on the company's most recent financial performance, position and cash flows. [IFRS S1.35(a), IFRS S2.16(a)] • Quantitative information (either a single amount or a range) about current financial effects. [IFRS S1.36, IFRS S2.17] A company does not need to provide quantitative information about the current financial effects of individual SROs when exceptions apply (see 3.3.80). [IFRS S1.38, IFRS S2.19]



Example 3.3.50
Current financial effects of a transition risk disclosed in financial statements

Company M is a vehicle rental agency. Its existing fleet includes only internal combustion engine (ICE) vehicles. To meet zero-emissions vehicle legislation introduced during the reporting period, M decides to phase out its existing fleet within three years. As a result, the useful life of the fleet decreases from six years to three.

M identifies the following potentially relevant information in its financial statements:

- the ICE vehicle fleet as a separate class within property, plant and equipment;
- the reduction in the useful life and residual value of the fleet following the regulatory change;
- an explanation of the resulting increase in depreciation expense;
- information about the revised useful life as a key estimate and judgement, including the assumptions made about the timing and impact of the regulatory phase-out; and
- information about the regulatory change as a potential indicator of impairment under IAS 36 *Impairment of Assets*, with the conclusion that no impairment is needed following the reduction of the useful life of the fleet.

M then considers what additional information is required to meet the objectives of IFRS S1. It notes that:

- the sustainability report already includes a qualitative explanation of the transition risk created by the zero-emissions vehicle mandate; and
- it can identify no other effects in the financial statements – e.g. material increases in pricing or rental revenue driven by changes in customer demand for electric vehicles.

M concludes that the information in the financial statements described above is sufficient to meet the objectives of IFRS S1, because it adequately explains the current financial effects it identified, including the revised useful lives, the resulting increase in depreciation expense and the assessment of potential impairment impacts. Therefore, M cross-refers to the relevant notes in the financial statements.

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Insight 3.3.120
Does a company need to duplicate information included in the financial statements when disclosing current financial effects?

No. Information on current financial effects in the sustainability report complements the financial statements but does not duplicate information.

If the financial statements, including the notes, already provide adequate information about the effects on the company's financial position, performance and cash flows, then the company does not need to repeat that information in the sustainability report. Instead, it may cross-refer to the relevant information in the financial statements (see 6.1.130). [IFRS S1.BC105]

When doing so, the company applies judgement in determining which information is appropriate to cross-reference to and whether additional information is needed in the sustainability report to provide a complete picture of those financial effects.

Cross-referencing may not, on its own, always be sufficient because materiality judgements in the sustainability report may differ from those applied in preparing the financial statements, including broader time horizons and impacts across the value chain. [IFRS S1.BC69]

Insight 3.3.130
Can a current financial effect that is not material for the financial statements be material for the sustainability report?

Yes. Although materiality judgements under IFRS Sustainability Disclosure Standards and IFRS Accounting Standards are made on a similar basis – i.e. by considering the information's ability to influence investors' decisions – the types of information required to meet the objectives of each set of IFRS Standards differ. Sustainability reports provide information about relevant SROs. Financial statements provide information about a company's assets, liabilities, equity, income and expenses. Information may be material to the sustainability report without giving rise to a material current-period accounting impact in the financial statements (see Insight 2.2.20). [IFRS S1.BC69]

For example, a company may incur research and development expenditure as part of its climate-related transition plan in response to a climate-related transition risk. That expenditure may not meet asset recognition criteria and may be expensed. It may also be not material – quantitatively or qualitatively – in the context of the financial statements. However, information about the company's activities and spending relating to the transition plan may still be material to the sustainability report because it provides decision-useful information about how management is responding to a sustainability-related risk and executing its transition plan.

In this instance, the company may also need to connect these pieces of relevant information for investors' understanding (see 6.1.80).

Example 3.3.60
Current financial effects reflected through additional disaggregation in the sustainability report

Company R is a beverage company. It identifies a risk relating to the environmental impact of its packaging waste. Unless it incurs costs to change its packaging, R anticipates a fall in demand for its products due to reputational concerns and potential penalties from regulators looking to decrease non-recyclable plastic waste. To mitigate the risk, R incurs research expenditure during the reporting period and receives tax credits for a portion of this expenditure.

In the financial statements, the packaging research expenditure is aggregated with other product-related research expenditure within operating expenses; the tax credits received are aggregated within other income.

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However, management determines that additional disaggregation is needed in the sustainability report to explain the financial effects of the risk. Therefore, the sustainability report:

- discloses the packaging-related research expenditure and tax credits separately and where these amounts are recognised in the financial statements;
- reflects the current-period costs incurred to mitigate the identified risk; and
- provides context for related anticipated financial effects.

R concludes that this additional disaggregation, together with the cross-references to the operating expenses and other income notes in the financial statements, provide sufficient information about the current financial effects of the identified risk.

D For an example illustrating how a company can present its current financial effects disclosures, see Example 12 in our Illustrative disclosures.

3.3.60 Anticipated financial effects

A company provides qualitative and quantitative information to enable investors to understand the expected future effects of relevant SROs on its financial position, performance and cash flows over the short, medium and long term – i.e. the anticipated financial effects. [IFRS S1.34(b), IFRS S2.15(b)]

Disclosures on anticipated financial effects are useful because they help investors link SROs to expected future financial consequences, including effects not yet reflected in the financial statements. This enables investors to assess the impacts on business model resilience and the credibility of transition strategies.

Anticipated financial effects represent the expected future financial consequences of relevant SROs, showing how a company's actions and plans may influence its future financial outcomes. These effects are forward looking and arise from how SROs, and the company's responses to them, are expected to affect the company's prospects. Accordingly, reporting on anticipated financial effects is likely to involve estimates and assumptions given the inherent uncertainty associated with future outcomes. [IFRS S1.34(b), IFRS S2.15(b)]

Information that is forward looking and strategic in nature may also be sensitive. Therefore, it is important that a company considers what material information it can provide to give a complete, neutral and accurate depiction. IFRS S1 does not include a general exemption from disclosing commercially sensitive risk information, but does provide some relief for commercially sensitive opportunities (see 2.3.190). [IFRS S1.B34–B37]

The information disclosed about anticipated financial effects needs to be consistent with, and supported by, the company's overall strategy. A company explains these effects by linking them to its strategy for managing relevant SROs and providing context for how it expects these SROs to affect its future financial position, performance and cash flows.

Specifically, a company needs to disclose the following.

Information	What to disclose
Potential material adjustments in the next financial year	• Information about the SROs identified by management that pose a significant risk of material adjustment to the carrying amounts of assets and liabilities reported in the financial statements in the next financial year. [IFRS S1.35(b), IFRS S2.16(b)]

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Information	What to disclose
Changes in financial position	• How management expects the financial position to change over time, in line with the strategy. To do this, a company considers: – investment and disposal plans (e.g. major acquisitions or divestments, business transformations or innovations, and joint ventures to support sustainability-related strategies), including plans that are not contractually committed; and – planned sources of funding to implement strategies that address the company's SROs – e.g. sustainability-linked debt, green bonds or equity financing arrangements. [IFRS S1.35(c), IFRS S2.16(c)]
Changes in financial performance and cash flows	• How management expects the financial performance and cash flows to change over time, in line with the strategy. [IFRS S1.35(d), IFRS S2.16(d)] For example, a company might provide insight into: – its exposure to changes in revenue or expenses from products and services that management plans to introduce in support of its lower-carbon economy strategy; – the size of an alternative market the company is entering into, that market's industry margins and the company's current and target market share; – costs and anticipated savings from business transformation projects to support workforce retention strategies; and – current and anticipated costs of identified climate-related adaptation or mitigation activities.
Quantitative disclosures	• Quantified anticipated financial effects, presented as either a single amount or a range, as appropriate. [IFRS S1.36, IFRS S2.17] • In some cases, a company does not need to provide quantitative information about the anticipated financial effects of individual SROs (see 3.3.80). [IFRS S1.38, IFRS S2.19]



Example 3.3.70
Disclosing anticipated financial effects for early-stage projects when quantification is only partially available

Continuing Example 3.3.50, Company M's management assesses the anticipated financial effects for the phase-out of its ICE vehicle fleet. It determines the following effects from its planned response to the regulatory change.

- Lower running costs of 5–10% are expected over the life of the newly acquired electric vehicles, compared with the estimated costs of operating an equivalent ICE fleet over the same period.
- The planned investment for purchasing the new vehicles will amount to 15–20% of total capital expenditure over the next three years.
- Increased depreciation expense for future periods on ICE vehicles will be incurred (consistent with Example 3.3.50).

M provides the qualitative and quantitative information on the anticipated financial effects in its sustainability report. This includes quantifying the expected 5–10% reduction in running costs and explaining the assumptions used (e.g. the expected increase in fuel prices), because this information is not available in the financial statements.

M also provides information in its sustainability report about the planned transition to an electric vehicle fleet and the related anticipated financial effects, including the expected capital investments and associated changes in future depreciation expense. M cross-refers to information in the financial statements that explains the current financial effects already recognised in the reporting period.

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Insight 3.3.140
Can the extent to which an SRO is incorporated into financial planning influence the nature and level of detail of the disclosures on its anticipated financial effects?

Yes. When an SRO is considered in a company's financial planning processes – e.g. budgeting, forecasting, capital allocation decisions and impairment testing – a company is more likely to be able to provide useful and, in some cases, quantitative information, about the anticipated financial effects. This is because information that management relies on when making strategic decisions is more likely to be sufficiently developed to support more detailed and, in some cases, quantitative disclosures about anticipated financial effects.

However, IFRS S1 does not require anticipated financial effects to be disclosed only when precise quantitative information or estimates are available. Whether an SRO has been incorporated within financial decision-making processes is not used as a threshold for disclosure. Information about the anticipated financial effects of an identified SRO may in some cases be known, even if not directly incorporated within financial planning.

For example, if a company has already analysed its climate-related investments or cost impacts as part of its capital allocation processes or internal planning assessments, then it may be able to describe the nature and range of those expected financial effects. Conversely, if it is still evaluating potential strategic responses, then it may only be in a position to outline the likely direction of impacts and the main sources of uncertainty. [IFRS S1.34–35]

Insight 3.3.150
Does a company need to create quantitative forecasts solely for the purpose of disclosing anticipated financial effects?

No. Relevant information may come from a range of sources, including those already used by management (e.g. budgets, planning analyses, exposure metrics) and, when available and relevant, quantified outputs from scenario analysis.

As part of its risk management processes, a company may find scenario analysis or other methods useful to develop forecasts that incorporate the anticipated financial effects of SROs. However, it appears that a company does not need to produce new forecasts purely to comply with IFRS S1 and IFRS S2. It needs to clearly communicate information that enables an investor to understand the anticipated financial effects of relevant SROs. It uses information that it already has available or could obtain without undue cost or effort (see 2.3.170). The absence of forecasts does not, in itself, mean that quantitative information is unavailable.

It is important to distinguish between the role of scenario analysis (and resilience assessments) and the disclosure of anticipated financial effects. Scenario analysis is intended to assess plausible future states and resilience, rather than to produce detailed financial forecasts or a single 'anticipated' outcome (see 5.2.20). If a company generates credible and relevant outputs, then it may use these to support disclosures of anticipated financial effects.

In the absence of forecasts, other forms of quantitative information may be available or obtainable without undue cost or effort to help investors understand the anticipated financial effects of an SRO. This is because sustainability-related financial information can have predictive value without constituting a formal forecast. [IFRS S1.D5]

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Insight 3.3.160
What types of quantitative information can help investors to understand anticipated financial effects?

A company can use a range of types of quantitative information to enable investors to understand the anticipated financial effects of relevant SROs. 'Quantitative information' is neither limited to nor necessarily a forecast quantifying the future impact on a company's financial position, performance or cash flows, or any single type of quantitative information. The most useful quantitative information will depend on the company's specific facts and circumstances.

A company's forecast of future financial impacts may provide decision-useful information in some cases; however, the following types of quantitative information or approaches may also be useful for investors.

- ***Market data and trends:*** quantified trends (e.g. carbon pricing, commodity prices, demand forecasts or benchmarks) may provide useful context if they are linked to the company's strategy and exposure. Generic data alone is unlikely to be decision-useful.
- ***Historical information with predictive value:*** quantified impacts of past events (e.g. regulatory changes or disruptions) may provide insight into future financial effects when appropriately contextualised.
- ***Strategy-linked financial information:*** capital expenditure, planned investments, restructuring costs or cost structures linked to strategic decisions may illustrate expected financial consequences, depending on the robustness and maturity of the strategy. [IFRS S2.14(a)(i), IFRS S2.29(e)]
- ***Exposure metrics:*** metrics such as assets in high-risk areas or revenue exposed to climate-related transition risk may explain current vulnerability. However, they do not, on their own, show how financial performance or cash flows are expected to change over time. [IFRS S2.29(b)–(d)]
- ***Scenario analysis outputs:*** quantified results from scenario analysis that are relevant to management assumptions and integrated into planning may illustrate anticipated financial effects if they are considered credible and decision-useful. [IFRS S2.BC69]
- ***Sensitivity analysis:*** quantified sensitivities (e.g. changes in key assumptions) may inform financial effects, but typically reflect conditional outcomes rather than expected financial trajectories.

D For examples illustrating how a company can present its anticipated financial effects disclosures, see Examples 12 and 41 in our Illustrative disclosures.

3.3.70 Apply proportionality measures

When providing information about anticipated financial effects, a company applies proportionality measures (see 2.3.160) to identify what type of information is available.

The proportionality measures available under IFRS S1 include:

- using reasonable and supportable information available at the reporting date without undue cost or effort (see 2.3.170); and
- applying an approach that is commensurate with the company's skills, capabilities and resources (see 2.3.180). [IFRS S1.37, IFRS S2.18]

A company uses these measures to identify the type of information that it has available. They differ from the reliefs available in IFRS S1 for disclosing quantitative information (see 3.3.80). [IFRS S1.BC107]

The type of information available may also vary depending on how SROs are incorporated into the company's financial planning and decision-making processes.

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Insight 3.3.170
What factors might a company consider when assessing whether decision-useful information is available on anticipated financial effects?

When providing disclosures on anticipated financial effects, a company uses reasonable and supportable information available at the reporting date without undue cost or effort, and that is commensurate with its skills, capabilities and resources (see 2.3.160). [IFRS S1.37]

A company can use the following factors as part of assessing the information on the anticipated financial effects of an SRO that may be useful for investors.

- ***Degree of integration into financial planning:*** whether the SRO is reflected in budgeting, forecasting, cash flow projections, impairment testing, capital allocation models or scenario analysis.
- ***Consideration in management decisions and approved plans:*** whether the anticipated financial effects have already influenced management decisions or are reflected in approved business plans, board-reviewed forecasts or strategic plans.
- ***Alignment of timing and strategic planning horizon:*** whether the anticipated financial effects are expected to arise within or beyond the company's strategic planning horizon. Effects arising beyond that horizon may be less certain or not yet sufficiently analysed.

These factors may also help a company assess the nature and level of detail of information that would be useful to provide about an identified SRO. This information may be qualitative only (if quantitative information cannot be provided) or quantitative with qualitative explanations.

If a company determines that it cannot provide quantitative disclosure (see 3.3.80), then it considers what qualitative information may be necessary to enable investors to understand the anticipated financial effects of the SRO. [IFRS S1.38–39]

3.3.80 Assessing the ability to provide quantitative information

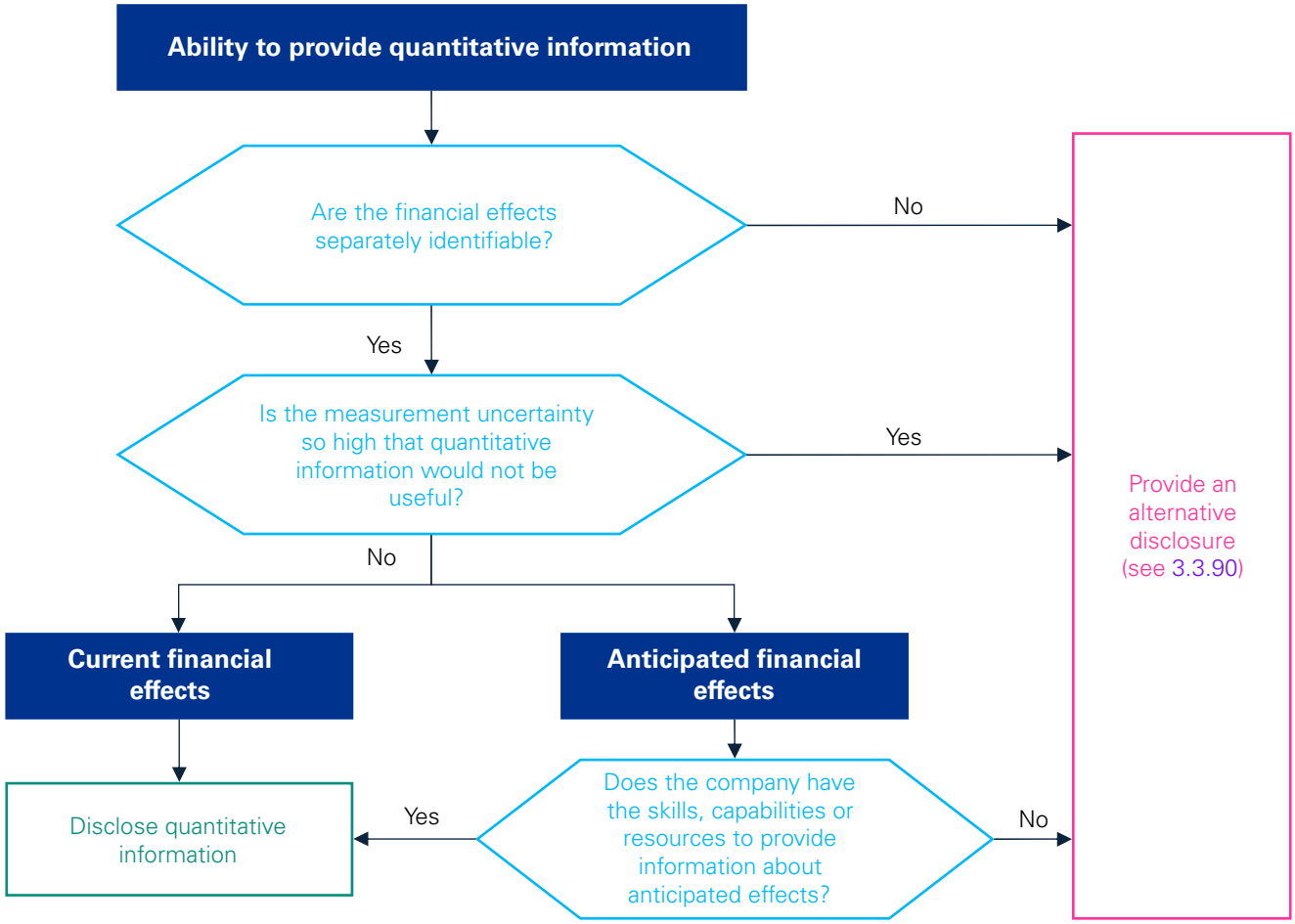
Based on the information available to estimate current and anticipated financial effects, a company assesses whether it can provide quantitative information for an SRO.

A company is permitted to apply the following specific reliefs, which allow it to omit quantitative information about current or anticipated financial effects.

Relief	Applies for	When applied
Separately identifiable	Current and anticipated financial effects	The financial effects of a specific SRO cannot be distinguished from other factors affecting the company's financial performance, position or cash flows. [IFRS S1.38(a), IFRS S2.19(a)]
Measurement uncertainty	Current and anticipated financial effects	Assumptions and inputs required to estimate the financial effects of a specific material risk or opportunity are so uncertain (e.g. data limitations, external developments and lack of methodologies) that any quantitative information would not be decision-useful. [IFRS S1.38(b), IFRS S2.19(b)]
Skills, capabilities and resources	Anticipated financial effects	The company does not have the necessary skills, capabilities or resources to determine the quantitative financial effects (see Insight 3.3.200). [IFRS S1.39, IFRS S2.20]

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These reliefs are applied in assessing whether quantitative information can be provided for an individual SRO. If, as a result of applying the reliefs, a company cannot provide quantitative information, then it provides alternative disclosures based on the information available (see 3.3.90). The diagram below illustrates how it performs this assessment.



Any information needs to provide a faithful representation. For example, a neutral depiction may not be achieved if management presents anticipated financial effects based on assumptions that all costs are borne by the company, rather than considering that some costs may be passed on to customers. [IFRS S1.D14]

Example 3.3.80
Assessing whether to disclose quantitative information on anticipated financial effects

Company Z is a large industrial company exposed to higher energy costs due to its reliance on electricity and heat generated from fossil fuel sources. To reduce its exposure to these costs and support its decarbonisation strategy, it has approved a multi-year initiative to install on-site solar and wind generation.

Management anticipates financial effects in the form of capital expenditure for renewable energy assets, reductions in purchased energy costs once the assets become operational, and changes in operating costs associated with maintaining and operating the new infrastructure. Some financial effects are part of approved budgets and contractual commitments; others are less certain and depend on forward-looking assumptions, such as energy prices and asset performance.

At the reporting date, management assesses whether it can provide quantitative information based on available internal information, including approved budgets, supplier quotes and modelled energy savings.

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Management's assessment

Consideration	Conclusion
Is there a reasonable and supportable basis for quantification?	Approved budgets, supplier quotes, modelled energy savings and scenario analysis provide a reasonable basis for quantification.
Is the financial effect separately identifiable?	The renewable energy initiative is approved and the related financial effects are identifiable. These effects can be reasonably linked to this specific initiative, even though the investment decision may also reflect broader operational or strategic considerations.
Can the measurement uncertainty be appropriately assessed and explained?	Some financial effects can be quantified directly (e.g. committed capital expenditure); others depend on assumptions such as weather variability and energy prices, and require judgement. This uncertainty can be reflected using ranges and sensitivities.
Are sufficient skills, capabilities and resources available?	The company has access to internal and external expertise that provides sufficient engineering input, project management capacity and modelling systems to support reliable estimation.

Management determines that quantitative disclosure of anticipated financial effects is appropriate. Z provides quantitative information, supported by qualitative explanations of key assumptions and remaining uncertainties. Z assesses that this information provides a faithful representation.



Example 3.3.90
Anticipated financial effects not separately identifiable

Company L operates in the consumer electronics sector and relies on key components. The cost of, and demand for, those components are influenced by both:

- sustainability-related factors – e.g. environmental regulations and customer preferences for lower-impact products; and
- broader market factors, including commodity price volatility and competitive pricing pressures.

These factors affect the same inputs and outcomes simultaneously, including revenue, cost of sales and margins.

At the reporting date, management identifies a sustainability-related risk associated with increasing pressure to reduce the environmental footprint of these components. However, the financial effects of this risk cannot be separately identified because they are inherently intertwined with broader market dynamics affecting the same components.

Accordingly, L concludes that it is unable to separately identify the anticipated financial effects of this sustainability-related risk on a standalone basis and instead provides alternative disclosures.

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Example 3.3.100
Quantitative information on anticipated financial effects not disclosed due to high measurement uncertainty

Company K is a technology company that is rapidly integrating AI into its operations, including replacing certain manual and routine roles with automated systems. K's increasing use of technology could displace employees. Management identifies this as a sustainability-related risk because K could be exposed to litigation related to labour regulations.

Management determines that the technologies are developing quickly and it is not yet clear how significant the impact on the workforce will be. For example, the extent to which employees can be retrained or redeployed rather than displaced is unclear.

Labour regulations are also being amended in key jurisdictions, increasing uncertainty regarding the company's potential obligations and resulting in limited legal precedent. The combination of these factors makes the assumptions highly uncertain when estimating the likelihood, timing and magnitude of any potential litigation. These assumptions include:

- the final scope and timing of incoming regulations;
- the pace and scope of AI and other technology adoption;
- the proportion of roles that might be affected by automation; and
- the expected effectiveness and cost of potential mitigation actions – e.g. reskilling or redeployment of affected employees.

K also has limited historical experience with adopting AI, reducing the usefulness of historical data and preventing management from forming a reliable forecast of the anticipated financial effects.

Management concludes that, although some estimation is possible, the level of measurement uncertainty is too high for any quantitative information to be decision-useful. Accordingly, K provides qualitative disclosures to explain the nature of the risk and its anticipated financial effects.

Insight 3.3.180
Can a company combine anticipated financial effects when they cannot be separately identified?

Yes. If financial effects cannot be isolated on a standalone basis, then a company does not need to disaggregate them artificially. Presenting information combined with other financial effects may be more decision-useful and may be required. [IFRS S1.39(a), 40(c)]

This could arise when:

- financial effects are closely linked to broader economic or business drivers and cannot be meaningfully separated (e.g. general market or input cost pressures);
- multiple risks or opportunities affect the same financial line item in similar ways (e.g. several drivers impacting the same cost base); or
- financial effects are inter-related, including when they have offsetting impacts (e.g. one driver increases costs but another reduces them).

Combining financial effects needs to be consistent with how management views these effects and not obscure meaningful information. For example, a company may disclose combined information about the financial effects on relevant financial statement line items, cost categories, margins or cash flows, together with qualitative explanations describing how sustainability-related and other business factors jointly influence those financial effects. [IFRS S1.BC111]

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Insight 3.3.190
Can information be considered 'reasonable and supportable' even if it is subject to high measurement uncertainty?

It depends. A high degree of measurement uncertainty does not, on its own, prevent information from being considered reasonable and supportable. The key consideration is whether the information provides a meaningful and decision-useful view of the anticipated financial effects based on the information available.

Information may still be reasonable and supportable when:

- estimates are based on internally approved forecasts, scenario analysis and assumptions consistent with strategic planning, even if outcomes depend on uncertain future conditions;
- a range of possible outcomes is provided, supported by sensitivity analysis and transparent assumptions; or
- uncertainty is clearly explained, including the main drivers of variability.

In contrast, information may not be reasonable and supportable when:

- outcomes are highly sensitive to assumptions and the company does not have a reasonable basis for assessing the appropriateness of those assumptions;
- a reasonable range of outcomes cannot be defined without relying on highly speculative inputs; or
- different assumptions lead to significantly different results without a clear basis for selecting among them.

The distinction is not whether uncertainty exists, but whether the information provides a sufficiently stable, explainable and decision-useful view of the anticipated financial effects. [IFRS S1.BC12]

Insight 3.3.200
Can a company avoid providing quantitative information if it has limited skills, capabilities or resources?

No. Limited skills, capabilities or resources do not, on their own, justify excluding quantitative information. Quantitative information is not limited to detailed or highly complex estimates; it may include simple information a company already has or can obtain without undue cost or effort – e.g. ranges of possible outcomes, exposure data or other quantitative indicators of financial effects.

A company is expected to use the information it has available to provide decision-useful insight into financial effects. In many cases, this may involve applying simple approaches using available data, even if the resulting information is less detailed or subject to uncertainty.

However, if limited skills, capabilities or resources prevent the company from developing quantitative information that is sufficiently reliable or supportable to be decision-useful, then it may be more appropriate to provide clear qualitative information explaining the expected financial effects.

The level of sophistication of quantitative information needs to reflect the company's capabilities, resources and level of exposure, as well as the availability of reasonable and supportable information without undue cost or effort (see 2.3.160). [IFRS S1.BC12]

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3.3.90 Alternative disclosures

When a company determines that it is not required to provide quantitative information about the current or anticipated financial effects of an individual SRO, it provides alternative disclosures that enable investors to understand the financial implications of that SRO.

Specifically, a company needs to disclose the following information.

Information	What to disclose
Reason for not providing quantitative information	• A clear explanation of why quantitative information about the financial effects has not been provided, reflecting the specific reason (e.g. lack of separate identifiability, high measurement uncertainty or insufficient skills, capabilities or resources). [IFRS S1.40(a), IFRS S2.21(a)]
Qualitative information on financial effects	• A description of the financial effects, including identification of the line items, totals and subtotals in the financial statements that have been, or are likely to be, affected. [IFRS S1.40(b), IFRS S2.21(b)]
Combined quantitative information (if useful)	• Quantitative information about the combined financial effects of the SRO with other SROs and other factors, unless this information would not be useful (see Insight 3.3.180). [IFRS S1.40(c), IFRS S2.21(c)]

Combined quantitative information represents the lowest level of aggregation at which management is able to provide decision-useful information. It reflects how management assesses the effects internally and does not obscure relevant information. When individual financial effects cannot be isolated, or when interdependencies give rise to significant measurement uncertainty, a company considers whether it can provide meaningful aggregated quantitative information.



Example 3.3.110
Disclosing anticipated financial effects for early-stage projects when quantification is not yet possible

Company N is an industrial company. N relies heavily on conventional energy sources in its production processes and is therefore exposed to increases in energy and regulatory costs. It has considered a range of possible energy price and regulatory cost scenarios for continuing to rely on conventional energy sources. These analyses indicate that, in the absence of mitigation actions, N may face increasing cost pressures and regulatory exposure over time.

In response, N's management began considering on-site solar and wind generation to supplement its energy needs and is currently at an early feasibility stage.

At this stage, management has only high-level concept designs, indicative technology options and preliminary scoping information. Key drivers of any anticipated financial effects – including capital cost ranges, expected generation output, site suitability, grid connection requirements and eligibility for incentives – have not yet been analysed in detail and significant data gaps remain.

At the reporting date, N's management:

- uses the outputs of its scenario analysis, together with current energy consumption and relevant market data, to identify its current exposure to energy price increases and regulatory costs; and
- identifies the financial statement line items currently exposed to these risks (e.g. operating costs and cost of sales).

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Although management uses scenario analysis and market data to assess its current exposure to energy price and regulatory cost changes, the early stage of its strategic response and significant uncertainties around key inputs mean that it does not have reasonable and supportable information to quantify the anticipated financial effects of potential renewable energy investments.

Accordingly, N provides the available quantitative information about past events and its current exposure, together with qualitative information that:

- explains the nature and purpose of the potential renewable energy investment (to reduce exposure to increased energy and regulatory costs);
- describes the financial statement line items through which anticipated financial effects may arise;
- explains how energy price and regulatory cost scenarios inform its assessment of current exposure; and
- sets out the key assumptions, unknowns and information gaps that currently prevent quantification of future financial effects.



Example 3.3.120
Alternative disclosures when anticipated financial effects are not separately identifiable

Continuing Example 3.3.90, Company L concludes that the anticipated financial effects cannot be quantified because it could not separately identify those effects. Therefore, it provides the following alternative disclosures.

- A description of how sustainability-related factors and broader market drivers jointly affect financial performance, including revenue, cost structures and margins.
- A clear explanation of why the financial effects cannot be separately identified, reflecting the interdependency of underlying drivers.
- Combined quantitative information on anticipated procurement-related costs (within cost of sales) and inventory values over the next five years, presented at an appropriate level of aggregation to provide decision-useful information, taking into account the commercial sensitivity of the underlying information.



Example 3.3.130
Alternative disclosures when anticipated financial effects are not quantifiable due to measurement uncertainty

Continuing Example 3.3.100, Company K concludes that it cannot quantify the anticipated financial effects due to a high level of measurement uncertainty. Therefore, it provides the following alternative disclosures.

- A clear explanation of why quantitative information has not been provided. This includes explaining that the level of measurement uncertainty associated with AI-related workforce displacement is too high for any quantitative estimate to be decision-useful because of the evolving nature of legal, regulatory and labour-market frameworks governing AI use in the workplace.
- A description of the key sources of measurement uncertainty, including:
  - the absence of mature and consistent laws, regulations and enforcement practices related to AI implementation, workforce consultation and redeployment obligations;
  - limited legal precedent affecting the estimation of potential future obligations (e.g. redundancy, retraining or litigation-related costs); and
  - uncertainty about the pace and scope of AI adoption, the resulting scale and timing of workforce displacement and the associated financial effects.

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- The information and assumptions used in the assessment, including internal workforce and skills analyses, scenario analysis related to AI deployment and historical restructuring or retraining experience.
- A description of the financial statement line items likely to be affected, including employee benefits expenses, restructuring costs, operating expenses and, when relevant, provisions or other liabilities recognised in the financial statements.
- Qualitative information about the anticipated financial effects, including potential increases in operating costs related to workforce transition, retraining or redeployment, potential litigation-related costs, potential short-term productivity impacts, and longer-term implications for access to skilled labour and execution of K's strategy.



Insight 3.3.210
What factors does a company consider when deciding the appropriate balance between quantitative and qualitative information?

A company provides the combination of quantitative and qualitative information that best explains the anticipated financial effects of SROs. Quantitative information on its own is rarely sufficient, particularly when uncertainty or complexity is high. It needs to be supported by clear qualitative context.

In assessing the appropriate balance between quantitative and qualitative information, a company could consider the following factors.

Factor	Implication for disclosures
Nature of the risk or opportunity	More complex or less understood matters may require additional qualitative explanation, particularly when underlying drivers are difficult to assess.
Separability of the financial effects	When impacts cannot be clearly isolated from other business drivers, additional information may be needed to explain the combined effects.
Measurement uncertainty	Higher uncertainty may require a clearer explanation of key assumptions and potential variability in outcomes.
Availability of information	Limited or evolving data may constrain quantification and increase reliance on qualitative disclosures.
Maturity of internal capabilities	More developed systems and processes may enable a shift from qualitative explanation to more robust quantification.
Time horizon	Longer-term effects may be more uncertain and may require more qualitative description.
Scale and materiality	More significant impacts may require clearer and more comprehensive disclosure, both quantitative and qualitative.

3.3.100 Resilience of the strategy

Disclosing an analysis of resilience helps investors to understand the company's business model flexibility and its ability to respond to uncertain future events. Providing details about the company's modelling and results helps investors to compare management's assumptions and plans with their own analysis. [IFRS S1.29(e), 41]

IFRS S1 requires a company to assess resilience of its strategy and business model but does not require it to use any particular methods or specify the type of information it needs to provide. Rather, this will be defined by other IFRS sustainability disclosure standards, such as IFRS S2. IFRS S2 requires a company to use scenario analysis to assess resilience and includes more granular disclosures about both the analysis performed and the outcomes (see 4.1.90). [IFRS S1.42, IFRS S2.22]

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To meet the requirement to enable investors to understand the company's resilience to relevant SROs, a company needs to disclose the following information.

Information	What to disclose
Resilience of the strategy and business model	• Information that enables investors to understand the resilience of the strategy and business to sustainability-related risks. This includes how the analysis was completed and the time horizon, as well as qualitative and, when applicable, quantitative information (either as a single amount or a range). [IFRS S1.29(e), 41]



Insight 3.3.220
What methods can a company use to support its resilience assessment?

Scenario analysis is one method that can be effective in providing information to enable a company to assess its resilience. A scenario analysis is a 'what-if' analysis of the potential impacts from sustainability-related risks and assumptions. A resilience assessment builds on this to explain the 'so what' – considering the implications of the analysis for the company's strategy and its capacity to respond. [IFRS S2.22, BC59]

However, other methods can also support resilience assessments. These can either complement the scenario analysis or be standalone tools, depending on the nature of the risks and the availability of data. These methods may be particularly useful for topics other than climate, for which the scenario analysis method is more mature.

Other methods could include the following.

Method	When the method might apply	How the method is applied
Stress testing	To help identify vulnerabilities in liquidity, capital adequacy, operational capacity or access to critical inputs.	Stress tests examine the impacts of a severe but plausible shock and are typically more extreme than base case assumptions.
Reverse stress testing	In highlighting previously unconsidered risk combinations, tipping points or dependencies that could threaten the company's ability to continue operating.	Reverse stress testing works backwards to identify the conditions under which the business model would no longer be viable.
Sensitivity testing	To help management understand which assumptions are most critical to outcomes and where risk-mitigation efforts may be most effective.	Sensitivity testing evaluates how changes in a single variable (e.g. interest rates, commodity prices, demand levels or input costs) affect financial position, performance or cash flows.
Dependency/ concentration analysis	To help identify concentrations that could amplify risk and inform diversification, contingency planning or investment decisions.	This analysis assesses reliance on specific resources, relationships, suppliers, customers, geographies or infrastructure.

A company may use a combination of these methods to develop a more comprehensive view of resilience.

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Insight 3.3.230
Is a quantitative assessment required under IFRS S1 when conducting a resilience analysis?

No. A company is not required to carry out a quantitative assessment when conducting a resilience analysis. However, performing a quantitative assessment may provide useful information and also generate relevant information, including to support an understanding of the anticipated financial effects of SROs (see 3.3.60). [IFRS S1.BC113]

IFRS S1 includes only high-level requirements for disclosures about the resilience of a company's strategy. In contrast, IFRS S2 includes more detailed requirements, accompanied by reliefs. Therefore, it will be important for a company to use its judgement to assess the level of detail required to satisfy the disclosure requirements for topics other than climate. [IFRS S1.41–42, IFRS S2.22]

Generally, companies might begin with a qualitative resilience assessment and add quantitative elements only when the underlying data, methodologies and internal capabilities are sufficiently robust to produce decision-useful information.

Insight 3.3.240
Does a company consider sustainability-related opportunities in its resilience assessment?

It depends. The requirement to disclose a resilience assessment in IFRS S1 refers only to risks and not opportunities. However, this differs from IFRS S2, which refers to resilience of the business model to climate-related changes, developments and uncertainties, taking into account both risks and opportunities. [IFRS S1.41, IFRS S2.22]

Given this difference, a company needs to use judgement to determine what type of information about the resilience of its strategy is useful to provide, particularly in advance of additional topic-specific standards. IFRS S1 is clear that specific requirements for this information may be specified by other IFRS sustainability disclosure standards.

The nature of both a company's SROs and its analysis used to support the resilience assessment will affect its judgement on the type of information to provide. SROs are often highly inter-related.

For example, a company might consider including opportunities in its resilience assessment if:

- excluding them would lead to an incomplete or misleading picture of the company's ability to withstand or adapt to sustainability-related risks; or
- the company's future strategic pathway depends on realising a sustainability-related opportunity.

A company may also consider sustainability-related opportunities as part of its scenario analysis. If a company includes these opportunities in its analysis supporting the resilience assessment, then it is important to:

- clearly disclose that it has included sustainability-related opportunities in its resilience assessment;
- appropriately test its ability to realise these opportunities; and
- ensure that their inclusion does not obscure information about the resilience of the business to relevant sustainability-related risks.

However, if a company uses stress testing or other methods to support the resilience assessment, then it generally excludes sustainability-related opportunities from the testing itself.

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Insight 3.3.250
Does a company need to reassess resilience on an annual basis?

It depends. A company assesses its climate resilience annually to reflect updated insight into the implications of climate-related uncertainty for its business model and strategy. However, there is no equivalent requirement in IFRS S1 to reassess resilience to all relevant SROs annually. [IFRS S2.B18]

In the absence of a specific requirement, a company uses judgement to determine how often to perform its assessment of resilience to non-climate related SROs. Climate-related risks are often interdependent with, or affected by, non-climate related SROs. SROs may also affect the same financial statement items in different ways, making the outcomes interdependent. Therefore, it may be necessary to perform a resilience assessment of multiple risks at the same time to generate useful information.

For example, a company may be exposed to climate-related risks increasing the costs of raw materials for its products from a particular division. An unrelated social-related risk – e.g. a shortage of technical skills – could also impact the costs of the same product. A resilience assessment of the climate-related risk alone without considering the broader impacts from other SROs would not provide investors with the information required to understand the impact of both risks on the resilience of the business model and strategy.

If a company does not perform its resilience assessment as at the reporting date, then it may be necessary to provide information to enable investors to understand whether there have been any changes to the key variables and assumptions about the company that could have affected the assessment.

D For an example illustrating how a company can present its resilience disclosures, see Example 19 in our Illustrative disclosures.

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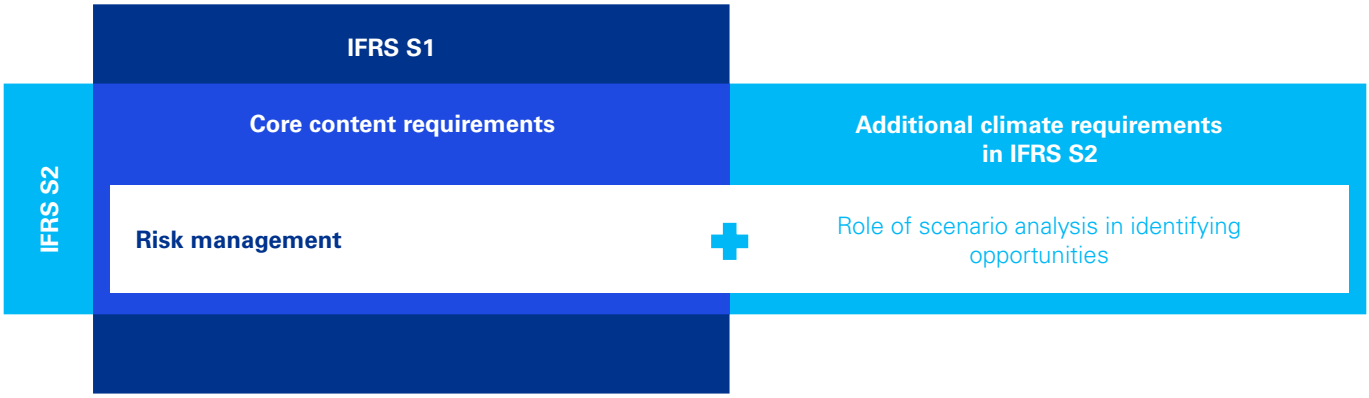
3.4 Risk management

Currently effective requirements: IFRS S1, IFRS S2

Risk management disclosures are designed to help investors understand how a company identifies, assesses, prioritises and monitors its SROs. This enables investors to:

- assess a company's overall risk profile and risk management processes; and
- understand whether and how these processes are integrated into a company's overall risk management processes. [IFRS S1.43, IFRS S2.24]

Disclosure is required for both sustainability-related risks and opportunities but, as set out below, the specific requirements differ in some areas. For example, the standards generally require more detail for risks than for opportunities. IFRS S2 requires a company to disclose whether and how it used climate-related scenario analysis to identify climate-related opportunities. [IFRS S1.44, BC119, IFRS S2.25(b)]



A company needs to disclose the following information.

Information	What to disclose
Risk processes	• How the company identifies, assesses, prioritises and monitors identified sustainability-related risks. This includes disclosing: – the inputs and parameters that the company used in its risk assessment process – e.g. the data sources and scope of operations covered by the processes disclosed; – whether and how the company uses scenario analysis to inform the identification of sustainability-related risks; – how the company assesses the nature, likelihood and impact of identified sustainability-related risks – e.g. qualitative factors and quantitative thresholds used; – whether and how the company prioritises sustainability-related risks relative to other types of risks; – how the company monitors sustainability-related risks; and – whether and how the company's risk assessment processes have changed since the prior reporting period. [IFRS S1.44(a), IFRS S2.25(a)] Notably, these requirements do not mean a company needs to disclose the process followed for identifying material information about SROs which is separate from its risk management processes (see 2.2.70).

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Information	What to disclose
Opportunity processes	• How the company identifies, assesses, prioritises and monitors identified sustainability-related opportunities. [IFRS S1.44(b), IFRS S2.25(b)]
Integration of processes	• The extent to which sustainability-related risk or opportunity management processes are integrated into and inform the company's overall management processes. [IFRS S1.44(c), IFRS S2.25(c)]



Example 3.4.10
Interaction between a company's risk management processes and its materiality process

Company C has a comprehensive risk management process that it uses to track and respond to business risks in its risk register. C is performing a materiality assessment for sustainability reporting for the first time and considers its existing risk management process to help identify SROs.

In addition to the existing risk register, C's materiality assessment includes value-chain mapping and consideration of the required and optional sources of guidance. C identifies a number of relevant SROs that were not previously captured in its risk register.

C then considers its population of relevant SROs – those already captured in the risk register and those incrementally identified through its materiality process – and determines what information is material. C uses information already captured within its risk management process as a basis for this materiality assessment.

C's risk management team adds the newly identified SROs into the corporate risk register and incorporates them into the existing risk management process going forward. Because risk assessment generally encompasses the process of prioritising risks, C considers how its materiality assessment process and risk management process are distinct yet complementary and incorporates regular cross-functional meetings between its sustainability and risk management teams going forward.



Insight 3.4.10
Do SROs need to be integrated into the company's overall risk management framework?

No. The standards require a company only to explain whether and how SROs are incorporated into its overall risk management framework. This means a company needs to provide insight into whether SROs are managed:

- as part of the same processes and systems used for other risks; or
- through separate but connected processes, and how these interact.

The standards do not mandate a single approach. A company may use integrated or separate processes, depending on its organisational structure and maturity. However, in all cases, it is expected to explain clearly:

- how SROs are considered within broader risk management activities; and
- whether and how they influence risk assessment, prioritisation and decision-making.

In our experience, many companies are moving towards greater integration, embedding sustainability-related considerations within existing enterprise risk management frameworks, rather than managing them in isolation. When this is the case, disclosures need to address how a company evaluates SROs alongside other risks, and how it addresses any differences in approach.

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Insight 3.4.20
Does a company need to disclose risk management processes together for each topic identified (e.g. climate)?

It depends. The risk management disclosures in both standards focus on process-oriented information and provide transparency around how a company identifies, assesses, prioritises and monitors SROs. An important part of these requirements includes reporting on how risk management activities are integrated into the overall risk management processes.

A company is required to avoid unnecessary duplication when presenting information. IFRS S2 explicitly requires that a company considers how to avoid unnecessary duplication when providing information about CRO management processes. Therefore, when a company has integrated governance and/or risk management processes across different topics, it will need to carefully consider how to present this information to avoid unnecessary duplication. [IFRS S1.B42(b), IFRS S2.26]

Investors may find information on these processes more useful if it is presented at the level at which the business manages the processes. In some cases, this may be at the group, division or geographical region level, rather than for each topic identified individually (e.g. climate-related risk separate from biodiversity-related risk).

Insight 3.4.30
Does a company need to use similar processes to identify, assess, prioritise and monitor both sustainability-related risks and sustainability-related opportunities?

No. The standards do not require a company to use similar processes to identify, assess, prioritise and monitor its SROs. Therefore, a company does not necessarily need to use a similar process for both sustainability-related risks and opportunities.

A company needs to disclose information that allows its investors to understand how its process is designed and how it works in practice. If a company does have the same process to identify, assess, prioritise and monitor its sustainability-related risks and opportunities, then it explains this and describes the process. However, if the process differs, then a company describes the process separately for both risks and opportunities.

Insight 3.4.40
Does information about a company's mitigation activities form part of its risk management disclosures?

No. A company provides information that allows its investors to understand its processes for identifying, assessing, prioritising and monitoring SROs. Many companies will undertake mitigation activities in response to risks identified as part of their risk management process. A company may find that the process to allocate resources towards mitigation activities represents an important part of how it prioritises risks. [IFRS S1.43(a)]

M For further guidance on how to consider information about mitigation activities, see our Materiality for sustainability reporting – How-to guide.

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Insight 3.4.50
Is a company required to use scenario analysis in its risk assessment processes?

No. Under IFRS S1, a company is required to disclose the processes it uses to identify, assess, prioritise and monitor SROs. This includes explaining the tools and methodologies applied. However, the standard does not prescribe specific techniques (e.g. scenario analysis) for all companies or all types of SROs. [IFRS S1.44(a)(ii)]

IFRS S2 includes specific requirements about climate-related scenario analysis; however, these do not require a company to use this analysis as part of its risk assessment process. Instead, a company needs to:

- use climate-related scenario analysis, taking into account its capabilities and resources, to assess its climate resilience (see 4.1.100); and
- disclose whether and how it has used scenario analysis to identify CROs (see 5.2.20). [IFRS S2.22, 25(a)(ii), 25(b)]

D For examples illustrating how a company can present its risk management disclosures, see Examples 20–22 in our Illustrative disclosures.

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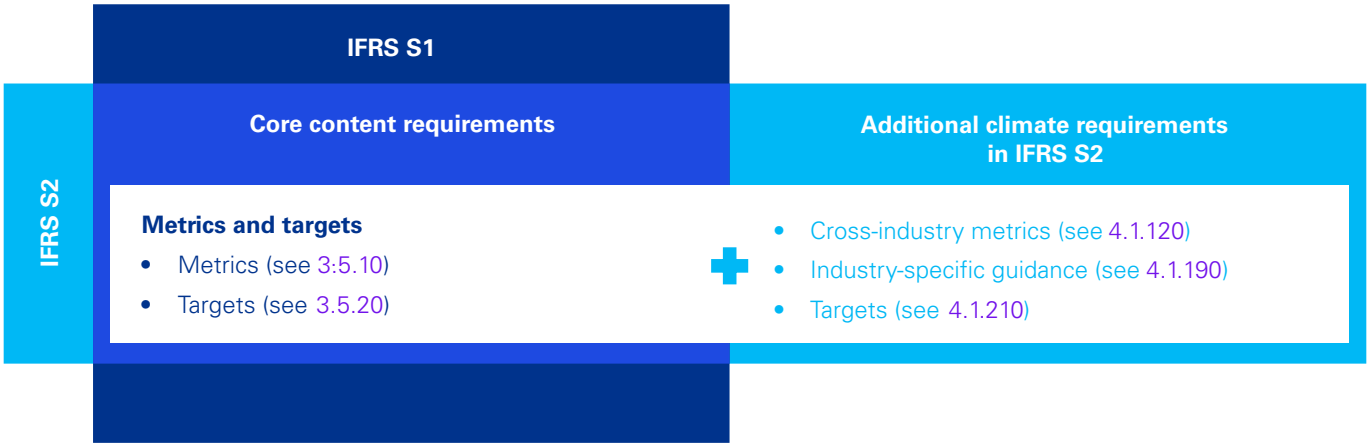
3.5 Metrics and targets

Currently effective requirements: IFRS S1, IFRS S2

A company discloses information on metrics and targets to help investors understand its performance in managing its SROs, including progress towards any targets it has set or is required to meet by law or regulation. [IFRS S1.45, IFRS S2.27]

Under IFRS S1, all metrics and targets need to be clearly and meaningfully labelled. [IFRS S1.53]

The general principles in IFRS S1 are supplemented by additional detail in IFRS S2 about both cross-industry and industry-specific climate-related metrics, as well as climate-related targets.



3.5.10 Metrics

For each relevant SRO that could reasonably be expected to affect its prospects, a company discloses the metrics:

- used to measure and monitor the SRO, and measure performance towards its targets; and
- otherwise required by IFRS Sustainability Disclosure Standards, even if not used by management in monitoring performance. [IFRS S1.46]

A company uses the standards to identify metrics to disclose and other sources of guidance (see 2.2.80) for topics not (yet) covered by an IFRS sustainability disclosure standard. [IFRS S1.46–47, 57–58]

In some cases, a company discloses any additional metrics used to measure and monitor SROs. This is particularly relevant when targets rely on entity-specific metrics. IFRS S1 includes guidance on the disclosure of entity-specific metrics to help a company provide information that is most relevant to its business, while also enhancing consistency and comparability. [IFRS S1.46 (b), 50]

Metrics need to be defined and calculated consistently over time. When a metric is redefined or replaced, a company explains the change and discloses revised comparative information (see 2.3.140).

IFRS S2 includes additional requirements to disclose cross-industry metrics (see 4.1.120) and industry-based metrics (see 4.1.190).

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A company needs to disclose the following information.

Information	What to disclose
Metrics required by IFRS Sustainability Disclosure Standards	• Metrics and related disclosures required by a specific IFRS sustainability disclosure standard – i.e. IFRS S2 (see 4.1.120). [IFRS S1.46(a)]
Industry-based metrics	• Metrics that are characteristic of its specific business model or the industry (or industries) in which it operates. • IFRS S1 refers to SASB Standards, and similarly IFRS S2 contains industry-based guidance, to help a company identify industry-based metrics that apply to its specific facts and circumstances (see 2.2.80 and 4.1.190). [IFRS S1.48, 58]
Other metrics	• The metric and its source when derived from a source other than IFRS Sustainability Disclosure Standards. [IFRS S1.46(b), 49] • Information about a metric (see entity-specific metrics) when developed by the company. [IFRS S1.50]
Entity-specific metrics	• How the metric is defined, including: – whether it is disclosed in absolute terms, in relation to another metric (normalised) or in qualitative terms (e.g. a red, amber or green rating); and – the source used and how the metric differs from the source metric if it is derived by adjusting a metric from a source other than IFRS Sustainability Disclosure Standards. [IFRS S1.50(a)–(b)] • Whether measurement of the metric is validated by an external body and, if so, which body. [IFRS S1.50(c)] • The methodology used to calculate the metric, including its inputs, significant assumptions and limitations. [IFRS S1.50(d)]

Insight 3.5.10
Does the IFRS S2 industry-based guidance align with SASB Standards?

Yes. The IFRS S2 industry-based guidance is derived from the 77 industry-specific SASB Standards[2]. However, the ISSB has adapted SASB Standards to limit metrics only to those directly or indirectly related to climate-related matters (e.g. water quality).

In 2023, the ISSB commenced a project to update both SASB Standards and the IFRS S2 industry-based guidance. The project aims to further enhance the international applicability of the standards, improve clarity, consistency and decision-usefulness, and ensure they remain aligned with IFRS S1 and IFRS S2. For the latest updates on this project, refer to our IFRS Sustainability page.

2. There are fewer categories in the IFRS S2 industry-based guidance than in SASB Standards because certain SASB Standards (e.g. advertising and marketing) do not include climate-related metrics.

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Insight 3.5.20
Does a company need to disclose metrics for every SRO?

No. Under IFRS S1, a company is required to disclose metrics only for relevant SROs – i.e. those that could reasonably be expected to affect its prospects (see 2.2.70).

These metrics include those:

- specifically required by IFRS Sustainability Disclosure Standards (e.g. IFRS S2); and
- the company uses to measure and monitor its relevant SROs and to assess performance. [IFRS S1.46]

This means that a company is not expected to develop or disclose metrics for relevant SROs that it does not actively monitor or manage, other than those required by the standards. Rather, the focus is on providing information that reflects how the company actually manages its relevant SROs and that is useful to investors. [IFRS S1.BC121]

However, when a company has set a target, IFRS S1 requires disclosure of the metrics used to measure performance against that target. This will typically result in metrics' disclosures where targets exist. [IFRS S1.51(a)]

Overall, disclosure of metrics is driven by materiality and management's approach to monitoring and managing SROs, rather than a requirement to provide a metric for every identified SRO.

For example, a company that uses metrics to actively monitor workforce safety as a relevant risk and has set a target to reduce workplace incidents, discloses those metrics (e.g. total recordable incident rate and its performance against the target).

Insight 3.5.30
Do metrics always need to cover the full scope of a company's activities that are included within its financial statements?

No. The metrics that a company uses to measure and monitor its risks and opportunities may not necessarily cover the same scope of activities that are included in a company's financial statements. For example, if a risk or opportunity is relevant only to a portion of a company's activities, the scope of activities included in the measurement of a metric may differ from the scope of activities reflected in the company's financial statements.

A company applies judgement in selecting which metrics to disclose – including the scope and measurement methodology of those metrics – that enable it to measure and monitor its relevant SROs, and to assess performance (see Insight 3.5.20). For example, water scarcity risk may be concentrated in a small number of facilities located in water-stressed regions. As a result, the metric used to monitor that risk may be measured only for those facilities, even though the company's financial statements reflect all of its global operations.

To enable investors to understand and interpret the metrics disclosed, a company provides information about significant judgements made in determining the scope and measurement methodology applied (see 2.3.80).

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Example 3.5.10
Scope of information included in metrics

Company O is the operator of drilling operations at several oilfields. As it is a joint operation under IFRS 11 *Joint Arrangements*, it recognises its share of the assets, liabilities, revenue and costs of the joint operation in its financial statements.

In its sustainability report, O's share of the joint operations form part of the reporting entity. O therefore considers how the SROs that affect the joint operations could affect its prospects, and identifies SROs that include, amongst others:

- climate-related transition risk from the transition away from fossil fuels, affecting the viability of the sites in the long term, and their profitability in the short, medium and long term; and
- human-capital related risk from serious health and safety incidents at its operations in the short, medium and long term.

O elects to report GHG emissions based on the operational control approach. As a result, O reports 100% of the gross scope 1, 2 and 3 GHG emissions of the joint operations because it determines that it has operational control.

In respect of other metrics, O applies judgement in selecting the most appropriate basis of preparation. The following are examples of how O considers its joint operations in the metrics it presents.

- ***Assets and business operations exposed to transition risk:*** the proportionate share of assets recognised on the balance sheet at the reporting date, consistent with its financial statements, because this represents its financial exposure.
- ***Number of serious health and safety incidents:*** the total number of serious health and safety incidents occurring at its operations because O is exposed to operational disruption, regulatory intervention and reputational damage when such incidents occur, regardless of its ownership interest in the joint operation.
- ***Anticipated financial effects:*** its share of the anticipated financial effects arising from potential serious health and safety incidents, including effects associated with fines, penalties and lost working time, because O is only exposed to its proportionate share of those financial consequences.

Insight 3.5.40
Can a company continue reporting its existing internal KPIs?

Yes. The standards allow a company to continue using its existing internal key performance indicators (KPIs), provided they are relevant to its identified SROs and result in decision-useful information for investors. A company may consider information that incorporates these KPIs to be entity-specific metrics and needs to apply the disclosure requirements relevant to these types of metrics. [IFRS S1.50]

In many cases, a company's existing internal KPIs will form the basis of its disclosures, because they reflect how management actually assesses and manages SROs. [IFRS S1.46(b)]

However, a company may need to supplement or adapt its existing KPIs when necessary – e.g. if:

- the standards prescribe specific metrics (e.g. GHG emissions under IFRS S2); or
- existing KPIs do not faithfully present how the business is managed and do not provide investors with relevant and decision-useful information.

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Insight 3.5.50
Does a company need to disaggregate its metrics?

It depends. A company disaggregates metrics if their aggregation obscures material information about SROs. However, a company may continue to present metrics on an aggregated basis if disaggregation does not provide additional decision-useful information (see 2.2.140).

The appropriate level of disaggregation will depend on the facts and circumstances, but may be necessary if:

- SROs vary across geographies (e.g. physical climate-related risks concentrated in specific regions);
- different business units or activities are exposed to different SROs; or
- effects of SROs occur at different points in the value chain.

For example, a global manufacturing company is exposed to water stress risks, but these risks are concentrated in specific regions. Disclosing a single group-wide water metric could mask this concentration. In this case, the company may disaggregate its water usage metrics by region to highlight where risks are most significant.

Insight 3.5.60
Can a company use estimates and proxies for metrics?

Yes. A company may use estimates and proxies when necessary to measure and disclose metrics for its relevant SROs, provided the resulting information is relevant and faithfully represents the underlying risks or opportunities. [IFRS S1.79, D15]

Typically, using estimates and proxies may be appropriate when:

- data is not directly available, particularly for parts of the value chain;
- measurement processes are still developing (e.g. in emerging areas of sustainability reporting); or
- reasonable and supportable information can be used to approximate a metric – e.g. scope 3 emissions.

However, a company is expected to ensure that estimates and proxies are:

- based on reasonable and supportable assumptions;
- applied on a consistent basis over time (unless improved methodologies are introduced); and
- clearly explained, including key methodologies, assumptions and sources of uncertainty.

If more precise data becomes available, then it is expected that companies will refine or replace estimates and proxies to improve the quality of information over time.

Insight 3.5.70
Does a company need to revise comparative information for metrics?

Yes. A company revises comparative information for metrics when the revisions provide material information, unless it is impracticable to do so. IFRS S1 requires a company to revise comparative metrics when it:

- revises estimates based on new information that relates to a prior period (see 2.3.130);
- redefines or replaces a metric or target (see 2.3.140); or
- corrects material prior-period errors (see 2.3.150). [IFRS S1.83, B50–B53]

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Insight 3.5.80
Do metrics need to be consistent from period to period?

Yes. A company is expected to use a consistent methodology for metrics over time to enable investors to understand trends and assess performance.

Under IFRS S1, consistency is important in ensuring that disclosures are comparable from period to period. Typically, this means that a company needs to:

- use consistent definitions and calculation methodologies;
- apply metrics to the same scope and boundaries (including the value chain, when relevant); and
- avoid unnecessary changes in metrics or measurement approaches.

However, a company may refine its metrics when improved data, methodologies or practices become available. If a company changes its metrics or methodologies, then it is expected to:

- explain the nature and reason for the change; and
- provide comparative information on a consistent basis, if practicable.

D For examples illustrating how a company can present metrics disclosures, see Examples 23–32 in our Illustrative disclosures.

3.5.20 Targets

A company provides information about its sustainability-related targets, the metrics used to measure and monitor progress against those targets, and any targets it is required to meet by law or regulation. [IFRS S1.46(b)(ii)]

There is no prescribed format to present this information. However, clear connectivity of disclosures between strategy and the related metrics and targets is important.

A company explains how progress against sustainability-related targets is monitored and reviewed. In many cases, performance is evaluated against a base period. It also discloses information on how targets interact with the company's overall strategy, including its climate-related transition plans (see 4.1.60 and Chapter 5.1). [IFRS S1.51(d)]

The table below summarises the required disclosures for each quantitative or qualitative target the company has set or is required to meet by law or regulation.

Information	What to disclose
Related metric	• The metric used to set and monitor progress towards the target. [IFRS S1.51(a), IFRS S2.33(a), 34(c)]
Target	• The specific quantitative or qualitative target. [IFRS S1.51(b)]
Timeframe	• The period over which the target applies. [IFRS S1.51(c), IFRS S2.33(d)]
Base period	• The base period against which progress is measured. [IFRS S1.51(d), IFRS S2.33(e)]
Milestones or interim targets	• Information about key milestones or interim targets. [IFRS S1.51(e), IFRS S2.33(f)]
Performance	• How the company has performed against the target. • Analysis of trends or changes in performance. [IFRS S1.51(f), IFRS S2.35]
Revisions	• Whether there have been revisions to the target and explanations of those revisions. [IFRS S1.51(g), IFRS S2.34(d)]

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Insight 3.5.90
Do all objectives established by a company qualify as a 'target' that requires disclosure?

No. The standards do not define a 'target'; however, not all objectives established by a company would represent a target requiring disclosure. A target usually:

- relates to a specific, desired outcome of a metric;
- has a defined timeframe to achieve the objective; and
- is measurable such that performance against the target can be analysed.

Educational material published by the ISSB distinguishes between a target and the 'strategic goal' concept, which it defines as "a goal related to an entity's transition towards a lower-carbon economy and/or climate-resilient economy". The materials distinguish a company's strategic goals from the targets it uses to measure and monitor its CROs. Therefore, a strategic goal related to CROs is not necessarily a target for the purposes of IFRS S2[3].

A company could consider the following factors when determining if an objective or goal qualifies as a target:

- targets required by law or regulation;
- goals approved by a company's governing body (or bodies);
- objectives that are communicated publicly; and
- measures used as a basis in remuneration.

Insight 3.5.100
Do the standards require a company to set targets?

No, the standards require information about the targets the company has set. If a company has not set a target, then it discloses this fact and explains why this is the case. It may also disclose a timeframe for setting a target. [IFRS S1.51, IFRS S2.33]

If a company has set objectives that are not measurable and outcome-oriented, then it needs to explain whether it will set specific targets in future and the timeframe for setting them, or the reasons why it has no plan to set such targets.

Insight 3.5.110
Do the standards provide specific guidance on the target level for any metric?

No. Both standards provide conceptual guidance on when to disclose a target but do not specify the target level for any metric. IFRS S2 provides detail about specific metrics that may be material, but no related thresholds.

However, local jurisdictions or regulators may set target levels to meet public policy objectives – e.g. the commitment to align with the Paris Agreement. [IFRS S1.BC121]

3. ISSB Educational Material Disclosing information about an entity's climate-related transition plans, including information about transition plans, in accordance with IFRS S2, page 4.

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Insight 3.5.120
When does a subsidiary disclose information about a group-level target or transition plan?

It depends. A subsidiary considers whether a target or transition plan set at group level is material to its own sustainability report, based on its specific facts and circumstances.

A group-level target or transition plan may be relevant to the subsidiary if, for example, the subsidiary has adopted the target, contributes to its achievement, is subject to actions or restrictions under the transition plan, or is otherwise affected by it. In these cases, the subsidiary discloses material information about the target or plan in its own sustainability report, together with any material targets or plans it has set for itself.

If a subsidiary discloses information about targets or plans set by its parent, then it needs to ensure that its disclosures are transparent and allow investors to understand the nature of the target or plan, and the implications for the subsidiary.

Insight 3.5.130
Does a group need to disclose information about targets that are set at a subsidiary level?

It depends. A group discloses information about the targets that it has set or is required to set to monitor progress towards its strategic goals. This may include information about targets that affect only certain subsidiaries or activities, but only if the information is material at the group level. [IFRS S1.51, IFRS S2.33]

Whether subsidiary-level targets need to be disclosed at a group level depends on numerous factors, including the following.

- ***Role in the group's strategy and risk management:*** When subsidiary-level targets are a key mechanism through which the group manages or monitors relevant sustainability-related matters (e.g. emissions-reduction targets for high-emitting subsidiaries), they form part of the group's overall approach, and are therefore considered as part of the group's disclosures.
- ***Integration into group targets:*** If subsidiary-level targets are aggregated into, or underpin, group-wide targets, then disclosure will typically focus on the group target, with subsidiary-level information (i.e. disaggregation) provided when necessary to understand how the target is achieved.

Insight 3.5.140
Do the standards provide specific guidance on how a company establishes a base period or when updates to the base period are required?

No. IFRS S1 requires a company to disclose the base period used as the point of comparison for measuring progress against its targets. However, it does not provide guidance on how a company selects that base period. [IFRS S1.51(d), IFRS S2.33(e)]

Additionally, the standards include no specific requirements for assessing whether a company is required to update its base period (e.g. to reflect changes in a company's structure through an acquisition or disposal).

In the absence of specific guidance, a company needs to consider its facts and circumstances when establishing a base period for a specific target and when determining whether it needs to update the base period. A base period needs to faithfully represent a company's facts and circumstances at the reporting date so that investors can understand and evaluate progress towards the related target.

If a company decides to update a base period based on its specific facts and circumstances (e.g. a significant acquisition or disposal), then it discloses the change and explains why it made the change. [IFRS S1.51(g), IFRS S2.34(d)]

G For further guidance on targets and base periods relating to GHG emissions, see the GHG emissions reporting handbook.

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Insight 3.5.150
Does a company need to disclose its performance against targets?

Yes. If a company has set a target, then IFRS S1 requires disclosure of the company's performance against that target. [IFRS S1.51(f), IFRS S2.35]

Such disclosures are not limited to favourable outcomes. If a company has not met a target, or if its performance has deteriorated, it is still required to provide information about the under-performance to ensure a faithful representation of its facts and circumstances.

For example, a company that has set a target to reduce scope 1 and 2 emissions by 20% by a certain date, but has achieved a reduction of only 5%, needs to disclose the emissions metric, its target and its current level of performance. A company may provide additional information about its emissions-reduction efforts, including contributing factors towards the under-performance, if material.

More broadly, IFRS S1 requires a company to disclose metrics it uses to measure and monitor:

- relevant SROs; and
- performance over time against any targets set in relation to those SROs. [IFRS S1.46(b)]

This means that, even in the absence of formal targets, a company may need to explain trends and outcomes reflected in its metrics. This may include situations in which performance has worsened, or improvements are slower than anticipated.

Overall, the objective of metric and target disclosures is to provide decision-useful information to investors, which requires balanced disclosure of both favourable and unfavourable developments.

D For examples illustrating how a company can present its targets disclosures, see Examples 33–34 in our Illustrative disclosures.

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4.1 Climate-related disclosures

Currently effective requirements: IFRS S2

4.1.10 Climate in sustainability reporting

Climate change is widely recognised as a significant environmental, social and financial issue. In our experience with climate reporting, many companies identify at least one climate-related risk or opportunity. As the impacts of climate change intensify, so too does investor demand for clear, consistent and comparable information about whether and how a company is impacted.

The impacts of climate change can give rise to climate-related risks – both physical and transition – as well as climate-related opportunities, which shape a company's operations, value chain and financial performance. How a company responds to CROs through its strategy – including mitigation actions to reduce emissions and adaptation actions to adjust to the impacts of climate change – can be critical to its long-term viability and success.

4.1.20 How the standard works

The information a company discloses under IFRS S2 is intended to support an investor's assessment of the actual and potential financial implications of climate-related matters on a company's prospects.

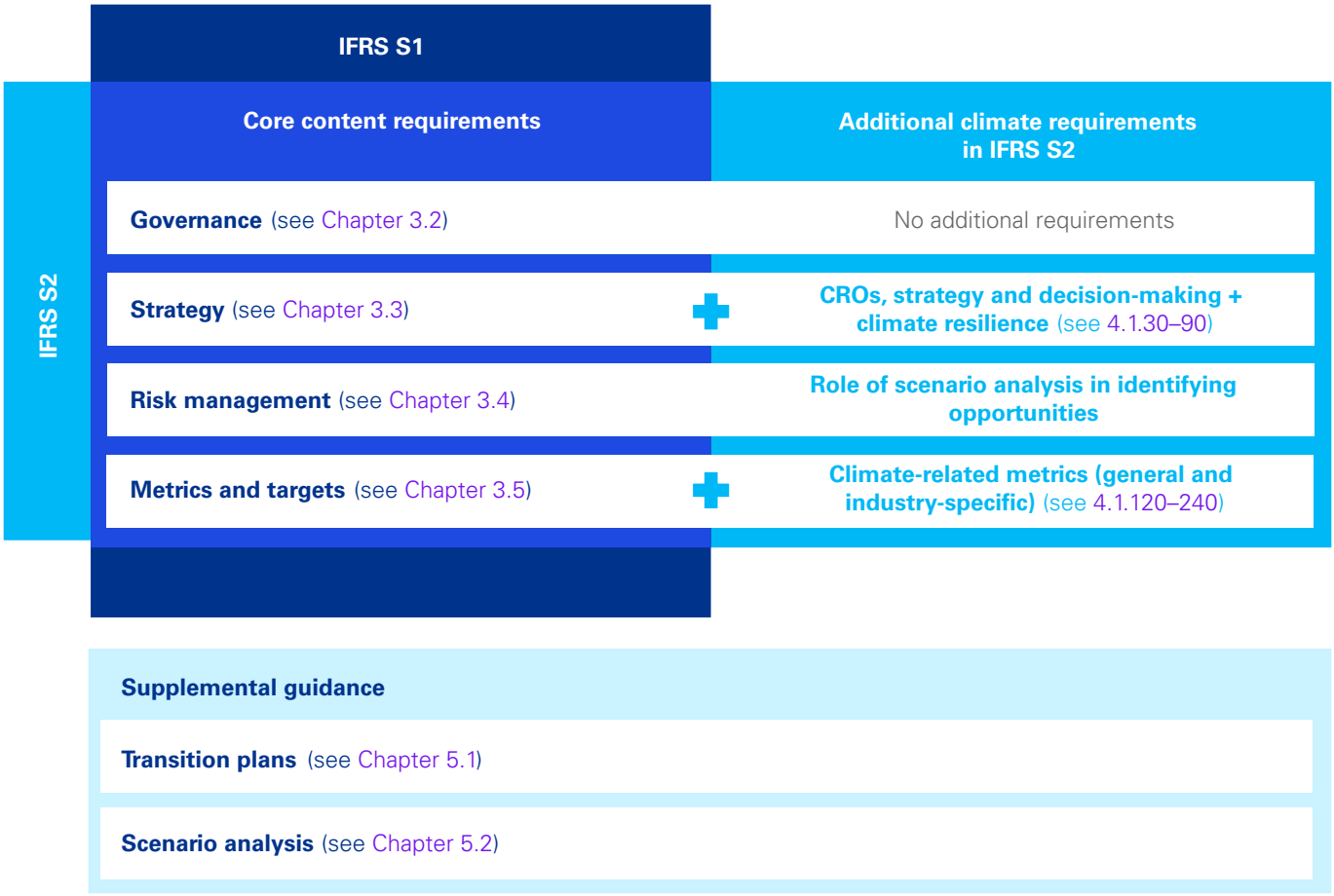
IFRS S2 replicates the core content requirements in IFRS S1 and expands on them with climate-specific disclosure requirements. The objective is to provide decision-useful information to investors about a company's CROs that could reasonably be expected to affect its prospects. CROs are a subset of SROs. [IFRS S2.BC5]

When providing climate-related disclosures, a company needs to avoid unnecessary duplication. For example, it may have already provided information about its management response to, and governance of, CROs as part of its general core content disclosures under IFRS S1 (see Section 3). However, if a company's processes to manage its CROs differ from those used to manage its other SROs, then it will need to provide information about those processes. [IFRS S1.B42(b), IFRS S2.26]

This chapter provides guidance explaining how IFRS S2 builds on IFRS S1, and is designed to be read in conjunction with the related general requirements explained in Section 3. It does not duplicate the general requirements.

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This handbook also includes supplemental guidance on transition plans and scenario analysis. These topics are particularly relevant for reporting on CROs and linked to disclosure requirements throughout this chapter.



4.1.30 Climate-related risks and opportunities

Information about CROs underpins all other disclosures about a company's strategy, and the governance, risk management processes and metrics and targets it has to manage its CROs.

A company undertakes a materiality assessment process to:

- identify relevant CROs; and
- determine material information about those CROs. [IFRS S2.9(a)]

This includes assessing whether information about relevant CROs is material to investors and at what level of aggregation or disaggregation (see 2.2.70 and 2.2.140).

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Insight 4.1.10
Does IFRS S2 define the term 'climate-related'?

No, but the definition of 'climate-related risks and opportunities' explains that this relates to the potential negative or positive effects arising from climate change. [IFRS S2.A]

Understanding the scope of 'climate-related' information is particularly important for a company that applies the 'climate-first' relief (see 6.2.50) or reports under IFRS S2 only – e.g. in jurisdictions that have mandated IFRS S2 but not IFRS S1. Determining what is 'climate-related' requires judgement and depends on the company's specific facts and circumstances.

As climate change has broad implications, risks and opportunities that arise from climate change may be interdependent with, be affected by, or involve aspects of other environmental, social or governance matters. To help it to identify relevant CROs, a company refers to and considers the disclosure topics defined in the IFRS S2 industry-based guidance (see 4.1.190). This guidance may support identification of CROs, including those connected to topics such as water, biodiversity, energy use and the social implications of the transition to a lower-carbon economy. [IFRS S2.9(a)]

A company then discloses the information about CROs required to understand its prospects. This means that information about nature- or social-related aspects of an identified CRO may need to be disclosed, as well as any trade-offs (see Example 4.1.10 and Insight 3.3.110). However, only those aspects that are connected to CROs fall in the scope of IFRS S2. A social- or nature-related risk unconnected to climate is not in the scope of IFRS S2. [IFRS S2.10]

Example 4.1.10
Determining what information is 'climate-related'

Company J cultivates and processes crops across multiple regions. In assessing its CROs, J identifies risks that are directly caused by climate change, as well as risks that are not directly caused by climate change but are significantly influenced by it.

One climate-related physical risk arises from the increasing heatwaves affecting J's farmland and key production sites. Heatwaves may reduce crop yields, disrupt harvesting activities and impair infrastructure.

J considers the social- and nature-related aspects of this risk. Heatwaves pose health and safety threats to employees working in affected areas. In addition, J relies on local wetlands to provide ecosystem services, such as groundwater recharge and water storage. Increased and prolonged heatwaves could degrade these wetlands, reducing their capacity to provide these services and increasing J's exposure to future heat-related impacts.

J also identifies a crop disease risk that could adversely affect the productivity and quality of its agricultural operations. Although the presence of crop diseases is not attributable to climate change, J identifies that rising temperatures and changing weather patterns caused by climate change may significantly increase their spread and severity.

In its first year of reporting, J applies the climate-first relief. It discloses the nature- and social-related aspects of the heatwave risk, as well as the crop disease risk, explaining how climate-related factors influence the likelihood, severity and potential financial impacts of those risks. These disclosures help investors understand not only the direct effects of climate change on J's operations, but also how climate change may exacerbate other environmental risks that are relevant to J's business model.

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4.1.40 How IFRS S2 builds on the core content requirements

When reporting under IFRS S1, a company describes its relevant SROs and the time horizons over which they are expected to arise. It also explains how it defines short, medium and long term and how those definitions are linked to its strategic planning horizons (see 3.3.10). [IFRS S1.30(a)–(c)]

CROs refer to the potential negative and positive impacts of climate change on a company. A company discloses material information to help investors understand the CROs that could reasonably be expected to affect its prospects (either positively or negatively). [IFRS S2.9(a), A]

IFRS S2 builds on IFRS S1 by:

- requiring a company to refer to and consider the disclosure topics defined in the IFRS S2 industry-based guidance[1] when identifying relevant CROs (see 4.1.190); and
- including an additional disclosure requirement about the nature of a company's climate-related risks. [IFRS S2.10(b), 12]

4.1.50 Incremental disclosure requirements

In addition to information required by IFRS S1, a company provides the following additional disclosures.

Information	What to disclose
Physical or transition risks	• Climate-related physical risks arising from climate change. • Climate-related transition risks associated with the transition to a lower-carbon economy. [IFRS S2.10(b)]

D For examples illustrating how CRO disclosures can be presented, see Examples 11–12 in our Illustrative disclosures.

4.1.60 Strategy and decision-making

Information about a company's strategy and decision-making builds on the descriptions of CROs (see 3.3.30).

A company reporting under IFRS S2 is not required to have, or disclose, a transition plan. However, if a company has a climate-related transition plan, then it discloses material information about it. The information a company provides about its strategy and decision-making may come from, or be informed by, its transition plan. For further discussion on transition plan disclosures, see 4.1.80, and for further discussion on transition planning, see Chapter 5.1. [IFRS S2.14(a)(iv)]

A company discloses information about its transition efforts, even in the absence of a formal transition plan.

IFRS S2 requires disclosures on a company's strategy but does not require adoption of any particular strategies or targets. [IFRS S2.9(c)]

1. The IFRS S2 industry-based guidance includes a subset of the disclosure topics and metrics included in SASB Standards, including only those that the ISSB deems to be 'climate-related'.

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Insight 4.1.20
Does a company need to align its strategy with the Paris Agreement?

No. IFRS S2 requires a company to disclose whether and how the latest international agreement on climate change (i.e. the Paris Agreement, including Nationally Determined Contributions (NDCs)) informs its targets. However, it does not require a company to include alignment as part of its strategy. [IFRS S2.33(h)]

Some companies may be required to align with local jurisdictional regulations. For example, an increasing number of jurisdictions are implementing requirements for companies to consider transition plans or set climate-related goals that include a commitment to achieve the goals of the Paris Agreement or equivalent NDCs. In such cases, a company discloses the targets it is required to meet by law or regulation (see 4.1.210). [IFRS S2.33, BC144]

The Paris Agreement commits to limiting global warming to well below 2˚C above pre-industrial levels and pursuing efforts to limit it to 1.5˚C.

4.1.70 How IFRS S2 builds on the core content requirements

When reporting under IFRS S1, a company discloses how SROs have shaped its strategic response, its progress against previously disclosed plans and the trade-offs considered by management in its decision-making (see 3.3.30). [IFRS S1.33(a)–(c)]

IFRS S2 builds on this by requiring more granular disclosures about a company's strategic response to CROs – including its climate change adaptation and mitigation efforts. A company links disclosures about changes in strategy and decision-making to its climate-related transition plan, if it has one, and any climate-related targets (see 4.1.210). In contrast, IFRS S1 contains no explicit requirements relating to a transition plan.

4.1.80 Incremental disclosure requirements

A company needs to disclose the following information.

Information	What to disclose
Changes to the business model	• Information about current and anticipated changes to the business model, including changes in resource allocation, such as plans for: – carbon-, energy- and water-intensive assets or operations; – acquisitions or divestments; – capital expenditure; or – research and development spend. [IFRS S2.14(a)(i)] For example, if a company holds energy-intensive assets but is adapting its business model to support the transition to a lower-carbon economy, then it discloses how these assets impact its plans, including any material decommissioning obligations and associated capital expenditure required.
Adaptation and mitigation	• Information about current and anticipated direct and indirect adaptation efforts and mitigation efforts. [IFRS S2.14(a)(ii)–(iii)] Adaptation efforts include how a company changes its activities in response to identified climate-related risks and primarily relate to physical risks. [IFRS S2.BC21] Mitigation efforts relate to activities that prevent further increases in climate-related risks and primarily relate to transition risks. [IFRS S2.BC21] Direct efforts could include changes in a company's own production processes or workforce; indirect efforts could include working with customers or supply chains and adapting procurement practices. [IFRS S2.14(a)(ii)–(iii)]

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Information	What to disclose
Plans to achieve targets	• How a company plans to achieve its climate-related targets – including relevant past and future planned activities. [IFRS S2.14(a)(v)] This disclosure is particularly connected to disclosures on climate-related targets (see 4.1.210).
Climate-related transition plan	• If a company has a climate-related transition plan, then it discloses information about: – key assumptions and dependencies; and – how it plans to achieve any climate-related targets, including GHG emissions targets. [IFRS S2.14(a)(iv)–(v)] For example, carbon reduction plans set out in a transition plan often depend on decarbonisation levers, such as reducing supply chain emissions or deploying new technologies. Investors need to understand what the key assumptions and dependencies are to evaluate the transition plan's viability and the company's future cash flows. [IFRS S2.BC52] A transition plan is connected to a company's targets – i.e. it represents the plan of action to achieve those targets. It may include interim targets to appropriately measure performance and may also include the use of carbon credits to help meet those targets (see Chapter 5.1).
Resourcing	• Information about a company's current and anticipated resourcing of its climate-related strategy and, when a company has one, its climate-related transition plan. [IFRS S2.14(b)] This could include sources of external funding secured and information about the internal budget allocated to key activities.



Insight 4.1.30
Does IFRS S2 require a minimum level of certainty before including planned acquisitions or disposals in disclosures about changes to a company's business model?

No. A company needs to apply judgement to determine whether information about planned acquisitions or disposals is material to investors' understanding of its CROs, strategy or its prospects.

Under IFRS S2, there is no general exemption from disclosure solely because information about planned acquisitions or disposals is commercially sensitive. However, IFRS S1 relieves a company from disclosing information about sustainability-related opportunities that is commercially sensitive (see 2.3.190).

As a result, a company is not required to disclose information about planned acquisitions or disposals that relate to climate-related opportunities, if such disclosure would be commercially sensitive. However, this relief does not apply to climate-related risks.



Insight 4.1.40
Is a company required to disclose information about past mitigation and adaptation efforts?

Yes, if material. A company discloses information about how it has responded to, and plans to respond to, CROs. This includes current and anticipated mitigation and adaptation efforts. [IFRS S2.14(a)(ii)–(iii)]

'Current' mitigation or adaptation efforts may include actions that were started or completed in the past but continue to be effective in managing a CRO. For example, prior investment in infrastructure to reduce emissions may continue to affect a company's emissions profile.



For further guidance on how to consider past mitigation and adaptation activities, see our Materiality for sustainability reporting – How-to guide.

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Insight 4.1.50
Does a company need to disclose mitigation and adaptation efforts separately for each climate-related risk?

It depends. A company discloses mitigation and adaptation efforts based on how they are designed and implemented. If those efforts address multiple climate-related risks collectively, then they may be disclosed on that basis, rather than separately for each individual risk.

For example, as part of its transition plan, a company may invest in electrifying its manufacturing processes. This effort can reduce the company's exposure to transition risks – e.g. emissions regulation and carbon pricing – because it lowers emissions intensity and reliance on fossil fuels. It may also create climate-related opportunities through lower operating costs and improved energy efficiency.

A company needs to aggregate or disaggregate information at the appropriate level (see 2.2.140). Disaggregated disclosures that do not reflect how the strategy is developed or implemented could obscure investors' understanding of how CROs have influenced a company's strategy. [IFRS S1.B29–B30]

For example, if a company's strategy aggregates its mitigation efforts by decarbonisation lever, it may be useful to present it in this way (see Insight 4.1.60).

Insight 4.1.60
What are decarbonisation levers?

Decarbonisation levers are categories of mitigation actions that a company plans to use to achieve emissions reductions over a target period. They are not limited to a company's own activities and may relate to activities affecting its upstream and downstream value chain.

Decarbonisation levers are entity-specific because the actions available to each company depend on its activities, business model and industry.

They are often differentiated between the short, medium and long term to reflect how the mix of mitigation actions may change over time. This enables a company to demonstrate how and when planned actions are expected to contribute to emissions reductions.

Examples of decarbonisation levers include:

- process optimisation (e.g. modifying a process so that it requires less energy or fuel);
- fuel switching and electrification of operations;
- shifts in the product and service portfolio (e.g. developing lower-carbon offerings);
- changes in sourcing and procurement (e.g. requiring suppliers to meet emissions standards); and
- for financial institutions: portfolio reallocation, engagement with high-emitting investees and changes to lending criteria.

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Insight 4.1.70
If a company does not have a transition plan, does it need to disclose that fact?

No. However, if a company intends to develop a transition plan, or is in the process of doing so, then it may determine that disclosing its intentions provides useful information for investors.

For example, a company with no formal transition plan could disclose information about:

- its strategic goals related to its transition to a lower-carbon and/or climate-resilient economy;
- actions taken, or planned, to prepare its business for its climate-related transition; or
- its expected timeline for developing a transition plan.

Any information the company provides needs to give a fair presentation of its facts and circumstances (see 2.3.10). For example, when disclosing its intent to develop a transition plan, a company does not imply that it has a transition plan in place. Instead, it faithfully represents its current stage of transition planning.

The ISSB has released educational material[2] which provides further guidance on the information a company discloses.

Example 4.1.20
Transition plan under development

Company Z provides warehousing and road-based distribution services across multiple regions. Z has identified climate-related transition risks arising from tightening emissions regulations, fuel-efficiency standards and increasing customer demand for lower-emissions logistics solutions.

Z does not yet have a formal transition plan in place; however, it has established a strategic goal to reduce the carbon intensity of its operations over the medium to long term. To support this goal, Z is in the process of developing a transition plan.

In its sustainability report, Z explains that a transition plan is not yet in place and outlines the steps it is taking to prepare for its development. These include assessing its emissions baseline, evaluating fleet decarbonisation options and establishing executive- and board-level accountability for climate-related matters. Together, these disclosures help investors understand Z's intent and current stage of transition planning, without implying that a formal transition plan has already been adopted.

Insight 4.1.80
Can a company supplement disclosures about its transition plan with additional information to meet jurisdictional requirements?

Yes. A company can supplement its transition plan disclosures with additional information to meet jurisdictional requirements or the needs of a broader group of stakeholders. [IFRS S1.62]

In doing so, it needs to ensure that information required by IFRS S2 remains clearly identifiable and is not obscured by the additional information (see 2.2.150). [IFRS S1.62, B27]

2. ISSB Educational Material Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2.

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Insight 4.1.90
Can a company aggregate information about climate-related resource allocations with information about broader projects or business activities?

It depends. A company uses judgement to determine whether information about climate-related resource allocations is aggregated with, or disaggregated from, information about broader projects or business activities. [IFRS S1.B29]

Information is disaggregated when this leads to useful information and faithfully represents how a company allocates resources to manage its CROs. However, disaggregation would not be appropriate if it would not faithfully represent the company's strategy in practice.

When a company undertakes a project or business activity with the primary objective of managing one or more CROs, it discloses information about the resources allocated to that project, because the relationship between the allocation and the CROs being managed is clearly identifiable.

In contrast, if CROs are managed as part of broader business activities – e.g. when a project is undertaken primarily for economic or operational reasons but also contributes to managing CROs – then separately identifying a CRO-specific allocation may not provide decision-useful information. In these circumstances, allocating the full cost of the project to CROs would be misleading, because it would overstate the resources allocated to managing CROs.

In these cases, a company might disclose:

- quantitative information about the total resources allocated to the broader project, explaining that the project addresses multiple objectives, including CROs, and linking this information to related disclosures elsewhere in the general purpose financial reports; and
- qualitative information explaining that resources are allocated to managing CROs as part of a broader business initiative, meaning that the CRO-related portion is not separately quantified because it is not separately identifiable.

This approach is consistent with requirements that permit anticipated financial effects of CROs to be disclosed in aggregate when they are not separately identifiable (see 3.3.90).

Example 4.1.30
Transition plan for a commercial real estate company

Company T operates in commercial real estate and in 2022 published its plan for transitioning to a lower-carbon economy on its external website. T's general purpose financial reports explain the key features of the plan and disclose its progress and all other material information related to the plan.

T's transition plan includes a mix of short- and long-term actions, prioritising direct emissions reduction over use of market-based instruments (e.g. purchasing carbon credits). Key information disclosed about the targets – in addition to their quantitative amounts – includes that they:

- apply to all of T's operations and value chain;
- are designed using a sectoral decarbonisation approach in line with the Science Based Targets initiative (SBTi) Corporate Net-Zero Standard (Version 1);
- are externally validated by SBTi;
- use scenarios aligned with the latest international agreement on climate change;
- use a base year of 2022; and
- use a reduction period of 2022 to 2050.

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T also explains that the main objectives of its transition plan are to mitigate the worst impacts of climate change and to conform to expected future government energy and construction regulations. The plan and targets are supported by T's transition plan working group and include the following initiatives:

- improving existing building energy efficiency;
- switching to renewable energy sources;
- on-site renewable generation and storage;
- low-carbon new builds (e.g. green steel, cement and building design);
- tenant and supply chain engagement; and
- training and education.

T discloses its performance against annual targets and management's trend analysis, and concludes that improvements since the 2022 base year are primarily due to the increased energy efficiency of existing buildings and the transition to renewable energy sources.

T identified installation of electric heat pumps in selected properties as a key action for meeting the 2030 targets. It disclosed the anticipated installation costs of heat pumps in these properties and the resulting percentage reduction in emissions expected by 2030.

Reducing scope 3 emissions is expected to pose a significant challenge. This is because of T's extensive use of steel and cement and the current lack of competitive low-carbon alternatives. T is working with suppliers to identify low-carbon alternatives and piloting certain alternatives on upcoming construction projects. The success of low-carbon alternatives is considered a critical dependency for achieving T's scope 3 emissions-related targets.

Residual GHG emissions in 2050 are expected to be offset by the purchase of carbon credits. T discloses all material information about its planned use of carbon credits.

T includes disclosures on its process to review its transition plan together with its overall governance and risk management disclosures.

D For examples illustrating how a company can present transition plan disclosures, see Examples 13 and 35–42 in our Illustrative disclosures.

4.1.90 Climate resilience

Climate resilience is becoming an increasing area of focus for investors as companies face major disruption from climate-related events such as wildfires, floods or drought, either in their own facilities or within their supply chains.

Climate resilience refers to a company's capacity to:

- prepare for and respond (strategically and operationally) to climate-related changes, developments and uncertainties; and
- manage its climate-related risks and leverage climate-related opportunities. [IFRS S2.A, BC58]

As part of its resilience assessment, a company explains how a range of plausible, yet uncertain, outcomes could affect its strategy and operations and assesses how resilient it is to those effects over the short, medium and long term. [IFRS S2.BC59]

Disclosures in this section are closely connected to disclosures about the company's CROs, strategy and decision-making and the anticipated financial effects of its identified CROs.

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4.1.100 How IFRS S2 builds on the core content requirements

When reporting under IFRS S1, a company provides information about its resilience to sustainability-related risks. It explains how its resilience assessment was completed and the time horizon, as well as disclosing qualitative (and, when applicable, quantitative) information (see 3.3.100). [IFRS S1.41]

Building on IFRS S1, IFRS S2 requires a company to assess resilience annually. It includes additional disclosure requirements about the company's assessment of the resilience of its strategy and business model to climate-related:

- changes (e.g. sea level rise and increased temperatures);
- developments (e.g. changes in the regulatory landscape); and
- uncertainties (e.g. assumptions about the anticipated frequency of severe weather events resulting from climate change). [IFRS S2.9(e), BC58]

A company needs to take into account its CROs, as assessed at the reporting date. [IFRS S2.22(a), BC59]

Unlike IFRS S1, IFRS S2 requires a company to use scenario analysis (see Chapter 5.2) to assess its resilience and disclose information about the inputs and assumptions it uses. This includes differentiating between scenarios used to assess climate-related physical and transition risks and disclosing the key assumptions a company made in its analysis. [IFRS S2.22(b), BC59]

4.1.110 Incremental disclosure requirements

A company provides information about the scenario analysis performed, as well as the outcomes of its resilience assessment. When providing quantitative information, it discloses a single amount or a range. Specifically, it needs to disclose the following information about its scenario analysis and resilience assessment. [IFRS S2.22]

Information	What to disclose
Scenario analysis: How and when the analysis was performed [IFRS S2.22(b), BC59]	
Inputs	• The scenarios selected, including information about their sources and diversity. [IFRS S2.22(b)(i)(1)–(2)] • Whether scenarios are associated with climate-related transition risks or climate-related physical risks. [IFRS S2.22(b)(i)(3)] • Confirmation on whether management included a scenario aligned with the latest international agreement on climate change – i.e. a 'Paris-aligned' scenario[3]. [IFRS S2.22(b)(i)(4)] • Why management selected particular scenarios to support its assessment of resilience. [IFRS S2.22(b)(i)(5)] • The scope of operations and time horizons used for the analysis. [IFRS S2.22(b)(i)(6)–(7)]

3. A 'Paris-aligned' scenario is a scenario with inputs that would be consistent with limiting global warming to well below 2°C, and pursuing efforts to limit warming to 1.5°C, compared with pre-industrial levels.

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Information	What to disclose
Key assumptions	• Details of management's assumptions about the impact of transition to a lower-carbon economy on the company, including policy assumptions for its jurisdictions, macroeconomic trends, national- or regional-level variables, energy usage and mix, and technology assumptions. [IFRS S2.22(b)(ii)] • Although IFRS S2 specifies certain assumptions to be disclosed, a company also discloses any additional assumptions made, if material. [IFRS S2.BC61] • The assumptions a company makes when conducting a scenario analysis are a key source of uncertainty in its assessment of climate resilience (see 5.2.60). • Disclosing these assumptions helps investors understand the context in which the resilience assessment has been performed and form their own expectations about the potential effects on the company under different plausible futures.
Timing of analysis	• The reporting period in which the analysis was performed. [IFRS S2.22(b)(iii)]
Resilience assessment: Discussion of the scenario analysis results and their implications [IFRS S2.22(a), BC59]	
Implications of the findings	• The implications of the scenario analysis results for the company's strategy and business model. [IFRS S2.22(a)(i)] • This includes how a company needs to respond to the effects identified under different climate-related scenarios and to the transition assumptions it modelled. [IFRS S2.22(a)(i)]
Areas of uncertainty	• The significant areas of uncertainty considered by management. [IFRS S2.22(a)(ii)]
Capacity to adapt	• An explanation of the company's flexibility in adapting or adjusting its strategy and business model over the short, medium and long term. This includes considering its ability to: – be flexible to rely on existing financial resources or redirect resources to take advantage of climate-related opportunities; and – redeploy, repurpose, upgrade or decommission existing assets. [IFRS S2.22(a)(iii)(1)–(2)] • A company considers the effect of current or planned climate-related investments (e.g. to support climate-related mitigation, adaptation or opportunities). [IFRS S2.22(a)(iii)(3)]



Insight 4.1.100
Is a company required to include all of its operations in its scenario analysis?

Not necessarily. When reporting information about the inputs it used, a company discloses the scope of operations (e.g. the facilities, business activities and operating locations) included in its analysis. [IFRS S2.22(b)(i)(7)]

A company chooses an approach to scenario analysis that is commensurate with its circumstances. This includes weighing up the costs associated with a more advanced approach against the potential benefits given a company's exposure to climate-related risks. [IFRS S2.22, B1–B18]

If certain parts of a company's operations have a lower risk of exposure to (physical or transition) climate-related risks, then it might conclude that the associated costs and effort of including those operations within its scenario analysis exceed the benefits.

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Insight 4.1.110
Is a company required to reassess its climate resilience at each reporting date?

Yes. A company assesses its climate resilience at each reporting date to reflect updated insight into the implications of climate-related uncertainty for its business model and strategy. Accordingly, a company updates and discloses the results of that assessment for each reporting period. [IFRS S2.B18]

However, a company is not required to reperform its scenario analysis at each reporting date. Instead, a company might carry out its scenario analysis in line with its strategic planning cycle. [IFRS S2.B18, BC68]

The requirement in IFRS S2 to reassess climate resilience at each reporting date is more onerous than the equivalent requirement under IFRS S1, which does not explicitly require annual reassessment for non-climate related SROs (see 3.3.100).

D For examples illustrating how a company can present climate resilience disclosures, see Examples 16–18 in our Illustrative disclosures.

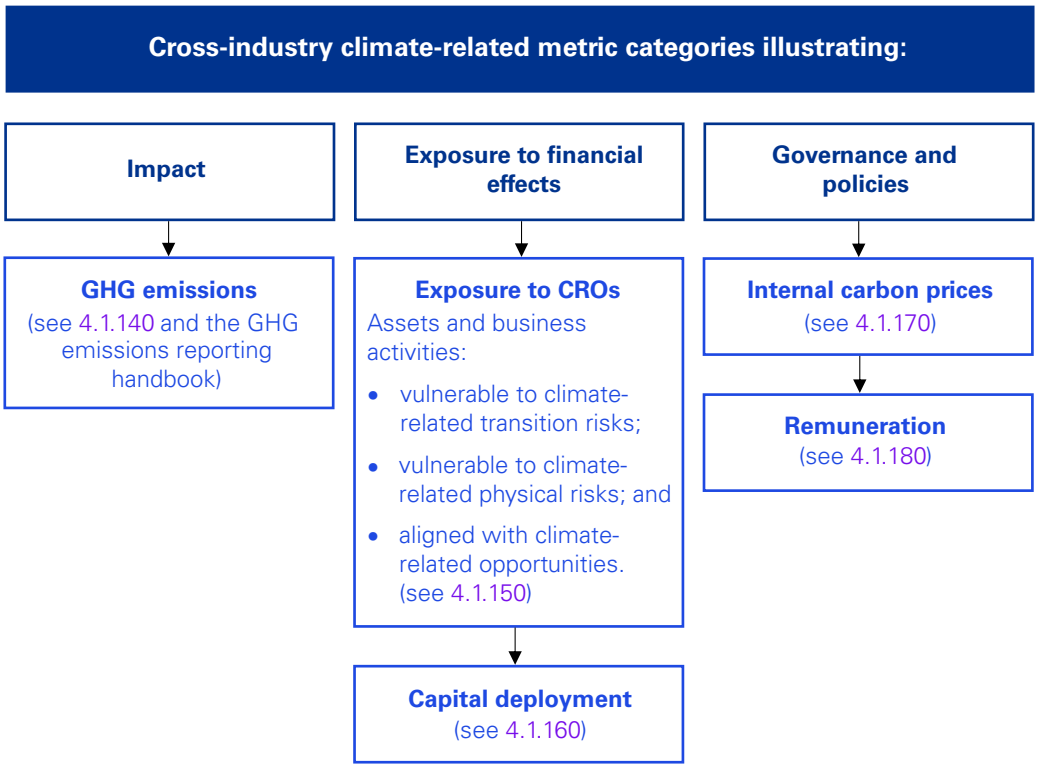
4.1.120 Cross-industry climate-related metrics

Cross-industry metrics are designed to apply generally to all companies, regardless of their industry and business model. This is intended to help promote comparability of disclosures between industries and business models.

4.1.130 How IFRS S2 builds on the core content requirements

IFRS S1 includes only high-level principles for reporting metrics (see 3.5.10).

IFRS S2 supplements this with categories of cross-industry climate-related metrics.



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When selecting appropriate metrics from these categories, a company considers:

- whether the IFRS S2 industry-based guidance includes relevant industry-specific metrics that could meet the requirements of these categories;
- whether they have company-defined metrics;
- when the effects of CROs could reasonably be expected to occur; and
- where CROs are concentrated in the business model and value chain.

A company is also encouraged to link between the cross-industry metrics designed to highlight exposure to financial effects, information disclosed about the current and anticipated effects of CROs (see 3.3.40) and the financial statements. This is to enable investors to understand the connections (see 6.1.80). [IFRS S1.21, B65(c), (e)]

IFRS S2 leverages the relief in IFRS S1 that a company uses all reasonable and supportable information available at the reporting date without undue cost or effort (see 2.3.170) to report scope 3 emissions and metrics relating to climate-related physical and transition risks and climate-related opportunities. [IFRS S2.30, B39]

4.1.140 GHG emissions

Disclosing GHG emissions illustrates a company's impact on climate change through its own activities and those it influences through its value chain. This represents material information when that impact is connected to relevant CROs, such as the company's exposure to transition risk.

IFRS S2 generally leverages the 2004 version of the GHGP Corporate Standard for measuring GHG emissions, with some exceptions, but includes its own disclosure requirements.

It also refers to the GHGP Scope 3 Standard for its definitions of the 15 categories of scope 3 emissions. However, a company does not otherwise use the GHGP Scope 3 Standard for measuring or disclosing scope 3 emissions. Instead, IFRS S2 includes its own measurement guidance for scope 3 emissions.

G For further guidance on GHG emissions accounting under the GHGP Standards and IFRS S2, see the GHG emissions reporting handbook.

A company discloses information about its absolute gross scope 1, 2 and 3 emissions generated during the reporting period. See 6.2.50 for transition reliefs relating to GHG emissions measurement and disclosure. Specifically, it needs to disclose the following information.

Information	What to disclose
Absolute gross GHG emissions	• Absolute gross scope 1, 2 and 3 emissions expressed as metric tonnes of CO_2 equivalent (tCO_2e), calculated in line with the GHGP Corporate Standard, unless a jurisdiction or exchange requires an alternative methodology. [IFRS S2.29(a)(i)(ii), B24]
Measurement approach	• Information about the selected measurement approach (i.e. the equity share, operational control or financial control methods in the GHGP Corporate Standard, or the applicable method if not using the GHGP Corporate Standard), inputs (including emissions factors used) and assumptions, and the reasons for those choices. [IFRS S2.29(a)(iii)(1)–(2), B26–B29, B40, B55–B56] • Any changes made to the measurement approach, and inputs and assumptions, along with the reasons for those changes. [IFRS S2.29(a)(iii)(3)] • If a company measures its GHG emissions using information obtained from companies in its value chain with reporting periods that differ from its own, then it discloses the effects of significant events and changes in circumstances that occur between the reporting dates of those entities and the company's reporting date. [IFRS S2.B19(c)]

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Information	What to disclose
Scope 1 and 2 emissions – disaggregated	• Scope 1 and 2 emissions disaggregated between: – the consolidated accounting group (e.g. for companies using IFRS Accounting Standards, this includes the parent company and its consolidated subsidiaries); and – any unconsolidated investees (e.g. for companies using IFRS Accounting Standards, this includes associates, joint ventures and unconsolidated subsidiaries). [IFRS S2.29(a)(iv)]
Scope 2 emissions	• Location-based scope 2 emissions. [IFRS S2.29(a)(v), B30] • Information about any contractual instruments a company has purchased that relate to managing energy. Providing information about market-based scope 2 emissions may form part of the disclosure to fulfil this requirement. [IFRS S2.29(a)(v), B30] • Contractual instruments are contracts between a company and another party that convey information about the attributes of energy generation. They may relate to the purchase of electricity bundled with energy attributes, or to the purchase of energy attributes separately from the underlying electricity (unbundled energy attribute claims). Various types of contractual instruments are available in different markets. [IFRS S2.B31]
Scope 3 emissions	• A description of the scope 3 categories included, as set out in the GHGP Scope 3 Standard, considering which parts of the upstream and downstream value chain are relevant. [IFRS S2.29(a)(vi)(1), B32–33] • Additional information about financed emissions, if a company's activities include commercial banking, insurance or asset management (see 4.1.200). [IFRS S2.29(a)(vi)(2)] • In the rare case where a company determines it is impracticable to estimate its scope 3 emissions, it discloses how it is managing them. [IFRS S2.B57]

D For examples illustrating how a company can present GHG emissions disclosures, see Examples 23–26 in our Illustrative disclosures.

4.1.145 Forthcoming requirements

The amendments to IFRS S2 introduced as part of the *Amendments to Greenhouse Gas Emissions Disclosures* allow a company to use a GHG emissions measurement method required by a local regulator or stock exchange instead of the GHGP Corporate Standard, but only for the part of the company to which the local requirements apply. [IFRS S2.29(a)(ii), B24]

A parent entity applying IFRS S2 may consolidate GHG emissions information from across its group that is prepared under different measurement methods (as required by local regulators or stock exchanges).

These amendments are effective from 1 January 2027, but are available for early adoption. See 6.2.30 for guidance on transitioning to the new requirements.

G For further guidance on the forthcoming requirements in IFRS S2, see the GHG emissions reporting handbook.

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4.1.150 Exposure to CROs

Metrics that indicate which assets and business activities are vulnerable or linked to CROs help investors to understand a company's financial exposure to these CROs. These disclosures are connected to, and may form part of, a company's disclosures on its anticipated financial effects.

A company discloses information about its assets and business activities that are vulnerable to climate-related risks and aligned with climate-related opportunities. [IFRS S2.29(b)–(d)]

To meet these requirements, a company:

- uses all reasonable and supportable information without undue cost or effort;
- is not permitted to overstate assets or business activities aligned with climate-related opportunities or understate assets or business activities vulnerable to climate-related risks; and
- considers historical, current and forward-looking information that is available at the reporting date. [IFRS S2.BC77, BC132]

A company needs to disclose the following information.

Information	What to disclose
Climate-related transition risks	• The amount and percentage of assets or business activities vulnerable to transition risks – i.e. risks arising from transition to a lower-carbon economy. [IFRS S2.29(b)] For example, for a bank, this could include the concentration of credit risk exposure to industries vulnerable to climate change.
Climate-related physical risks	• The amount and percentage of assets or business activities vulnerable to physical risks – i.e. risks relating to the physical impacts of climate change. [IFRS S2.29(c)] For example, for a property company, this could include the amount and percentage of property, infrastructure or other assets in areas subject to flooding.
Climate-related opportunities	• The amount and percentage of assets or business activities aligned with climate-related opportunities. [IFRS S2.29(d)] For example, for a car manufacturer, this could include the number and proportion of zero-emissions vehicles, hybrid vehicles and plug-in hybrid vehicles sold.



Example 4.1.40
Business activities vulnerable to climate-related transition risks

Company S produces a mix of petrol-fuelled and electric vehicles. Based on its assessment of climate-related transition risks, S has identified that demand for petrol-fuelled vehicles is expected to decline progressively over the next decade due to tightening emissions regulations, the introduction of carbon pricing mechanisms and shifts in consumer preferences towards lower-emission vehicles.

In the current financial year, approximately 45% of S's total vehicle production volume, representing around 40% of group revenue, relates to petrol-fuelled vehicles. S has assessed that this portion of its business activity is vulnerable to climate-related transition risk.

In its sustainability report, S discloses this risk and explains how it is reflected in, and connected to, relevant aspects of its financial statements. S also describes how this transition risk has informed its strategic and investment decisions, including the reallocation of capital towards electric vehicle technologies.

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Insight 4.1.120
Are 'business activities' defined in IFRS S2?

No. Business activities generally refer to the types of operations a company undertakes across its value chain, including what it does (e.g. its products, services and processes), where it operates (e.g. geographies and facilities) and how it generates value (e.g. business model and supply chain). [TIG 03-24]

The nature of a company's assets and business activities could vary greatly, depending on the industry (or industries) in which it operates.

When a company discloses information about assets and business activities vulnerable to climate-related risks or aligned with climate-related opportunities, it applies judgement to determine how to categorise its activities. It also considers connections with the information disclosed in the financial statements to ensure consistency in the data and assumptions used, where appropriate, as well as linkages between the amounts disclosed.

Insight 4.1.130
Is the term 'vulnerable' defined in IFRS S2?

No. Climate-related physical and transition risks and climate-related opportunities are defined, but there is no guidance on what it means for an asset or business activity to be vulnerable to those risks.

As a result, a company needs to apply judgement when assessing vulnerability to select a sensible approach and apply it consistently. [IFRS S2.BC132(b)]

This includes determining:

- which assets or activities across its value chain have higher exposure to climate-related risks; and
- how those risks could affect its ability to continue generating economic benefits.

To understand a company's exposure to climate-related risks and the resulting vulnerabilities, key sources of information include a company's inputs and assumptions used in asset impairment testing when preparing the financial statements and the output of its scenario analysis.

The industry-based metrics included in the IFRS S2 industry-based guidance can also support a company in identifying relevant types of vulnerabilities across its business. [TIG 03-24]

Insight 4.1.140
Does IFRS S2 specify the metrics that a company needs to disclose to explain its exposure to CROs?

No. IFRS S2 allows a company to choose the relevant 'amounts' and 'percentages' that best reflect its circumstances. This means that a company needs to apply judgement in identifying and calculating its relevant metrics. [IFRS S2.29(b)–(d)]

A company also applies judgement in determining the type of amount and percentage to disclose – e.g. a monetary value, a percentage of assets or revenues, or a measure of concentration or exposure – that best enables investors to understand its performance in relation to its CROs and supports connectivity with other information in its general purpose financial reports. [IFRS S2.IG1]

D For an example illustrating how a company can present exposure to CRO disclosures, see Example 27 in our Illustrative disclosures.

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4.1.160 Capital deployment

Information about capital deployment helps investors assess the scale and direction of a company's financial commitments to achieve its climate-related strategy. It also provides insight into a company's capacity to respond to emerging climate-related risks and capitalise on opportunities.

These disclosures are closely connected to disclosures about resource allocation (see 4.1.80) and may also connect to, or form part of, the company's disclosures on the anticipated financial effects of its CROs (see 3.3.60). Specifically, it needs to disclose the following information.

Information	What to disclose
Capital deployment	• The amount of capital expenditure, financing or investment deployed towards CROs. [IFRS S2.29(e)] For an agricultural company, this could include the amount and percentage of investment in climate adaptation measures – e.g. soil health, irrigation and technology.

Example 4.1.50
Capital investments supporting the transition plan

Company E is a manufacturing company. In 2026, it invested 13 million in initiatives to address CROs. The investment supported mitigation and adaptation measures across its operations, including:

- strengthening flood defences at facilities in storm-prone regions to reduce repair costs and minimise downtime from flood-related damage;
- expanding on-site solar generation and energy storage to increase the use of renewable energy; and
- improving energy efficiency through smart energy management systems, energy-monitoring software, and upgraded lighting solutions such as LED fixtures and smart sensors for occupancy and daylight control.

When disclosing information about its capital expenditure, E provides a breakdown of the 13 million invested by initiative, including amounts capitalised and expensed, and explains where these amounts are reflected in its financial statements (e.g. within property, plant and equipment and related depreciation). E also explains how these investments relate to its strategy to respond to CROs and links them to its expected future resource allocation, including planned investments in similar mitigation and adaptation measures.

Insight 4.1.150
Can a company incorporate information on the amount of capital deployment in its sustainability report by cross-referring to the financial statements?

Yes. A company may rely on information presented in its financial statements, but only if that information provided is useful for investors to understand how capital deployment relates to CROs. In our experience with climate reporting, additional disaggregation is often required to satisfy the objectives of the sustainability report. A company also needs to meet specific requirements for cross-referencing (see 6.1.130). [IFRS S2.BC65(e)]

When cross-referring to the financial statements, it is important to be able to identify, when feasible, the portion of capital allocation disclosed in the financial statements relating to CROs (e.g. climate-related transition activities, resilience investments or opportunities in low-carbon technologies).

If the financial statements do not already provide this level of disaggregation, then the company presents additional breakdowns of the capital allocation in its sustainability report.

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4.1.170 Internal carbon prices

A company discloses information about whether and how it uses internal carbon prices to support decision-making. However, IFRS S2 does not require a company to establish an internal carbon price. [IFRS S2.29(f), BC130]

An internal carbon price is a monetary charge a company allocates to each unit of carbon emitted, or forecast to be emitted, within its management accounts or financial planning. It supports decision-making by helping a company to quantify the potential cost of emissions across its activities.

Internal carbon prices can help a company assess the:

- financial implications of changes in investment, production and consumption patterns;
- potential effects of technological developments; and
- expected costs associated with future emissions-reduction initiatives. [IFRS S2.A]

Information about using an internal carbon price helps investors to assess the governance of the company and how management is encouraging behavioural change to reduce GHG emissions.

Companies commonly use two types of internal carbon prices – a shadow price and an internal tax or fee.

- A shadow price is a theoretical or notional amount that a company uses to assess the economic implications or trade-offs associated with climate-related decisions. For example, a company might apply a shadow price to procurement choices to compare the cost of higher vs lower-emissions suppliers and incentivise procurement of lower-carbon materials.
- A company that uses an internal tax or fee applies a carbon charge in the management accounts to specific activities, product lines or business units based on emissions associated with that activity. For example, a company might apply an internal carbon fee to business travel to encourage lower-carbon travel choices and generate funds for climate-related initiatives, helping employees better understand and reduce the environmental impact of their travel decisions. [IFRS S2.A]

A company needs to disclose the following information.

Information	What to disclose
Internal carbon prices	• Whether and how a company is applying internal carbon prices in its decision-making – e.g. investment decisions, transfer pricing and scenario analysis. [IFRS S2.29(f)(i)] • The price for each metric tonne of GHG emissions that a company uses to assess the cost of its emissions (in presentation currency, per tCO_2e). [IFRS S2.29(f)(ii)]

Example 4.1.60
Disclosing internal carbon prices

Company Y has established an internal carbon price to accelerate decarbonisation and fund emissions-reduction activities.

Y discloses that it applies a carbon fee of 88 per tCO_2e to scope 3 emissions associated with business air travel. Y explains that the carbon fee is designed to encourage lower-emission travel choices and promote the use of virtual meetings, when appropriate.

Y also discloses that intra-company revenue generated from implementing its carbon fee is put towards energy efficiency improvements at its facilities to reduce emissions.

D For an example illustrating how a company can present carbon price disclosures, see Example 28 in our Illustrative disclosures.

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4.1.180 Remuneration

A company discloses information about whether and how climate-related considerations have been factored into executive remuneration. [IFRS S2.29(g)(i)]

This information is useful to investors because it indicates the credibility of the company's climate-related commitments and demonstrates the accountability of those charged with governance for achieving targets.

As part of its governance disclosures under IFRS S1 and IFRS S2, a company provides information about whether and how sustainability- or climate-related performance metrics are included in remuneration policies (see 3.2.10). When preparing these disclosures, a company needs to consider whether consolidating information on remuneration into one section of the sustainability report could improve clarity and avoid duplication.

A company needs to disclose the following information.

Information	What to disclose
Remuneration	• A description of whether and how climate-related considerations factor into executive remuneration. [IFRS S2.29(g)(i)] • The percentage of executive management remuneration linked to climate-related considerations in the current period. [IFRS S2.29(g)(ii)]

Example 4.1.70
Climate-related factors in executive remuneration

Company V's executive remuneration comprises both fixed and variable components. The variable component is performance-based, with 80% linked to financial targets and 20% linked to climate-related targets. The climate-related targets are weighted based on strategic importance.

In its sustainability report, V discloses the above and includes the table below that details how it factored climate-related targets into executive remuneration in 2026.

Climate-related targets	Relative weighting
10% reduction in scope 1 and 2 absolute emissions*	8%
5% increase in percentage of electricity sourced from renewables*	8%
5% reduction in waste to landfill*	4%
Total scoring factored into executive remuneration in 2026 (max 20%)	**20%**

*From 2020 baseline.

D For an example illustrating how a company can present climate-related remuneration disclosures, see Example 29 in our Illustrative disclosures.

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4.1.190 Industry-based climate-related metrics

A company discloses industry-specific metrics relevant to the industry or industries in which it participates. [IFRS S2.28(b), 32]

IFRS S2 is accompanied by industry-based guidance, which contains industry-specific disclosure topics and metrics across 68 industries, which are organised into 11 sectors. The guidance also includes activity metrics for each industry, because these can be useful to investors in normalising data. The IFRS S2 industry-based guidance is derived from SASB Standards (see Insight 3.5.10).

A company is required to refer to and consider the applicability of these disclosure topics and metrics to identify relevant CROs and related industry-specific information. This 'refer to and consider' requirement does not mean that a company needs to report on all disclosure topics or provide information on all associated metrics (see Insight 4.1.180). [IFRS S2.12, 32]

The IFRS S2 industry-based guidance includes a comprehensive list of illustrative, industry-specific disclosure topics and metrics. Although only guidance currently, the ISSB has indicated its intention to make it mandatory at a future date, subject to further consultation. [IFRS S2.BC138]

Insight 4.1.160
Do cross-industry and industry-specific metrics overlap?

Yes. A company considers the IFRS S2 industry-based guidance when identifying relevant metrics to present for the categories of cross-industry metrics, particularly for the categories other than GHG emissions. [IFRS S2.B65(d)]

For GHG emissions, the cross-industry disclosure requirements are more specific than the other categories. This is supplemented by additional details in the IFRS S2 industry-based guidance for many industries. For example, the 'Coal Operations' industry-based guidance includes disclosure of the percentage of scope 1 emissions in areas subject to emissions-limiting regulations, which builds on the cross-industry requirement to disclose gross scope 1, 2 and 3 emissions.

Insight 4.1.170
Does the IFRS S2 industry-based guidance create additional disclosure requirements?

No. The IFRS S2 industry-based guidance does not add to or override the requirements in IFRS S1 or IFRS S2. A company is required to refer to and consider the IFRS S2 industry-based guidance and provide industry-specific metrics, if applicable. [IFRS S2.32]

Rather than adding requirements, the IFRS S2 industry-based guidance is intended to support application of the standards by helping companies identify industry-specific CROs and material information. All disclosures still need to comply with the requirements in IFRS S1 and IFRS S2.

Insight 4.1.180
Is a company required to disclose all topics or metrics in the IFRS S2 industry-based guidance?

No. However, a company is required to consider the relevance of the disclosure topics and related metrics in the guidance that apply for its industry or industries. A company that operates in an industry covered by the guidance may determine that certain topics or metrics do not apply, or do not result in decision-useful information, based on its specific facts and circumstances.

This means that a company will need to implement a process for assessing whether the guidance is relevant and to demonstrate that it has done so (see Chapter 2.2). [IFRS S2.32]

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4.1.200 Financed emissions disclosures

IFRS S2 requires a company participating in commercial banking, insurance or asset management activities to disclose additional information about its financed emissions. Financed emissions represent the portion of gross GHG emissions of an investee or counterparty attributed to the *loans and investments* (including loans, project finance, bonds, equity investments and undrawn loan commitments) made by a company to the investee or counterparty. [IFRS S2.29(a)(vi)(2), A, B37, B58–B63I]

A company that participates in these activities discloses the following as part of its scope 3 category 15 (investments) reporting.

Information	What to disclose	
	Commercial banking and insurance activities	**Asset management activities**
Absolute gross financed emissions [IFRS S2.B61(a), B62(a), B63(a)]	For each industry[4] by asset class and disaggregated by scope 1, 2 and 3 emissions	Disaggregated by scope 1, 2 and 3 emissions
Associated amounts in presentation currency [IFRS S2.B61(b), B62(b), B63(b)]	Gross exposure to each industry[4] by asset class (including funded amounts and undrawn loan commitments)	Amount of total assets under management
Percentage of … [IFRS S2.B61(c), B62(c), B63(c)]	Gross exposure included in the financed emissions calculation[5]	Total assets under management included in the financed emissions calculation[5]
Methodology [IFRS S2.B61(d), B62(d), 63(d)]	A description of the methodology used to calculate financed emissions, including the allocation method used to attribute the company's share of emissions based on the size of its investments.	

G For further guidance on financed emissions measurement and disclosure, see the GHG emissions reporting handbook.

Insight 4.1.190
Does IFRS S2 specify how to measure financed emissions?

No. IFRS S2 provides detailed reporting requirements to support companies in providing financed emissions disclosures, but does not prescribe a measurement methodology.

The ISSB's aim is to drive consistency and comparability, while continuing to allow for innovation. This enables the market to collaborate on the convergence of existing or emerging methodologies like the Partnership for Carbon Accounting Financials (PCAF) standards. [IFRS S2.BC125]

Insight 4.1.200
Does IFRS S2 require insurers to disclose insurance-associated emissions?

No. Insurance-associated emissions arise from underwriting activities of insurers. They do not meet the definition of financed emissions in IFRS S2 because they do not arise from loans or investments made by the insurer.

However, emissions associated with an insurer's investments do meet the definition and require measurement and disclosure, as clarified in the *Amendments to Greenhouse Gas Emissions Disclosures* (see 4.1.205). [IFRS S2.A, B63]

4. The industry classification using the Global Industry Classifications System (GICS).
5. If the percentage of gross exposure or total assets under management included in the financed emissions calculation is less than 100 percent, then a company is required to disclose information that explains the exclusions, including the type of assets excluded.

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Insight 4.1.210
Does IFRS S2 require a company that participates in asset management activities to disclose emissions relating to off-balance sheet investments?

Yes. IFRS S2 requires a company to disclose the financed emissions associated with its assets under management, despite them being off-balance sheet. [IFRS S2.A, B61]

4.1.205 Forthcoming requirements

The amendments to IFRS S2 introduced as part of the *Amendments to Greenhouse Gas Emissions Disclosures* no longer require a company to use GICS to disaggregate its financed emissions. Instead, a company may select a commonly used industry classification system when disclosing its disaggregated financed emissions. [IFRS S2.B62A(a)(i), B63A(a)(i)]

A company is required to disclose the industry classification system used and explain how that system allows investors to understand its exposure to climate-related transition risks. [IFRS S2.B62A(a)(ii), B63A(a)(ii)]

A company participating in both commercial banking and insurance activities may use separate classification systems for each activity. [IFRS S2.B62A(a)(i), B63A(a)(i)]

The amendments to IFRS S2 introduced as part of the *Amendments to Greenhouse Gas Emissions Disclosures* clarified that a company is required to disclose:

- total scope 3 category 15 emissions and a subtotal for financed emissions;
- an explanation of what it treats as derivatives; and
- a description of the financial activities excluded, including the activities associated with derivatives. [IFRS S2.29A–29C]

A company does not need to include the following activities in its scope 3 emissions, even if they are material:

- using derivatives;
- investment banking activities;
- underwriting activities in the insurance and reinsurance industry (insurance-associated emissions); and
- other category 15 emissions that are not financed emissions. [IFRS S2.A, 29A]

There is no change to the requirement for all types of companies to disclose financed emissions, if material. This includes emissions from assets under management. [IFRS S2.29(a)(vi)(2)]

These amendments are effective from 1 January 2027, but are available for early adoption. For further guidance on transitioning to the new requirements, see 6.2.30.

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4.1.210 Climate-related targets

4.1.220 How IFRS S2 builds on the core content requirements

IFRS S1 requires a company to disclose its targets, as well as the metrics it uses to monitor them. A company also describes the period over which the target applies, the base period for measuring progress, any interim targets it has set, its performance and any revisions it has made to its targets (see 3.5.20). [IFRS S1.51(a)–(g)]

When reporting under IFRS S2, a company is also required to disclose:

- its plans to achieve its climate-related targets, if any (see 4.1.80); and
- additional qualitative information about its climate-related targets (see below).

The disclosures cover targets a company has set to monitor progress towards achieving its strategic goals, as well as those required by law.

When a company has a transition plan, its climate-related targets will typically be a key feature of that plan (see Chapter 5.1).

4.1.230 Incremental disclosure requirements

Specifically, a company needs to disclose the following information about its climate-related targets.

Information	What to disclose
Objective	• The objective of the target – e.g. climate-related mitigation, adaptation (see 4.1.80) or conformance with science-based initiatives. [IFRS S2.33(b)] Targets are 'science-based' when they follow the most recent climate-related science to identify how a company can help meet the decarbonisation goals of the Paris Agreement. This means limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C. There are several science-based target frameworks, the most commonly used developed by the SBTi. The SBTi provides guidance and tools for companies to set science-based targets by, among other things, defining and promoting best practice in target-setting across sectors.
Scope	• Information on the scope of the targets – i.e. whether they relate to the whole business or only to specific areas. [IFRS S2.33(c)] • Information on which scopes (i.e. scope 1, 2 or 3) and which gases (i.e. all seven gases listed in the Kyoto Protocol, or a subset of those gases) are covered by an emissions target*. [IFRS S2.36(a)–(b), A]
Nature	• For a quantitative target, whether it is absolute or based on intensity (see Insight 4.1.230). [IFRS S2.33(g)] • Whether the target is derived using a sectoral decarbonisation approach. [IFRS S2.36(d)] The sectoral decarbonisation approach is an SBTi methodology that supports companies in specific energy-intensive sectors to define where, by how much and how quickly they need to reduce their GHG emissions to align with the Paris Agreement.
Comparability	• How the latest international agreement on climate change (i.e. the Paris Agreement) informed any climate-related targets set (see Insight 4.1.20). [IFRS S2.33(h)] This includes jurisdictional commitments linked to an international agreement – e.g. NDCs.

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Information	What to disclose
Verification	• Whether the target and its methodology have been validated by a third party. [IFRS S2.34(a)]
Process	• The process for reviewing the target. [IFRS S2.34(b)]
Gross or net*	• Whether the target is gross or net. For any net targets, also disclose a related gross target. [IFRS S2.36(c), B68–B69]
Carbon credits* (see 4.1.240)	• A company's planned use of carbon credits for offsetting emissions to meet net targets. [IFRS S2.36(e)] • Information about the extent to which, and how, achieving targets relies on the use of carbon credits, including the type of carbon credit and whether they are: – nature-based or based on technological carbon removals; and – designed to offset through carbon reduction or removal. [IFRS S2.36(e)(i), (iii), B70] • Which third-party scheme will verify or certify the carbon credits. [IFRS S2.36(e)(ii)] • Any other information necessary to understand the credibility and integrity of the carbon credits a company plans to use (e.g. assumptions around the permanence of the carbon offset). [IFRS S2.36(e)(iv)]

* Disclosures relevant for GHG emissions targets only.

Insight 4.1.220
Do the standards provide guidance on the target level for any metric?

No. Both standards provide conceptual guidance on the types of metrics and targets to disclose but do not specify the target level for any metric. IFRS S2 provides detail about specific metrics that may be material, but no related thresholds.

However, local jurisdictions or regulators may set target levels to meet public policy objectives – e.g. a commitment to align with the Paris Agreement. [IFRS S1.BC121]

Insight 4.1.230
What is the difference between an absolute target and an intensity target?

An absolute target sets a goal to change the total level of a climate-related measure, regardless of how other factors may change. For example, a company may set a target to reduce its gross scope 1 and 2 GHG emissions by 50% by 2030 from a 2020 baseline.

An intensity target sets a goal to change a climate-related measure relative to another factor – e.g. operational output, revenue or production levels. For example, a company may set a target to reduce GHG emissions per tonne of product produced by 30% by 2030, regardless of whether total gross emissions are expected to increase or decrease.

D For an example illustrating how a company can present climate-related target disclosures, see Example 33 in our Illustrative disclosures.

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4.1.240 Carbon credits

Carbon credits are emissions units issued by carbon crediting programmes that may be used to offset emissions. Each credit represents a reduction or removal of an amount of GHG emissions and is a transferable or tradeable instrument that is uniquely serialised, issued, tracked and cancelled through electronic registries. By purchasing carbon credits, a company can compensate for emissions from its own direct or indirect activities to achieve any net emissions targets or meet regulatory requirements. The use of carbon credits does not affect the measurement of a company's gross GHG emissions. [IFRS S2.A]

IFRS S2 includes requirements intended to help investors understand how a company plans to reduce its emissions, including the extent to which it expects to rely on carbon credits and the nature and quality of those credits. [IFRS S2.36(e)]

A company is required to disclose its planned use of carbon credits; however, it might also disclose information about carbon credits it has already purchased and plans to use to offset its emissions, if it determines that this information is material. [IFRS S2.B71]

G For further guidance on carbon credits under the GHGP Standards and IFRS S2, see the GHG emissions reporting handbook.

Example 4.1.80
Disclosing carbon credit use

Company B has set a target to achieve net-zero emissions by 2040, relative to a 2022 baseline of 450,890 tCO_2e. To support this objective, it aims to reduce its gross GHG emissions by at least 95% from the 2022 baseline by expanding its use of renewable energy, adopting more sustainable building materials and transitioning to a fully electric vehicle fleet.

It plans to neutralise residual emissions that are hard to abate using carbon credits, capped at a maximum of 5% of baseline emissions. To support this approach, B has entered into forward purchase agreements for 75,000 tCO_2e of carbon credits, which is sufficient to meet its planned neutralisation requirements for the first three years from 2040.

All B's carbon credits are nature-based removals sourced from projects with a minimum permanence period of 50 years. Verification is conducted annually by recognised third-party schemes, including Verra and Gold Standard, to ensure alignment with internationally accepted quality criteria. Credit permanence is assessed based on project type and location, with buffer reserves maintained in accordance with certifier requirements.

B discloses its planned use of carbon credits as part of its sustainability reporting, providing transparency on how these instruments contribute to the achievement of its net-zero target.

Insight 4.1.240
Is a carbon credit the same as a carbon offset?

No. The terms 'carbon credit' and 'carbon offset' are sometimes used interchangeably, but they are not the same.

A carbon credit refers to a specific, tradeable instrument – typically representing one tonne of CO_2-equivalent emissions – that is generated or purchased and can be used to offset a company's emissions.

By contrast, a carbon offset refers to the underlying reduction, removal or avoidance of GHG emissions from a specific project that is used to offset emissions occurring elsewhere.

When a carbon credit is cancelled or retired to compensate for the company's own GHG emissions, it functions as a carbon offset.

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Insight 4.1.250
How are carbon credits generated?

Carbon credits generally fall into two categories: emissions-reduction credits and removal credits. Emissions-reduction credits are generated from activities that avoid or reduce GHG emissions relative to a baseline (e.g. through renewable energy projects). Removal credits are generated from activities that remove GHG emissions from the atmosphere and store them, either through nature-based solutions (e.g. planting trees) or technological approaches (e.g. direct air capture with storage).

Some companies generate carbon credits via cap and trade schemes; others purchase them to offset their emissions.

Insight 4.1.260
Why does IFRS S2 require transparency about the planned use of carbon credits?

A company discloses its planned use of carbon credits separately from its net scope 1, 2 and 3 emissions targets so that investors can understand the company's emissions-reduction performance and its reliance on carbon credits to achieve climate-related objectives.

This approach reflects that, even when high-quality carbon credits are used, uncertainties remain regarding their credibility and comparability. Carbon credits can vary significantly in quality, and uncertainty may arise as to whether the underlying emissions reductions or removals will be achieved and maintained over time. One important source of uncertainty is the permanence of the GHG removals underpinning the carbon credits. Not all removals are permanent; nature-based solutions, in particular, may be subject to reversal risks – e.g. forest carbon stocks may be lost through wildfires, or soil carbon may be released following land-use change.

Investors are increasingly focused on a company's transition plan and emissions targets, including the extent to which its plans rely on carbon credits. Because many companies use carbon credits to support the achievement of net emissions targets, investors need transparent information about that reliance to assess the credibility and achievability of the company's targets and the effectiveness of its transition plan.

D For an example illustrating how a company can present carbon credit disclosures, see Example 34 in our Illustrative disclosures.

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5.1 Transition plans

Currently effective requirements: IFRS S2

5.1.10 Introducing transition planning and transition plans

Transition planning is a strategic process and is widely recognised as an important element of the global transition to a more sustainable, lower-carbon economy. Investors are increasingly focused on a company's transition plans and emissions-reduction targets.

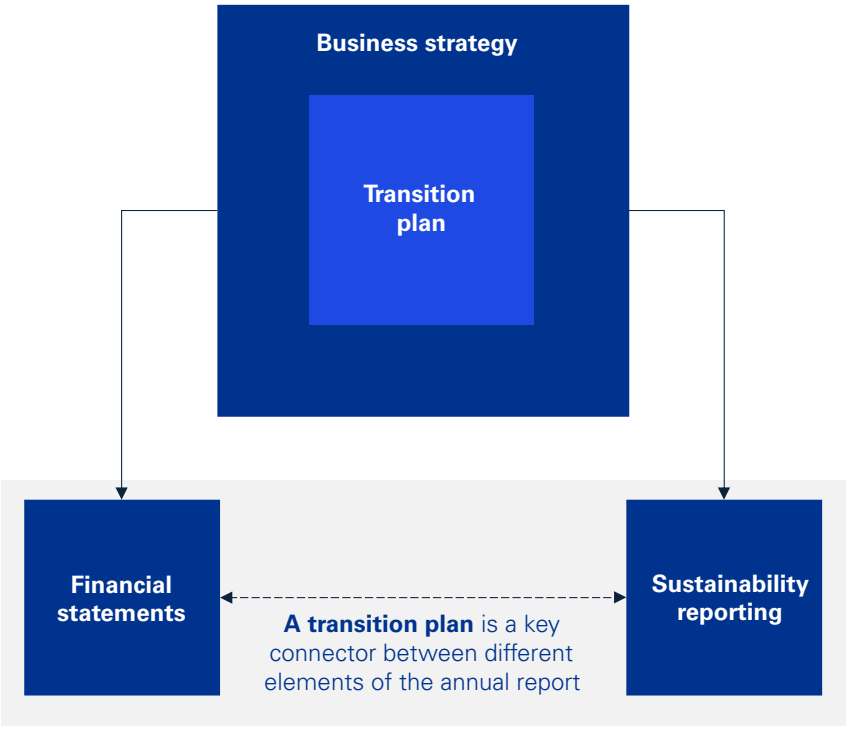
A transition plan is an aspect of a company's overall business strategy. It outlines the company's targets, actions and resources for responding to changing internal or external conditions (e.g. climate change and biodiversity loss).

IFRS S2 defines a climate-related transition plan as setting out the steps a company will take to transition to a lower-carbon economy, including reducing its GHG emissions. [IFRS S2.A]

A transition plan may also consider a company's plans to adapt to climate-related risks and enhance climate resilience. Nature-related transition planning is also becoming more common – such as a biodiversity and ecosystem transition plan. A biodiversity and ecosystem transition plan might explain how a company's strategy and business model will evolve to contribute to the global goal of halting and reversing global biodiversity loss.

A company reporting under IFRS S2 is not required to develop a transition plan. However, if it has a climate-related transition plan or strategic goal about its transition to a lower-carbon economy, then it discloses information about that plan (see 4.1.60).

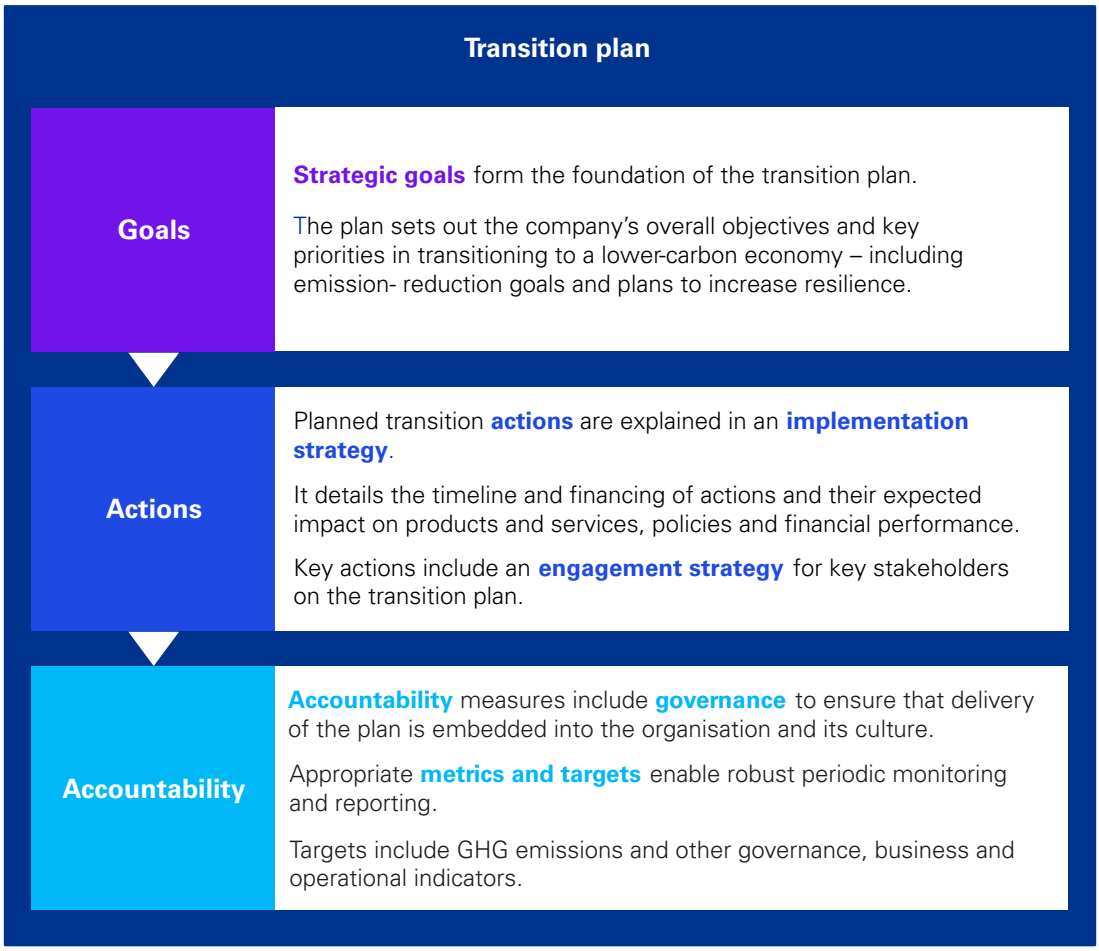
Preparing a transition plan is an opportunity for a company to assess its strategy and business plan and outline how it can approach the transition to a more sustainable or lower-carbon economy. Having a clear transition plan can help build investor confidence in a company's understanding of its SROs and its ability to manage a successful transition.



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5.1.20 Elements of a company's transition plan

A transition plan is a strategic document that connects a company's climate- or nature-related ambitions to the actions, financial resources and governance structures required to deliver them. In other words, it brings together information about the company's goals, actions and accountability mechanisms.



The scope and content of a transition plan depend on a company's specific circumstances. A company's transition plan may reflect the entire scope of a company's assets and business activities, or it may focus on specific products, business units or geographies. [IFRS S2.BC47]

A transition plan is forward looking – so information may be inherently uncertain or sensitive. When developing a transition plan, a company relies on assumptions about future conditions that could shape its actions and influence its ability to meet its targets. For example, a company may assume that the cost of renewable electricity will continue to decline over the next decade, enabling it to meet its decarbonisation targets based on projected investment in renewable energy.

In addition, a transition plan relies on certain conditions or factors being in place. These are referred to as dependencies. For example, a company may depend on the timely availability of low-carbon technologies or supporting infrastructure to achieve its emissions-reduction activities.

For further guidance on the scope of a company's transition plan, see 5.1.30.

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Insight 5.1.10
Is a transition plan just about climate change mitigation?

No. Reducing emissions is a key component; however, a company may choose to consider adaptation actions and resilience in its transition plan – i.e. how it will manage impacts associated with the climate-related physical and transition risks on its operations, strategy and financial position.

Typically, this means a transition plan can address both how a company will contribute to a lower-carbon economy and how it will remain viable in a changing climate.

Insight 5.1.20
Do transition plans vary across companies?

Yes. Companies' transition plans vary significantly depending on a range of factors, including:

- the industry;
- exposure to CROs;
- the extent to which transition actions interact with other sustainability-related matters; and
- the maturity of the company's transition planning.

For some companies, transition planning may focus initially on setting strategic goals, establishing baselines and identifying priority actions; others may have progressed to more detailed plans that integrate targets, capital allocation, governance and delivery mechanisms.

The maturity and level of sophistication of a transition plan can also be influenced by factors such as:

- the scale and geographical spread of operations;
- the structure and complexity of the value chain;
- the availability and quality of data; and
- the resources and capabilities available to design, implement and oversee transition actions.

The regulatory and policy environment, the time horizons of key assets and investments, and the readiness of relevant technologies may further shape how specific, quantified or time-bound a plan can be. In addition, the need to consider workforce impacts, community engagement or dependencies on natural resources may affect the scope, sequencing and feasibility of transition actions.

Taken together, these factors mean that transition plans will not follow a single, uniform model. Instead, differences in maturity and complexity can reflect differences in circumstances, priorities and constraints. As transition planning practices, data and capabilities develop over time, many companies' transition plans might be expected to evolve as their understanding of CROs deepens and implementation progresses, such that their plans become more detailed, integrated and robust.

5.1.30 Scope of a company's transition plan

A company sets its own scope for a transition plan as part of its strategy. A company needs to decide, for example, whether to:

- focus on climate-related mitigation or also include climate-related adaptation;
- include nature-related topics in either a single integrated plan or a separate plan;
- focus on a particular business activity or product line, or its entire own operations; and
- include significant activity to influence the value chain.

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Even if the scope of a company's transition plan is climate-related, elements of this plan may affect – or be affected by – sustainability-related matters beyond climate, including social- and nature-related matters. Actions taken to reduce emissions, adapt operations or reconfigure value chains can have social implications – e.g. impacts on workers, communities, customers or suppliers – and may create both risks and opportunities related to employment, skills, health and safety or affordability.

IFRS S2 mirrors this linkage by requiring a company to disclose information about:

- trade-offs it considered between its different SROs (see 3.2.10 and 3.3.30); and
- connectivity between those SROs (see 6.1.90).

A key social-related aspect often considered in a transition plan is the concept of a just transition. A just transition involves considering the social-related risks and opportunities associated with the transition to a lower-carbon economy, while ensuring meaningful dialogue and participation for affected groups. These groups may include employees and workers in the value chain, communities and consumers whose interests and circumstances could be influenced by transition-related decisions and actions.

Similarly, transition plan actions may interact with nature-related matters – e.g. when changes in land use, sourcing of raw materials, infrastructure development or deployment of new technologies affect biodiversity, ecosystems, water resources or other natural capital. In some cases, these dependencies on nature may influence the feasibility, cost or timing of transition actions; a company may also need to consider related risks to ensure that climate-related actions do not undermine broader sustainability-related outcomes.

For example, a company might consider how:

- switching to lower-carbon raw materials may impact workers in its supply chain;
- increasing water scarcity may affect its water-dependent operating assets; and
- its remuneration structures can effectively incentivise delivery of its transition plan.

As a result, a company may need to consider these interdependencies when developing and disclosing transition plan information, particularly when social- or nature-related impacts could reasonably be expected to influence the execution, resilience or credibility of its transition. Explaining these linkages can help investors understand how a company's climate-related transition fits within its broader strategy and risk management approach.



Example 5.1.10
Transition planning with broader sustainability-related considerations

Company H operates in the mining and metals industry, in which transition planning has implications for both social- and nature-related matters. In developing its transition plan to support the shift towards a lower-carbon and more climate-resilient economy, H has identified that certain transition actions may depend on, impact and be influenced by, social and nature considerations.

From a social perspective, H considers how transition actions – e.g. changes to operating methods or the phased closure of higher-emissions assets – may affect workers and local communities. These actions could influence employment levels, skills requirements and community outcomes in regions where H has a significant presence. Therefore, H considers workforce transition measures and ongoing engagement with affected communities as part of its transition planning.

H also considers nature-related impacts and dependencies associated with its transition plan. For example, investments in new infrastructure or changes in site operations may affect land use, water resources or local ecosystems. H assesses how these nature-related factors could influence the feasibility, cost or timing of its transition actions and seeks to align its climate-related transition with existing environmental management practices.

In its sustainability report, H discloses that it has considered interactions between climate-, social- and nature-related matters in developing its transition plan. It summarises key transition actions, explains how it has considered social- and nature-related impacts in decision-making, and describes how these factors support the credibility and resilience of its overall transition strategy.

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5.1.40 Mapping IFRS S2 disclosures to a company's transition plan

IFRS S2 includes a specific requirement for a company to disclose whether it has a climate-related transition plan. However, many disclosure requirements across the core content areas include information that may be included in a transition plan.[1] [IFRS S2.14(a)(iv)]

Core content area	Disclosure	Relevant information that may be contained in the transition plan
Governance	• Governance body or individual(s) responsible for oversight of CROs • Management's role in the governance process	• How the governance body's oversight of strategy considers the transition plan • Whether and how the company aligns remuneration for all employees with strategic goals
Strategy	• CROs • Business model and value chain • Strategy and decision-making • Financial position, performance and cash flows • Climate resilience	• How policies contribute to achieving strategic goals • How engaging with stakeholders supports indirect mitigation and adaptation efforts • How actions to achieve strategic goals may affect asset valuations
Metrics and targets	• Climate-related metrics: – Cross-cutting (including GHG emissions) – Industry-specific • Climate-related targets	• How the company monitors governance, engagement, business operations and finance • Whether metrics and targets consider a just transition- or nature-related aspects

1. ISSB Educational Material Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2.

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5.2 Scenario analysis

Currently effective requirements: IFRS S2

5.2.10 Introducing scenario analysis

Scenario analysis is a tool a company uses to understand how its strategy and business model might perform under selected climate-related scenarios. Through scenario analysis, a company can explore how climate-related risks – both physical and transition – and opportunities may affect its business, strategy and financial performance over time.

A climate-related scenario (scenario) is a structured, forward-looking description of how climate-related conditions and related socio-economic factors could evolve over time, based on a set of clearly defined assumptions. The scenario includes both the future outcome and the pathway to reach that outcome. When selecting scenarios, a company makes assumptions about a range of factors, including climate-related policies, macroeconomic trends, national- or regional-level variables, energy usage and mix, and developments in technology.

A company may also use scenario analysis for topics other than climate, such as nature. Nature-related scenario analysis is an emerging practice and is less mature than climate-related scenario analysis. Despite this, a company may use nature-related scenarios to assess the potential effects of nature loss, ecosystem degradation and related transition developments on its strategy, business model and resilience.

Scenario analysis varies according to a company's specific circumstances (see 5.2.40) and can range from qualitative scenario narratives to more detailed quantitative modelling (see 5.2.70). [IFRS S2.22, BC63]

Insight 5.2.10
Is there a difference between forecasting and scenario analysis?

Yes. Forecasting and scenario analysis can be complementary processes, but they do differ.

Forecasting considers how a business is expected to perform during a future reporting period. It is based on historical information and forward-looking trends.

Although scenario analysis typically uses forecasts and other data to simulate how the business would perform if certain events occurred, it represents an analysis of 'what-if' questions, rather than a forecast of what is expected to happen.

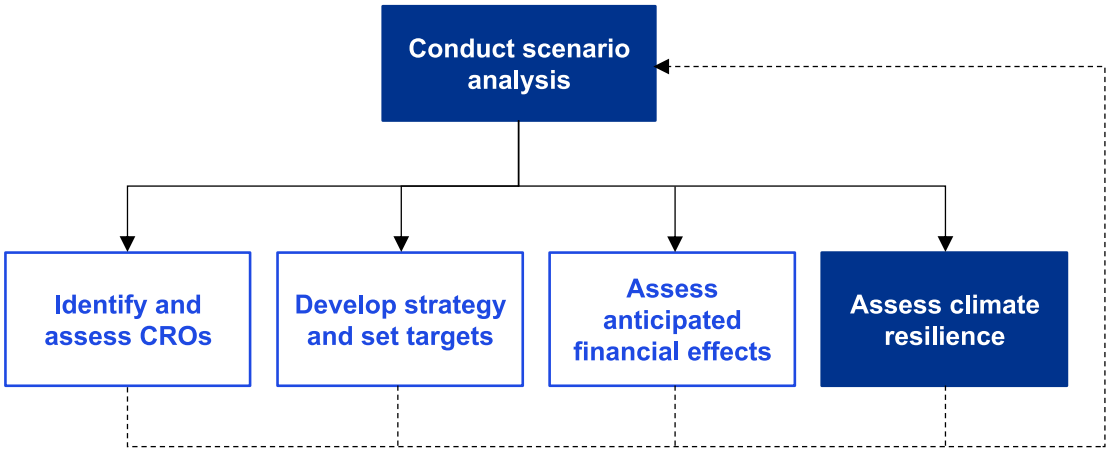
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5.2.20 The role of scenario analysis in IFRS Sustainability Disclosure Standards

IFRS S2 requires a company to use scenario analysis to assess its climate resilience, but provides proportionality measures and guidance to make clear that the type of scenario analysis used depends on the company's facts and circumstances. [IFRS S2.22]

A company may also decide to use scenario analysis to:

- identify and assess CROs (see 4.1.30);
- develop its strategy and set targets (e.g. develop a transition plan – see 4.1.60); and
- assess the anticipated financial effects of CROs (see 3.3.60). [IFRS S2.25(a)(ii), BC69]



Scenario analysis is most commonly used in relation to CROs; however, it may also be used to understand other topics, such as nature, and support reporting on those topics under IFRS S1.

This chapter focuses on performing climate-related scenario analysis, referred to as 'scenario analysis'. For further guidance on the requirements in IFRS S2 on climate resilience and scenario analysis, see 4.1.90.

Insight 5.2.20
Is a company required to use scenario analysis in identifying CROs?

No. A company is only required to use scenario analysis to assess its climate resilience; however, it can also use it in identifying CROs (see 4.1.90).

As part of its risk management disclosures, a company explains whether and how scenario analysis informed its identification of CROs (see Chapter 3.4). [IFRS S2.25(a)(ii), BC69]

Scenario analysis helps identify how different plausible future climate-related pathways could change the nature, magnitude and timing of both physical and transition risks, as well as surface potential opportunities that may not be apparent under a single expected future.

It also enables a company to detect policy, technological, market and environmental developments that could materially affect its business over the short, medium and long term – thereby strengthening the robustness and completeness of its risk and opportunity identification process.

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Insight 5.2.30
Is a company required to use scenario analysis to understand its anticipated financial effects?

No. Scenario analysis is a useful tool that can provide relevant insights into the financial implications of identified CROs, but a company is not required to use it to understand its anticipated financial effects.

Disclosures on anticipated financial effects focus on how CROs may affect a company's financial position, performance and cash flows, taking into account how they are considered in financial planning. This differs from disclosures of resilience (when scenario analysis is required), which focus on the company's ability to withstand climate-related uncertainties under different scenarios. [IFRS S2.BC56]

For example, a company may use scenario analysis to model how changes in key assumptions – e.g. policy, technology, market dynamics and physical conditions – could affect its financial position, performance and cash flows. This analysis may represent reasonable and supportable information that informs its anticipated financial effects disclosures. However, the company also considers a variety of other factors – e.g. the level of measurement uncertainty and how the CROs are incorporated in financial planning – when deciding what information is useful to disclose about the anticipated financial effects.

5.2.30 Conducting scenario analysis

IFRS S2 does not prescribe a step-by-step process for conducting scenario analysis. However, it does provide application guidance that draws on resources published by the Task Force on Climate-related Financial Disclosures (TCFD). This guidance requires a company to:

- assess its circumstances (see 5.2.40); and
- select an approach that is commensurate with its circumstances (see 5.2.50). [IFRS S2.22, B2, BC63–BC64]

A company can use external resources – e.g. the TCFD's Guidance on Scenario Analysis for Non-Financial Companies and the Network for Greening the Financial System (NGFS)'s Guide to climate scenario analysis – to support how it conducts scenario analysis. Some jurisdictions also have specific requirements or guidance that influence the choice of scenarios, assumptions and methodologies or level of detail applied. For example, companies reporting under the Corporations Act 2001 in Australia are required to use a low (1.5°C) and a high (2.5°C or higher) warming scenario.

Insight 5.2.40
Does a company need to perform scenario analysis at each reporting date?

No. A company discloses information about its climate resilience at each reporting date but may perform scenario analysis in line with its strategic planning cycle. That cycle may be yearly or a multi-year planning cycle (e.g. three to five years).

Therefore, disclosures on how a company performed its scenario analysis may stay the same from year to year. However, a company's disclosures about its resilience to climate-related risks need to be updated for the reporting period to reflect updated insight on the impacts of climate-related uncertainty for its business model and strategy, as well as on the conditions as at the reporting date – e.g. to reflect changes to legislation, carbon taxes and any related government announcements. [IFRS S2.B18]

5.2.40 Assessing the company's circumstances

The type of scenario analysis a company performs depends on its specific circumstances. To assess its circumstances, a company considers its exposure to climate-related risks, as well as the skills, capabilities and resources it has available. Because these factors can change over time, a company reassesses its circumstances each time it undertakes scenario analysis. [IFRS S2.B2, B3, BC64]

Understanding its exposure to climate-related risks enables a company to determine the potential benefits of choosing a particular approach. For example, a company with a high degree of exposure may benefit from a more technical approach (e.g. using quantitative information or modelling). This can provide a more robust basis for understanding its climate resilience.

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Alternatively, if a company has lower exposure to climate-related risks, then it may determine that a simpler approach is sufficient. [IFRS S2.B4–B5]

In addition to its exposure, a company considers its skills, capabilities and resources – internal and external – to understand its capacity to undertake scenario analysis. Evaluating these factors helps a company judge the cost and effort required for different methods. For example, a company new to scenario analysis may determine that more quantitative or technically advanced approaches would involve undue cost or effort. However, if it has limited skills and capabilities but sufficient resources, then it can obtain or develop the skills and capabilities needed to apply more sophisticated techniques. [IFRS S2.B6, BC65]

A company's approach is likely to evolve as its exposure and capabilities change over time. Because the process can be resource-intensive, methods are typically refined over successive planning cycles, with companies new to scenario analysis needing more time to develop competence; those in industries with established practice may advance more quickly. [IFRS S2.B7, BC65]



Example 5.2.10
Assessing circumstances with high exposure but available skills, capabilities and resources to respond

Company D, a large agricultural company, assesses its circumstances to determine the most appropriate approach for its scenario analysis. D considers its exposure to climate-related risks across its global agricultural operations, along with the skills, capabilities and resources it has available to support the analysis.

D operates globally, with a significant share of its primary crops concentrated in a region subject to seasonal flooding and drought. Given this high degree of exposure to climate-related physical risks, D determines that it would benefit from a more sophisticated form of scenario analysis.

D considers both internal and external skills, capabilities and resources when assessing the potential cost and level of effort associated with different approaches to scenario analysis. D has a dedicated sustainability team, including agronomy and data-analytics specialists. Although it does not have in-house climate-risk expertise, D identifies that it has sufficient resources to engage an external climate-risk consultant.

On this basis, D concludes that it has the skills, capabilities and resources available to perform a more advanced scenario analysis.



Example 5.2.20
Assessing circumstances with high exposure but limited skills, capabilities and resources to respond

Company C, a mid-sized cement manufacturer, assesses its circumstances to determine the most appropriate approach for its scenario analysis, considering its exposure to climate-related transition risks and the skills, capabilities and resources available to support the analysis.

C operates emissions-intensive cement production facilities in jurisdictions with tightening climate-related policies, including higher carbon pricing, stricter emissions standards and growing demand for lower-carbon construction materials. C determines that its exposure to climate-related transition risks – particularly policy, technology and market risks – is high and that it would benefit from a more sophisticated approach to scenario analysis to better understand potential impacts on costs, asset recoverability and long-term competitiveness.

In assessing the feasibility of more advanced approaches, C considers the cost and effort associated with quantitative modelling of emissions, carbon prices and technology change. C does not have a dedicated sustainability- or climate-strategy function, and its expertise is primarily operational. C also has limited financial capacity to engage external specialists.

On this basis, C concludes that it does not currently have the skills, capabilities or resources to perform a quantitative or highly modelled scenario analysis. Instead, C undertakes a qualitative scenario analysis using publicly available transition scenarios from reputable sources. It uses the results to assess its resilience under different transition pathways and identify key vulnerabilities and priorities for future capability-building.

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Example 5.2.30
Assessing circumstances with low exposure to SROs

Company R, a regional accounting and advisory firm, assesses its circumstances to determine the most appropriate approach for its scenario analysis, considering its exposure to climate-related risks and the skills, capabilities and resources available to support the analysis.

R operates from a small number of leased office locations in a single country and provides accounting, tax and business advisory services to domestic clients. R determines that its exposure to climate-related physical and transition risks is low. Its operations are not emissions-intensive, it owns no significant long-lived physical assets, and its main potential climate-related impacts are indirect (e.g. short-term office disruption during extreme weather events and changes in energy and travel costs).

Based on this low level of exposure, R determines that a qualitative scenario analysis is appropriate and proportionate. R uses publicly available climate-related and transition scenarios from reputable sources to qualitatively assess whether its strategy, service delivery model and cost base remain resilient under different climate-related pathways over the short, medium and long term. R uses the results to confirm that climate-related risks are unlikely to have a material effect on its operations at this stage and to identify any emerging issues that may require monitoring over time.

5.2.50 Selecting an approach to scenario analysis

A company selects an approach to scenario analysis that is commensurate with its circumstances. This includes selecting inputs and making analytical choices that enable it to consider all reasonable and supportable information available at the reporting date without undue cost or effort. [IFRS S2.B1, B8–B15, BC64]

5.2.60 Selecting inputs

A company selects the inputs it uses in its scenario analysis – e.g. scenarios, variables and assumptions. These inputs may be qualitative or quantitative, derived from internal or external sources, and may relate to past, current or future conditions and events.

IFRS S2 does not prescribe which scenarios a company uses. Instead, a company selects scenarios relevant to its circumstances, taking into account factors such as the nature and location of its operations, its industry and business activities, its exposure to climate-related physical and transition risks and the jurisdictions in which it operates. [IFRS S2.BC66–BC67]

When performing scenario analysis, a company makes assumptions about the scenarios it uses, including:

- climate-related policies in the jurisdictions in which it operates;
- broader macroeconomic trends;
- national or regional conditions (including weather patterns, demographics, land use and infrastructure);
- expected energy usage and mix; and
- the pace of technological developments. [IFRS S2.22(b)(ii)]

Because each assumption carries inherent uncertainty, a company applies judgement – both in selecting the assumptions and in interpreting the potential effects on its CROs.

5.2.70 Making analytical choices

A company's climate-resilience assessment is informed by not only the individual inputs used in its scenario analysis but also analytical choices about how those inputs are combined and applied in carrying out the analysis. A company prioritises analytical choices that enable it to use all reasonable and supportable information available at the reporting date, without undue cost or effort. For example, it makes an analytical choice when it decides whether to use qualitative narratives or quantitative modelling, or a combination of both, weighing up the relative costs and benefits of different approaches.

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Quantitative information will often support a more robust assessment of climate resilience by enabling clearer analysis of potential impacts and sensitivities. However, qualitative information, including scenario narratives, can also provide a reasonable and supportable basis for the assessment, either on its own or when used alongside quantitative data. [IFRS S2.B14–B15]

Insight 5.2.50
Can a company with low skills and capabilities choose to conduct a simple scenario analysis?

It depends. If a company's exposure to climate-related risks warrants a more sophisticated form of scenario analysis, then it cannot choose to use a simpler approach because it lacks the necessary skills and capabilities but has the resources to develop or obtain them (e.g. through training or engaging external consultants).

When selecting an approach, a company considers whether the expected benefits of the scenario analysis outweigh the associated costs and effort, considering both its level of exposure to climate-related risks and the costs and effort associated with the approach.

Insight 5.2.60
Is a company required to use publicly available scenarios?

No. A company is not required to use publicly available scenarios. It may use or adapt publicly available scenarios, or develop its own, provided it has a reasonable and supportable basis for its selection.

Publicly available scenarios are often developed by authoritative international organisations or industry bodies and describe plausible future climate-related outcomes, trends or transition pathways. Some align with jurisdictional commitments to international climate-related agreements, while others reflect region- or industry-specific considerations. Using these scenarios can support comparability and alignment with widely recognised external references, while allowing a company to select those most relevant to its business and exposures.

Examples of publicly available scenarios include:

- the Shared Socioeconomic Pathways and Representative Concentration Pathways developed by the IPCC;
- the energy system transition pathways developed by the International Energy Agency; and
- the scenarios developed by the NGFS for financial institutions.

However, some companies – particularly those with more advanced scenario analysis capabilities or higher exposure to climate-related risks – may find that publicly available scenarios lack sufficient granularity or company-specific insight and may therefore choose to develop their own scenarios.

Insight 5.2.70
Is a company required to use more than one scenario?

No. A company can choose to use one or multiple scenarios, provided it has a reasonable and supportable basis for its selection.

Using multiple scenarios can help a company assess how resilient its strategy and business model are under different plausible climate-related conditions, particularly if its exposure to climate-related risks is significant. For example, a company might compare an orderly transition scenario with a disorderly transition scenario to assess how different policy pathways could affect demand for its products, asset values or capital allocation decisions. [IFRS S2.B14–B15]

In some jurisdictions, sustainability reporting requirements may specify the number of scenarios a company is required to use. For example, companies reporting under the Corporations Act 2001 in Australia are required to use, at a minimum, a low (1.5°C) and a high (2.5°C or higher) warming scenario. [IFRS S2.B11–B13, B67]

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Insight 5.2.80
Do scenarios focus only on climate-related physical risks?

No. Scenarios can be aligned to climate-related physical and/or transition risks.

Scenarios aligned to physical risks explore the potential financial effects of acute weather-related events and chronic long-term climatic shifts, while scenarios aligned to transition risks focus on policy, legal, technological and market changes associated with moving to a lower-carbon economy. These categories differ because they may arise from different drivers, unfold over different time horizons and create different types of financial exposure for a company (e.g. direct asset damage compared with regulatory or market shifts).

Depending on its CROs, a company may choose to use scenarios that align more closely to physical or transition risks. For example, a company with asset-intensive operations in climate-exposed geographies may place greater emphasis on physical-risk-aligned scenarios to assess potential impacts on asset resilience and insurance costs. Alternatively, a company operating in emissions-intensive sectors may prioritise transition-risk-aligned scenarios to understand the effects of carbon pricing, regulation or changes in market demand.

However, considering both types of scenarios can support a more complete assessment of how CROs could affect a company's strategy, business model and cash flows.

Example 5.2.40
Selecting an approach to scenario analysis

Company O, a mid-sized manufacturing company, has assessed its exposure to climate-related risks as moderate, primarily driven by physical risks – e.g. water scarcity and frequent storms that could disrupt the availability and cost of key production inputs. O has determined that it currently does not have the skills, capabilities or resources to undertake a highly sophisticated or quantitative scenario analysis.

When determining its approach, O selects three publicly available scenarios from authoritative external sources that together represent a range of plausible climate-related outcomes. O uses qualitative scenario narratives to assess how its identified climate-related risks could affect its operations, strategy and business model, focusing on the nature, direction and relative severity of potential effects rather than precise quantification.

Based on this assessment, O concludes that its choice of scenarios and qualitative analytical approach enables it to consider all reasonable and supportable information available at the reporting date without undue cost or effort, having regard to its size, capabilities and level of exposure to CROs.

O conducts its scenario analysis once every three years, aligned with its business planning cycle. Given its moderate exposure to climate-related physical risks, O has included targeted investment in its next three-year business plan to build skills and capabilities in climate-risk modelling.

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6.1 Presentation and connectivity

Currently effective requirements: IFRS S1, IFRS S2

To help ensure that information is appropriately presented within the general purpose financial reports, a company:

- determines the location of information and presentation structure (see 6.1.30);
- provides connected information across the sustainability report and other information included in the general purpose financial reports (see 6.1.80); and
- uses cross-referencing, when permitted, to avoid unnecessary duplication of information (see 6.1.130).

In addition, a company provides information about the basis of preparation of the sustainability report (see 6.1.10).

6.1.10 Basis of preparation

Providing information about the basis on which a sustainability report is prepared enables investors to understand the scope, assumptions and limitations that underpin a company's disclosures.

This information provides investors with important context for interpreting the disclosures and assessing their consistency with other information included in the general purpose financial reports.

Information about the basis of preparation may encompass a number of inter-related aspects that are explained throughout this publication, including:

- the scope of the sustainability report, including the reporting entity (see 2.1.10) and the reporting period (see 2.3.50);
- the statement of compliance (see 6.1.20);
- connectivity with the financial statements and other reports (see 6.1.80);
- the presentation currency (see 6.1.20);
- the sources of guidance applied (see 2.2.30 and 2.2.80);
- key judgements, estimates and assumptions made (see 2.3.80 and 2.3.90);
- transition reliefs taken (see 6.2.50); and
- subsequent events (see 2.3.70).

D For an example illustrating how a company can present basis of preparation disclosures, see Example 1 in our Illustrative disclosures.

6.1.20 Statement of compliance

When a company asserts compliance with IFRS Sustainability Disclosure Standards, its sustainability report complies with all of their requirements even if law or regulation permits it not to disclose such information and it includes an explicit and unreserved statement of compliance. A company may still include this statement if its disclosures are complete except for information that is either prohibited by local laws or regulations or excluded because it is commercially sensitive (see 2.3.190). If a company omits information prohibited by local laws or regulations, it identifies the type of information not disclosed and explains the source of the restriction. [IFRS S1.72–73, B32–B37]

IFRS Sustainability Disclosure Standards adopted by a local jurisdiction may differ from those issued by the ISSB. Therefore, if a company applies jurisdiction-specific transition reliefs or amendments that are not permitted under IFRS Sustainability Disclosure Standards, then it cannot state compliance with IFRS Sustainability Disclosure Standards as issued by the ISSB. A company needs to disclose the following information.

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Information	What to disclose
Statement of compliance	• An explicit and unreserved statement that the sustainability report has been prepared in accordance with IFRS Sustainability Disclosure Standards. [IFRS S1.72]



Insight 6.1.10
Can a company apply some of the requirements but not all and still make a statement of compliance?

No. A company does not make a statement of compliance if it has applied only some of the requirements in IFRS Sustainability Disclosure Standards. A statement of compliance is permitted only when the company's disclosures comply with all applicable requirements of the standards, subject to the specific exceptions relating to information prohibited by local laws or regulations or commercially sensitive information (see 2.3.190).



Insight 6.1.20
Can a company still state compliance when applying transition reliefs?

Yes. A company may still include an explicit and unreserved statement of compliance when applying transition reliefs that are expressly permitted under IFRS Sustainability Disclosure Standards. Applying these reliefs does not, in itself, prevent a company from stating compliance, provided it meets all other applicable requirements and discloses that it has used those reliefs (see 6.2.50).

For example, if a company applies the transition relief that permits disclosure only of relevant CROs in the first year of reporting, then it may still state compliance with IFRS Sustainability Disclosure Standards.

However, after the first year, a company that provides all disclosures required under IFRS S2 but does not provide all material information about other relevant SROs would not be permitted to state compliance with the standards. This is because IFRS S1 requires a company to disclose all material information about relevant SROs that could reasonably be expected to affect its prospects.

Similarly, if a company applies jurisdiction-specific transition reliefs that are not permitted under IFRS Sustainability Disclosure Standards, then it would not be able to state compliance with IFRS Sustainability Disclosure Standards as issued by the ISSB (see Insight 6.1.30).



Insight 6.1.30
Can a company state compliance with IFRS Sustainability Disclosure Standards when it applies a locally adopted version of the standards?

It depends. A statement of compliance with IFRS Sustainability Disclosure Standards as issued by the ISSB is appropriate only when a company complies with all of the requirements in the standards.

When a company applies a jurisdictionally adopted version of the standards that includes deletions of, amendments to, or extended transition reliefs from the requirements in IFRS Sustainability Disclosure Standards, it does not apply those standards as issued by the ISSB. In these circumstances, the company does not state compliance with IFRS Sustainability Disclosure Standards as issued by the ISSB, but instead refers to compliance with the standards as adopted by the relevant jurisdiction.

However, if a jurisdiction imposes additional requirements that are supplementary to, and do not alter or remove, the requirements in the standards, then a company could state compliance with both IFRS Sustainability Disclosure Standards as issued by the ISSB and the standards as adopted by that jurisdiction.

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Insight 6.1.40
Can a company state compliance with IFRS Sustainability Disclosure Standards when applying multiple frameworks?

Yes, a company can state compliance with IFRS Sustainability Disclosure Standards while applying multiple frameworks, provided that it complies with all of the requirements in the standards as issued by the ISSB.

A company may use other frameworks or sources of guidance – e.g. GRI Standards and ESRS – when applying the requirements in IFRS Sustainability Disclosure Standards. In this case, the resulting disclosures need to comply with the requirements of IFRS Sustainability Disclosure Standards. [IFRS S1.54–55]

A company may also provide additional information based on other frameworks – e.g. to meet local jurisdictional requirements or the needs of other stakeholders. However, it needs to ensure that this additional information does not contradict, replace or obscure material information prepared in accordance with IFRS Sustainability Disclosure Standards. When different frameworks require different measurements, methodologies or reporting boundaries, the company clearly explains these differences and distinguishes the information from that prepared in accordance with IFRS Sustainability Disclosure Standards. If a company provides broader stakeholder-focused information, then it clearly distinguishes it from that provided to comply with IFRS Sustainability Disclosure Standards (see 6.1.60). [IFRS S1.56–59, B7, C1–C3]

6.1.30 Location of information and presentation structure

Decisions about where information is located, and how it is structured within the sustainability report and general purpose financial reports, affect how easily investors can identify, navigate and understand that information.

A company's decisions on the appropriate location and presentation (see 6.1.40 and 6.1.70) of information can help ensure that the sustainability report is clearly identifiable and provide a coherent basis for investors to understand the information presented.

6.1.40 Location of information

A company discloses sustainability-related financial information as part of its general purpose financial reports, prepared at least annually. Although IFRS S1 does not require interim reporting, a company may provide interim disclosures either voluntarily or when they are required by local laws or regulations (see 2.3.60). [IFRS S1.60]

IFRS S1 does not specify a single location for disclosures as long as the information is clearly identifiable. This means that information could be presented, for example:

- in the same document as the company's other general purpose financial reports and either:
  - integrated through the front part of the report, which includes management commentary, with clear connectivity to the financial statements; or
  - in a separate section with clear connectivity to other report content – e.g. management commentary and the financial statements; or
- within different sections of the company's reporting package and/or cross-referenced to other documents – e.g. a separate sustainability report (subject to certain conditions) (see 6.1.130). [IFRS S1.61–63]

A company also needs to consider jurisdiction-specific requirements on locating information (see 6.1.50) and whether information is presented alongside disclosures prepared under other standards or frameworks (see 6.1.60).

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Insight 6.1.50
Can information be split across multiple documents when applying IFRS Sustainability Disclosure Standards?

Yes. The standards permit information to be included across multiple documents, including through cross-referencing, provided that specified conditions are met. [IFRS S1.61–63]

For example, a company may include some information within its general purpose financial reports (see 6.1.80) and cross-refer to additional disclosures included in another report (e.g. a separate sustainability report).

However, a company needs to ensure that the information required by the standards remains clearly identifiable and is not obscured by additional information. Investors also need to be able to access the cross-referenced information on the same terms and at the same time as the general purpose financial reports.

6.1.50 Local jurisdictional requirements

Local jurisdictional requirements may affect how a company presents information prepared under IFRS Sustainability Disclosure Standards. In some jurisdictions, companies may be required to include the information within a specific section of their general purpose financial reports or present it alongside disclosures prepared under local requirements.

Local requirements may also affect the structure, format or location of the information presented. Therefore, a company needs to understand how local requirements interact with IFRS Sustainability Disclosure Standards when preparing its sustainability report to ensure that any jurisdiction-specific presentation requirements do not affect its ability to comply and assert compliance with the standards.

6.1.60 Other sustainability reporting standards or frameworks

A company may present sustainability-related financial information alongside disclosures prepared under other sustainability reporting standards or frameworks, provided that the information required by IFRS Sustainability Disclosure Standards is clearly identifiable and not obscured (see 2.2.150). [IFRS S1.61–62]

A company may distinguish material information to meet the requirements of the standards from immaterial information disclosed to meet other requirements (e.g. legal, regulatory or other standards). It might do this by combining the following measures:

- using digital tagging (XBRL or similar) to ensure investors can extract material information;
- distinguishing information using formatting, such as boxes or shading;
- presenting immaterial information separately (i.e. splitting one report into two parts); and
- providing two sets of information: one containing the full set of disclosures and another containing only information disclosed in accordance with IFRS Sustainability Disclosure Standards.

Some companies also publish other documents in addition to their general purpose financial reports. This may include separate sustainability reports, supplementary data sheets or special-purpose reports prepared to meet the needs of a broader group of stakeholders.

Accordingly, a company needs to consider how it organises and connects disclosures prepared under different standards or frameworks, particularly when information about the same SRO or topic is reported for different reporting objectives or audiences.

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Insight 6.1.60
Can a company present disclosures prepared under IFRS Sustainability Disclosure Standards together with disclosures prepared under GRI Standards?

Yes. A company may use GRI Standards alongside IFRS Sustainability Disclosure Standards. IFRS Sustainability Disclosure Standards focus on information that is material to investors, but GRI Standards are designed to address the information needs of a broader group of stakeholders.

Some topics reported under GRI Standards may also be of interest to investors. However, differences may arise in the reporting objective and type of information required under each framework.

Accordingly, a company may adopt a two-pillar reporting approach and apply:

- IFRS Sustainability Disclosure Standards for investor-focused information included in general purpose financial reports; and
- GRI Standards for broader sustainability reporting – e.g. in a sustainability report, online disclosures or a GRI index.

A company needs to ensure that disclosures required by IFRS Sustainability Disclosure Standards remain clearly identifiable and are not obscured by additional information.

Insight 6.1.70
Can information presented in a sustainability statement prepared in accordance with ESRS also be used to comply with IFRS Sustainability Disclosure Standards?

Potentially, yes. IFRS Sustainability Disclosure Standards and ESRS were developed with a high degree of alignment and interoperability, particularly for climate-related disclosures. As a result, a company that prepares a sustainability statement in accordance with ESRS may be able to leverage that information when preparing disclosures under IFRS Sustainability Disclosure Standards, which may support more efficient reporting processes.

However, compliance with ESRS does not automatically result in compliance with IFRS Sustainability Disclosure Standards. A company needs to assess the requirements of each set of standards and identify any additional disclosures or considerations needed to achieve compliance with both.

Joint interoperability guidance published by the ISSB and EFRAG[1] describes how the requirements of both sets of standards align (based on disclosure requirements in ESRS Set 1 adopted in 2023). This guidance may be helpful for a company looking to understand the information it can leverage when reporting under both sets of standards.

Insight 6.1.80
Can a company continue to publish a separate sustainability report to meet the needs of wider stakeholders?

Yes. Currently, many companies use a sustainability report to provide information for a broad group of stakeholders about their impacts on the economy, environment or society, as well as information about relevant SROs, strategy and governance.

When applying IFRS Sustainability Disclosure Standards, a company needs to include sustainability-related financial information within its general purpose financial reports. However, this does not prevent it from continuing to publish a separate sustainability report for broader stakeholder purposes.

1. The EU's advisory body on corporate reporting.

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When a company publishes both reports, the standards require that it establishes clear connectivity between reports (see 6.1.80), reduce unnecessary repetition where appropriate and use cross-referencing where permitted (see 6.1.130).

Regardless of the reporting structure it adopts, a company needs to ensure that information required by IFRS Sustainability Disclosure Standards remains clearly identifiable and is not obscured by additional information.

6.1.70 Presentation structure

A company is free to determine the most appropriate structure for reporting that is coherent and facilitates linkage with any broader sustainability reporting to avoid unnecessary duplication.

The objective is not to prescribe a single reporting format, but to enable a company to communicate information in a way that reflects its circumstances, supports connectivity across disclosures and helps investors understand the company's sustainability-related story.

The standards are structured around four content areas of governance, strategy, risk management, and metrics and targets (see Section 3). However, a company is not required to follow this structure when presenting its disclosures. IFRS S1 specifies that a company avoids duplication if various IFRS sustainability disclosure standards require common pieces of information.

When designing the presentation structure, key decisions include whether to:

- include all information within a single general purpose financial report or to cross-refer;
- present information using a common reporting structure – e.g. structuring the presentation into the four content areas of governance, strategy, risk management, and metrics and targets, or using broader sustainability reporting categories, such as General, Environmental, Social and Governance; or
- integrate content from different topics within existing sections of the general purpose financial report or keep it separate.

These decisions are interconnected and may be applied in combination when designing the presentation structure.

D For examples illustrating how a company can present sustainability disclosures, see Section 3 of our Illustrative disclosures.

Insight 6.1.90
Does a company that previously adopted TCFD need to change its presentation structure?

It depends. A structure commonly employed by TCFD adopters is to present information in relation to each content area separately (i.e. a TCFD report split into governance, strategy, risk management, and metrics and targets sections). If this structure is duplicated for all relevant topics presented under IFRS S1 (e.g. climate, biodiversity, water and human capital), then it may become more challenging to demonstrate linkages between topics and across content areas – e.g. strategy, business model and risks.

Instead, when planning its presentation structure, a company may consider which elements:

- are consistent across all topics (e.g. certain governance and risk management information);
- cut across multiple topics but relate to specific content areas (e.g. strategic plans to mitigate supply chain risk may be linked to climate-related, human rights and water topics); and
- are topic-specific.

If a company chooses to take the transition relief to report only on CROs in the first year of application (see 6.2.50), then it will need to decide how to plan for future reporting across other topics too when setting its presentation structure.

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Insight 6.1.100
Is a company required to use the content areas as a presentation structure?

No. Under the standards, disclosures are required on each content area (governance, strategy, risk management, and metrics and targets). However, the standards do not require that a company use this as a presentation structure.

If a company chooses to report separately on each relevant topic and each content area, then there is a risk of duplicating information within the report. This would be the case when, for example, the governance and risk management of multiple topics are managed on an integrated basis. There is also a risk that this would lead to fragmented reporting.

The standards indicate that duplication could be avoided by integrating the disclosure of common information. A company needs to determine the most appropriate presentation structure for its circumstances. [IFRS S1.B41(b), B42(b)]

6.1.80 Connected information

Sustainability-related financial information is more useful to investors when it enables them to understand how different pieces of information relate to one another and how that information together affects a company's prospects. To be coherent, the information needs to explain the context for related disclosures and the connections between them. [IFRS S1.D31]

Providing connected information can help investors assess how relevant SROs are reflected consistently across governance, strategy, risk management, and metrics and targets, and how this information links to other information included in the company's general purpose financial reports.

Connected information encompasses connections:

- between relevant SROs and related business issues (see 6.1.90);
- between disclosures within the sustainability report, including across governance, strategy, risk management, and metrics and targets (see 6.1.100); and
- across the sustainability report and other general purpose financial reports (e.g. the financial statements), including the consistency of data and assumptions used (see 6.1.110 and 6.1.120).

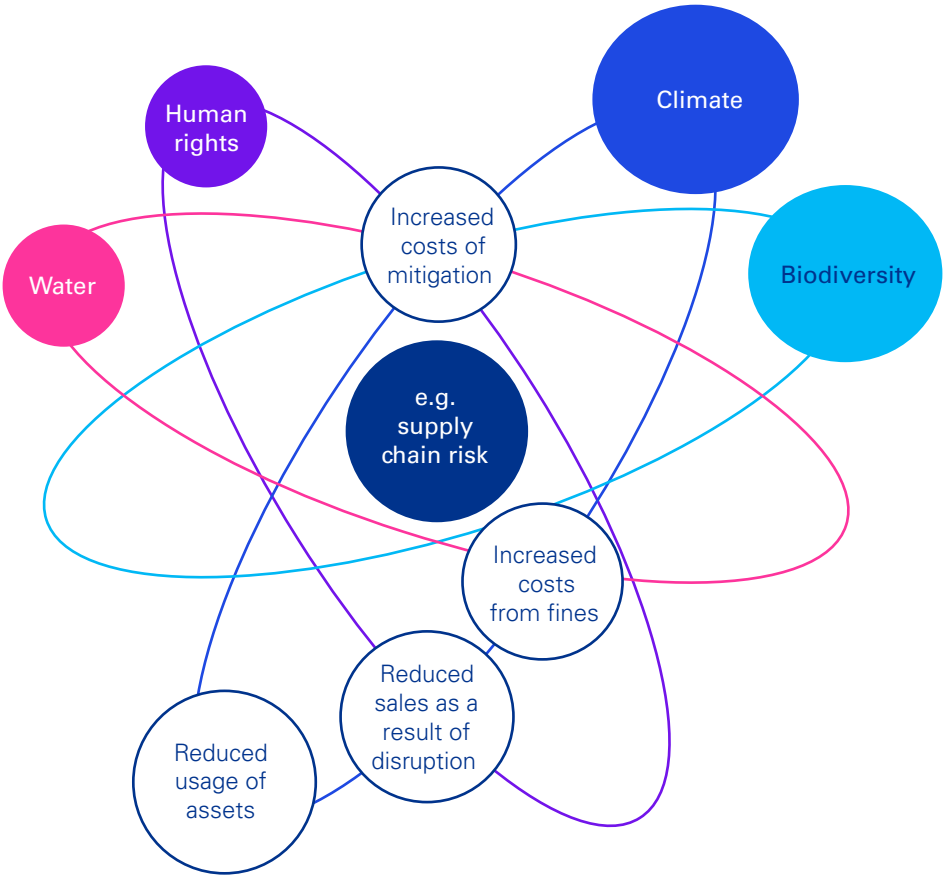
A company needs to decide how to present information to ensure that relevant connections are visible and understandable (see 6.1.70).

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6.1.90 Connected information between SROs and related business issues

Business issues, including relevant SROs, are often interconnected with interdependencies (e.g. when actions taken to address one matter affect another) and trade-offs (e.g. when mitigating one risk increases another cost) arising through a company's decision-making process.

Integrating information about different relevant SROs enables investors to understand how these matters interact and affect a company's prospects, rather than assessing individual disclosures in isolation. For example, when disclosing information about its strategy, a company provides information about trade-offs that it considered (see 3.3.30).



A company might identify exposure to supply chain risks relating to water, human rights, climate and biodiversity. These risks impact its current and anticipated future production costs and revenue streams and are driving changes to business model, strategy and risk management processes. To meet the connected information requirements, the company could present these risks in a coherent narrative that explains their combined effect on its supply chain. A company needs to disclose the following information.

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Connected information	What to disclose
Connections between relevant SROs and related business issues	• Information that enables investors to understand the connections between various relevant SROs that could reasonably be expected to affect the company's prospects. • This may include: – how these connections influence strategic decisions and related financial effects; – significant interdependencies and trade-offs between relevant SROs; – how commitments, targets and actions relating to relevant SROs connect to the company's strategy and financial performance; and – how the combined effects of these interconnected matters affect the company's prospects. [IFRS S1.21(a), B39–B40]



Example 6.1.10
Connecting supply chain risks, strategy and financial effects

Company M sources agricultural raw materials from multiple regions and processes them into packaged food products for international distribution. M identifies exposure to interconnected supply chain risks, including water scarcity, human rights concerns, climate-related impacts and biodiversity loss. These risks are inter-related and, if not managed, could increase expected production costs and reduce future revenue due to supply disruptions.

In response, M started the process of strengthening supplier engagement, diversifying sourcing regions and investing in more sustainable agricultural practices. Although these actions increase short-term opex and capex, they enhance supply chain resilience and support continued access to customers who prioritise responsibly sourced products.

In its disclosures, M explains how these interconnected matters and related trade-offs affect its prospects, including its financial position, performance and cash flows over the short, medium and long term, by linking:

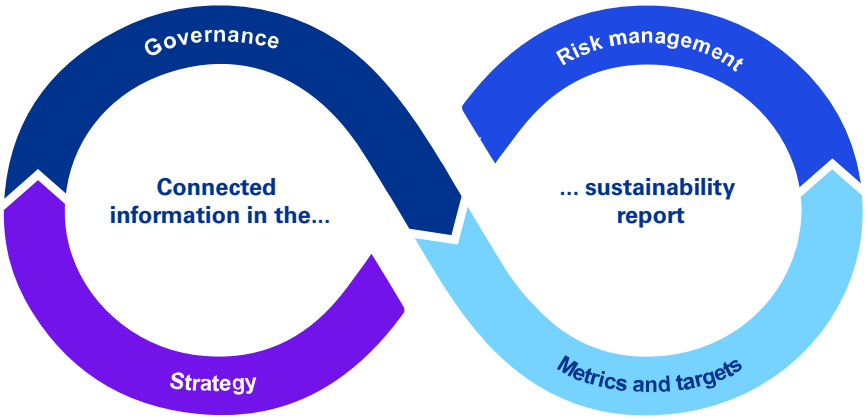
- ***risks:*** water scarcity, human rights issues, climate-related impacts and biodiversity loss that could disrupt production and increase expected costs (e.g. mitigation, compliance and disruption-related expenses);
- ***strategic responses:*** strengthening supplier engagement, diversifying sourcing regions and investing in more sustainable agricultural practices. These actions increase short-term opex and capex but reduce long-term exposure to supply disruptions;
- ***opportunities:*** growing demand for responsibly sourced products in markets that prioritise sustainable supply chains, supporting potential revenue growth and enhanced brand reputation; and
- ***monitoring:*** tracking developments that may affect the value or useful life of assets linked to higher-risk sourcing regions.

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6.1.100 Connected information in the sustainability report

A company needs to connect the disclosures provided on each relevant SRO across governance, strategy, risk management, and metrics and targets so that investors can understand the overall effects of those matters on the company's prospects. This also includes connecting information across different relevant SROs when relevant. [IFRS S1.21(b)(i), 25]

In making these connections, a company considers how information is presented to ensure that the linkage between disclosures is clear, concise and understandable, including through use of cross-references, the location of related information and other presentation techniques. [IFRS S1.21, B39, B42]



When presenting connected information, connectivity and coherence are closely related yet distinct concepts. Connectivity focuses on explaining how disclosures are linked and how sustainability-related matters translate into financial effects; coherence refers to the overall consistency and alignment of the sustainability-related narrative across topics and over time. [IFRS S1.D31]

When providing these disclosures, a company needs to avoid unnecessary duplication. For example, if it has an integrated oversight function for all relevant SROs, then it provides integrated governance disclosures, rather than individual governance disclosures for each SRO. [IFRS S1.B41(b), B42(b), IFRS S2.7]

A company needs to disclose the following information.

Connected information	What to disclose
Connections within the sustainability report	• Information that enables investors to understand the connections between disclosures provided within the sustainability report, including how a particular SRO is reflected across governance, strategy, risk management, and metrics and targets. [IFRS S1.21(b)(i), B39] • This may include: – links between governance, strategy and risk management disclosures for a particular SRO; – links between narrative disclosures and related quantitative information, including metrics and targets (and, when relevant, related information in the financial statements); and – explanations of connections between different relevant SROs. [IFRS S1.B41]

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Example 6.1.20
Connectivity in the sustainability report

Company Q has identified a sustainability-related risk arising from the transition to lower-carbon steelmaking and changing customer, policy and market expectations. These changes may reduce the competitiveness of higher-emissions production routes, while creating opportunities in lower-carbon steel, electrical steels and other materials and solutions that support the energy transition.

In response to this risk, Q:

- establishes and discloses a transition strategy to reduce the carbon intensity of steelmaking and respond to changing market, customer and policy expectations;
- explains the governance and risk management processes supporting its implementation; and
- presents the metrics and targets used to monitor progress.

The related information is presented across the core content areas in the sustainability report as follows.

Area	Disclosure
Governance	Board and committee oversight of the climate-related transition strategy, including review and approval of decarbonisation priorities, major capital investment decisions, GHG reduction targets and progress against implementation.
Strategy	Q's transition strategy to transform production routes, reduce the carbon intensity of steelmaking and secure lower-carbon materials in response to the identified SROs, together with the current and anticipated financial effects of that strategy.
Risk management	A summary of the existing risk management processes used to prioritise and monitor climate-related transition risks associated with market demand, implementation of transition projects, technology deployment and carbon pricing.
Metrics and targets	Comparison of scope 1, 2 and 3 emissions metrics against a defined base period, together with selected indicators used to monitor progress against the approved GHG reduction targets and implementation of the transition strategy.

This connected presentation enables investors to understand how the identified relevant SROs are reflected consistently across governance, strategy, risk management, and metrics and targets, and how the transition strategy and related actions translate into financial effects.

Insight 6.1.110
Does a lack of connectivity across the core content areas suggest that disclosures are missing?

It depends. When a company's disclosures do not clearly connect governance, strategy, risk management, and metrics and targets, this may suggest potential gaps in the disclosures or in how information is presented. However, the reasons for limited connectivity may vary and need to be considered in the context of the disclosures as a whole.

For example, this may arise when:

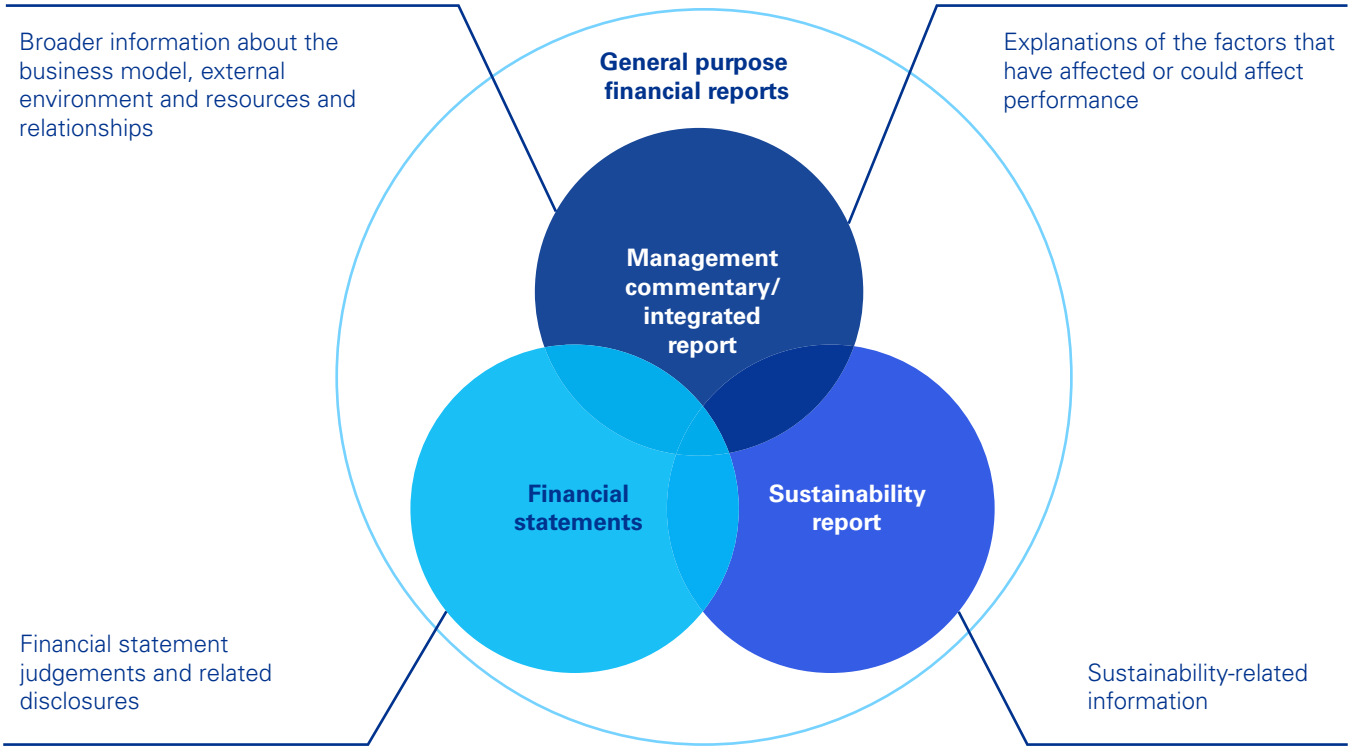
- relevant SROs are identified but not reflected in the company's strategy;
- targets are disclosed without clear links to the plans or strategic approaches supporting them; or
- metrics are not clearly connected to related financial impacts.

Apparent inconsistencies may also reflect a company's stage of maturity, differences in how developed certain disclosures are, the way information is structured or materiality judgements. Ultimately, what matters is whether the disclosures as a whole provide a coherent and understandable picture of how relevant SROs affect the company's prospects.

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6.1.110 Connected information across the general purpose financial reports

A company needs to ensure that the information it provides enables investors to understand the connections across its general purpose financial reports. These reports include the financial statements, sustainability report and, when relevant, other general purpose financial reports – e.g. management commentary, a strategic report or an integrated report. [IFRS S1.21(b)(ii)]



Any inconsistencies in the data and assumptions across the reports are disclosed (see 6.1.120).

A company needs to disclose the following information.

Connected information	What to disclose
Connections across reports	• Information that enables investors to understand the connections between the sustainability report and other general purpose financial reports, including the related financial statements. [IFRS S1.21(b)(ii)] • This may include explaining linkages clearly across reports, cross-references where appropriate, consistent data and assumptions to the extent possible, and explanations of significant differences from the related financial statements. [IFRS S1.B42–B43]

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Example 6.1.30
Connectivity in general purpose financial reports

Continuing Example 6.1.20, Company Q provides the following information in its general purpose financial reports.

General purpose financial reports	Information provided
Sustainability report	Q discloses information about the sustainability-related risk arising from the transition to lower-carbon steelmaking and changing customer, policy and market expectations, together with related opportunities in lower-carbon steel products. Q explains its transition strategy, including emissions-reduction targets, planned actions to progressively transform production routes and reduce emissions intensity, and ongoing evaluation of investments and operational changes that may support the transition over time. Q also discloses the current and anticipated financial effects of that strategy, including the expected effects on capital allocation, operations and future financial performance.
Management commentary	Q describes how the transition strategy is incorporated into its business plan and broader corporate strategy. Q's disclosures explain the main strategic actions to implement the transition plan, including: • decisions on investing in lower-carbon production methods; • assessment of how existing production facilities fit in the long-term transition; and • the way changing market demand, policy measures and technology developments may affect the business over time. Q also explains that the financial implications of the transition may arise in different ways, including through changes in expected cash flows, capex, opex and the timing of asset replacement and decommissioning.
Financial statements	Q discloses that it considered the sustainability-related risk in assessing the accounting estimates and balances that may be affected by its transition plan, including: • impairment, useful lives and residual values reviews of relevant property, plant and equipment; and • decommissioning liabilities associated with existing production facilities. Q discloses the following specific information in the relevant notes about the changes in its accounting estimate of the useful life of its relevant property, plant and equipment, along with the expected effect of the resulting higher depreciation in current and future periods. • Q has depreciated the related property, plant and equipment over an estimated useful life of 25 years on a straight-line basis.

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	• Having reviewed its forward-looking business plan, Q reduces the useful life of its relevant property, plant and equipment from 25 years to 15 years, which is when it expects its new production facilities and equipment to be ready for use. Q also tests its relevant property, plant and equipment for impairment, given the indicators of impairment at the reporting date. Q determines that no impairment loss exists. Q assesses whether its transition plan affects the expected timing of decommissioning existing production facilities and determines that the strategy has not yet resulted in adjustment to existing provisions in the current reporting period.

Q ensures its disclosures are connected throughout its general purpose financial reports by reporting information consistently and drawing connections between:

- the current and anticipated financial effects reported in the sustainability report and the related financial statement disclosures, if applicable;
- the transition plan and management's strategy; and
- management's strategy and the assumptions used in the financial statements – e.g. the useful lives and residual values applied in depreciation and the estimates and assumptions used in calculating the recoverable amount and decommissioning activities.

Insight 6.1.120
Does a company need to prepare its financial statements under IFRS Accounting Standards to achieve connectivity?

No. A company is not required to apply IFRS Accounting Standards to achieve connectivity in its general purpose financial reports. However, when reporting under IFRS Sustainability Disclosure Standards, it is required to identify and connect to the related financial statements. [IFRS S1.22]

6.1.120 Consistency of data and assumptions

Achieving connectivity between the sustainability report and the financial statements is important. For example, a company uses the presentation currency of its financial statements when currency is selected as the unit of measure in its sustainability report. In addition, management's views on each SRO need to inform both the sustainability report and the financial statements. Although the data and assumptions used in the sustainability report may differ from those for the financial statements, they need to be consistent to the extent possible, and information about significant differences needs to be disclosed. This is required regardless of whether financial statements are prepared under IFRS Accounting Standards or other GAAP. [IFRS S1.23–24, B42(c)]

For example, when a company assesses whether indicators of impairment exist, or estimates the useful lives and residual values of its non-financial assets or cash-generating units, then it needs to consider whether the data and assumptions used in its sustainability report are consistent, to the extent possible, with those used in the related financial statements.

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The table below sets out some further examples of disclosures for which achieving connectivity between the sustainability report and the financial statements may be important. Note that materiality judgements are made in the context of each report. The financial statements do not necessarily contain information about every risk or opportunity described in the sustainability report. [IFRS S1.23, B42(c)]

Content area	Illustrative connections between:	
	Sustainability report	**Financial statements**
Governance	Whether and how sustainability-linked performance metrics are included in remuneration policies disclosed in the remuneration report – e.g. long-term incentive plans.	Share-based payment arrangement measurement and disclosures, including relevant terms and conditions.
Strategy	Anticipated effects of relevant SROs on the company's financial position, performance and cash flows over the short, medium and long term.	The disclosed approach and assumptions used for future cash flow projections in asset impairment analysis.
Risk management	Process(es) to identify sustainability-related risks.	Descriptions of how risks arising from financial instruments (e.g. credit risk arising from climate-related risks) are managed.
Metrics and targets	The sources and nature of estimation uncertainty about the amount of GHG emissions as part of the company's operations in the reporting period.	For a cap and trade emissions scheme, an indication of the uncertainties about the amount of a provision in relation to CO_2e emitted above the limit in the reporting period.

A company needs to disclose the following information.

Information	What to disclose
Significant differences in data and assumptions	• Information that enables investors to understand significant differences between the data and assumptions used in the sustainability report and those used in the related financial statements. [IFRS S1.B42(c)] This may include explanations of differences in assumptions, methodologies, time horizons or units of measurement, together with cross-references to the related financial statements, when appropriate. Examples include differences that affect the useful lives of assets, impairment assessments or other forward-looking estimates reflected in the financial statements. [IFRS S1.B44(a)]



Example 6.1.40
Consistency of data and assumptions with the financial statements

Company P has committed to reducing its GHG emissions and replacing carbon-intensive assets as part of its transition plan. In March 2024, P publicly states in its annual shareholder meeting and on its website that it commits to:

- reducing its future annual scope 1 and 2 emissions by 75% of 2023 levels by 2030; and
- purchasing carbon credits for use as offsets against its residual emissions produced in 2030 and thereafter.

To support its statement, P publishes its transition plan, which includes:

- planned steps to meet its scope 1 and 2 emissions targets and to help reduce scope 3 emissions;

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- the actions it has taken to date to support its plan; and
- its plan to report its progress annually on its website.

P discloses in its sustainability report that, as part of its transition plan, it plans to replace carbon-intensive items of property, plant and equipment (e.g. its forklifts).

P also discloses in its sustainability report a scenario analysis that uses cash flow assumptions that differ from those used in the impairment assessment in the financial statements.

To explain how these sustainability-related disclosures relate to the assumptions and conclusions reflected in the financial statements, P also explains in its sustainability report:

- that the useful lives of the forklifts recognised in its related financial statements are consistent with the timing of the plan to replace its carbon-intensive assets;
- how the assumptions used for the impairment assessment in the financial statements differ from those used in preparing the scenario analysis, cross-referring to any disclosures of those assumptions in the financial statements, if applicable; and
- that the commitment to purchase and retire carbon credits from 2030 may create potential liabilities under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* when those future emissions arise.



Insight 6.1.130
Can data and assumptions applied in the sustainability report differ from those used in the financial statements and remain appropriate?

Yes. The sustainability report and financial statements may use different data and assumptions because they are prepared for different purposes and may apply different measurement requirements. However, a company needs to understand and explain material differences between the assumptions used in the two reports. [IFRS S1.B42(c), BC90]

For example, IFRS S2 requires a company to use climate-related scenario analysis to assess climate resilience. This analysis may involve assumptions about uncertain future outcomes and long-term time horizons extending decades into the future. [IFRS S2.22]

Financial statements may also reflect management's assessment of relevant SROs – e.g. when assessing whether an asset may be impaired. Under IAS 36, cash flow projections based on the most recent financial budgets or forecasts cover a maximum period of five years before extrapolation when estimating the value-in-use of an asset (or cash-generating unit) in the impairment analysis, unless a longer period can be justified – e.g. past experience in forecasting reliable projections over a longer period.

IFRS Sustainability Disclosure Standards do not specify such a time limit, and it may be appropriate for a company to consider a longer explicit forecasting period before any extrapolation for the sustainability report. In this case, the company would need to disclose information about the differences in assumptions.

Differences in assumptions do not necessarily indicate inconsistency. However, when the differences are material, a company needs to explain them and how they affect the information provided to investors.

For further guidance on the impact of climate change on impairment testing of non-current assets under IAS 36, see our Climate change and impairment – How-to guide.

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Insight 6.1.140
Do IFRS Sustainability Disclosure Standards require changes in accounting policies to ensure consistency in data and assumptions?

No. IFRS Sustainability Disclosure Standards do not require a company to change its accounting policies, nor do they require disclosure of changes of accounting policies in the financial statements. However, a company needs to ensure that it tells a connected story – i.e. provide a coherent and connected picture across its financial statements, sustainability report and other areas of its general purpose financial reports.

6.1.130 Cross-referencing

IFRS S1 permits information required by the standards to be included in the sustainability report by cross-referring to another of the company's reports, which can help avoid unnecessary duplication of information. [IFRS S1.63]

Cross-referencing is permitted only when the information:

- is available on the same terms and at the same time as the sustainability report; [IFRS S1.B45(a)]
- is clearly identified, together with an explanation of how investors can access it; [IFRS S1.B47(a)]
- is precisely referenced; and [IFRS S1.B47(b)]
- does not make the sustainability report less understandable. [IFRS S1.B45(b)]

When these conditions are met, the cross-referenced information becomes part of the complete set of sustainability-related financial information and remains subject to the requirements of IFRS Sustainability Disclosure Standards. Those authorising the general purpose financial reports take the same degree of responsibility for information included by cross-reference as that included directly in the sustainability report. [IFRS S1.B46]

A company needs to disclose the following information.

Information	What to disclose
Information included by cross-reference	• The report in which the referenced information is located, together with an explanation of how investors can access that report. [IFRS S1.B47(a)] • A precise cross-reference to the specific part of the report in which the relevant information is located, rather than a general section or document reference. [IFRS S1.B47(b)]

Insight 6.1.150
Can excessive cross-referencing obscure information?

Yes. Excessive, poorly structured or circular cross-referencing – i.e. when one disclosure refers to another section or report that, directly or indirectly, refers back to the original disclosure – can fragment information. This can make it difficult for investors to locate the relevant information and understand how relevant SROs affect the company's prospects. [IFRS S1.B45(b)]

A company needs to take care in ensuring that cross-referencing does not interfere with the fundamental and enhancing qualitative characteristics of useful information, so that the information remains fairly presented (see 2.3.10). [IFRS S1.B46]

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6.2 Effective date and transition

Currently effective requirements: IFRS S1, IFRS S2

The effective date of IFRS Sustainability Disclosure Standards determines when a company is required to begin providing sustainability-related financial information and how it prepares for first-time application. Transitioning to the new standards may involve significant changes to processes, systems and data collection across the company.

This chapter explains:

- when IFRS Sustainability Disclosure Standards become effective, including when early application is permitted and how jurisdictional adoption may affect the timing (see 6.2.10); and
- the transition reliefs available when a company first applies the standards (see 6.2.50).

6.2.10 Effective date

Understanding the effective date helps a company determine when it needs to begin applying IFRS Sustainability Disclosure Standards and how it plans its transition. This includes assessing whether early application is possible and considering how jurisdictional adoption may affect when the standards apply in practice.

6.2.20 Effective date and early application

IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024.

A company can decide to apply the standards voluntarily, however, it is up to local jurisdictions to determine when to mandate adoption of the standards (see 6.2.40).

6.2.30 Forthcoming requirements

In December 2025, the ISSB issued *Amendments to IFRS S2: Amendments to Greenhouse Gas Emissions Disclosures* to clarify aspects of IFRS S2. The amendments comprise a series of reliefs from certain requirements in IFRS S2 and are effective for annual reporting periods beginning on or after 1 January 2027, subject to jurisdictional adoption. Early application is permitted.

If a company has previously applied IFRS S2, then – in the first annual reporting period in which it applies the amendments to IFRS S2 – it is required to restate its comparative information for the preceding period, unless it is impracticable. [IFRS S2.C6]

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Comparative information is restated as follows.

Transition requirement	How it applies
Scope 3 category 15 – financed emissions	If a company's scope 3 emissions previously included category 15 emissions, then it restates its comparative information under the new requirements to: • present total scope 3 category 15 emissions; and • separately identify the financed emissions component within that total. [IFRS S2.C6(b)]
Change in measurement approach (jurisdictional relief to use alternative GWP values and a method other than GHGP Corporate Standard)	If a company has changed how it measures GHG emissions as a result of applying the relief to use alternative GWP values or a method other than the GHGP Corporate Standard, then it applies the new measurement approach to the prior period and restates the comparative information accordingly. [IFRS S2.C6(a)]
Industry disaggregation of financed emissions	If a company previously disaggregated its financed emissions by industry, then it restates comparative information to reflect its selected industry classification system – i.e. it assumes that it used that system in the prior period. [IFRS S2.C6(c)]

6.2.40 Jurisdictional adoption

Jurisdictional adoption affects whether, when and how companies are required to apply IFRS Sustainability Disclosure Standards. Although the standards include an effective date, local regulators and legislators determine how they are incorporated into jurisdictional requirements.

As a result, a company may face different reporting obligations across jurisdictions, including:

- different application dates;
- jurisdiction-specific modifications; and
- additional transition reliefs.

A company needs to monitor regulatory developments in its relevant jurisdictions to understand how local requirements affect its sustainability reporting obligations.

Insight 6.2.10
How are IFRS Sustainability Disclosure Standards adopted or otherwise used?

Applying IFRS Sustainability Disclosure Standards depends on the jurisdiction. Jurisdictions decide whether, when and how to introduce sustainability-related disclosure requirements into local legal or regulatory frameworks, including through the adoption or other use of IFRS Sustainability Disclosure Standards.

Jurisdictional approaches may vary and can include direct adoption of IFRS Sustainability Disclosure Standards, the introduction of local requirements designed with reference to IFRS S1 and IFRS S2, permission to use the standards and phased implementation through transition reliefs.

The introduction of requirements may also occur over time through jurisdictional roadmaps, interim milestones and transition periods.

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A company applying IFRS Accounting Standards is not necessarily required to apply IFRS Sustainability Disclosure Standards unless required by applicable jurisdictional requirements. However, it may choose to apply IFRS Sustainability Disclosure Standards when permitted.

The ISSB Jurisdictional Guide includes further information on jurisdictional approaches and progress towards the adoption or other use of IFRS Sustainability Disclosure Standards. The ISSB also publishes jurisdictional profiles describing a jurisdiction's current and planned approach to adoption or other use of IFRS Sustainability Disclosure Standards.

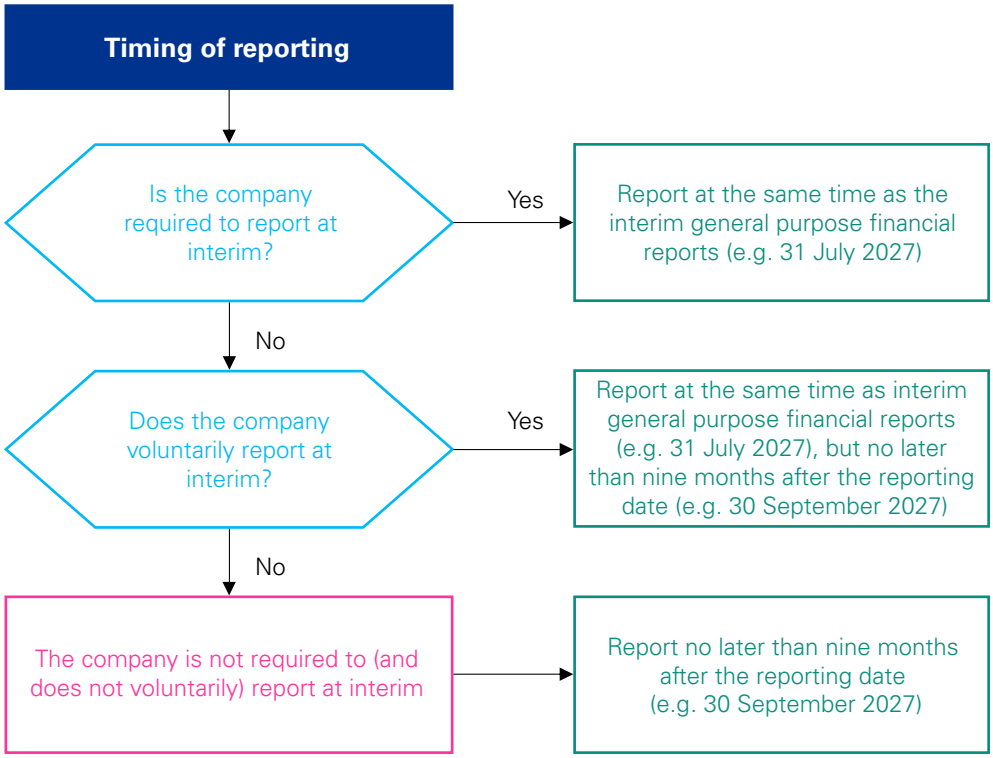
6.2.50 Transition reliefs

When companies first apply the standards, various reliefs are available to help them transition. These reliefs are available only in the first annual reporting period for which the company applies the standards; they are not available in subsequent reporting periods.

Jurisdictions adopting the standards may add or adapt the transition reliefs available.

First-year relief	How it applies
Comparative information (see 2.3.110)	Comparative information is not required for any period before the date of initial application (i.e. the start of the first annual reporting period in which a company applies the standards). This means that comparative information is not required in the first annual reporting period. [IFRS S1.E3, S2.C3]
Non-climate related risks and opportunities (see Section 3)	Disclosure of information about relevant SROs other than those that are climate-related is not required in the first annual reporting period. If a company takes this relief and discloses information only on relevant CROs in its first year of reporting, then it needs to disclose this fact. When a company takes this relief, it is also permitted to exclude comparative information on non-CROs in its second year of reporting. This means that it is not required to collate information about non-CROs in the first year of reporting. Even if a company takes this relief, it may still be useful to provide information about some, but not all, non-CROs to the extent it has the information to do so. Otherwise, it could mean that a company stops reporting relevant content that it previously disclosed under alternative standards, because it is not able to fully comply with all the requirements in IFRS Sustainability Disclosure Standards. However, when a company reports incomplete information about its non-CROs, it still needs to disclose that it has taken the relief. [IFRS S1.E5–E6]
Timing of reporting (see 2.3.50)	A company is allowed to publish its sustainability report after the financial statements for the first annual reporting period in which it applies IFRS Sustainability Disclosure Standards. If a company takes this relief, then it publishes its first annual sustainability report alongside its next interim general purpose financial reports – i.e. interim general purpose financial reports published during its second annual reporting period. The requirements for applying this relief change depending on the interim information a company provides. [IFRS S1.E4] For example, a company with a 31 December year-end applies IFRS Sustainability Disclosure Standards for the first time for the annual reporting date of 31 December 2026 and takes this relief. The company publishes interim general purpose financial reports for the half-year ending 30 June 2027 on 31 July 2027. The flowchart below illustrates when the company publishes its first annual sustainability report depending on whether interim reporting is required, voluntary or not provided.

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First-year relief	How it applies
	The company publishes its first annual sustainability report as follows when interim reporting is: • ***required:*** at the same time as its interim general purpose financial reports (31 July 2027); and • ***voluntary:*** at the same time as those interim reports, and no later than nine months after the reporting date. 
Scope 3 emissions (see 4.1.140)	Scope 3 emissions are not required to be reported for the first annual reporting period in which a company applies IFRS S2. [IFRS S2.C4(b)] When a company takes this relief, it is also permitted to exclude comparative information on scope 3 emissions in its second year of reporting. This means that it is not required to collate information about scope 3 emissions in the first year of reporting. [IFRS S2.C5]
Using the GHGP (see 4.1.140)	A company may continue to use its existing measurement method for scope 1, 2 or 3 emissions (i.e. a methodology other than the GHGP Corporate Standard) for the first annual reporting period in which it applies IFRS S2. [IFRS S2.C4(a)] When taking this relief, it needs to use the same measurement method it applied in the annual reporting period immediately before its date of initial application. It is also permitted to continue to use that same method when presenting its first-year information as part of comparative information disclosed in subsequent reporting periods. [IFRS S2.C5] The amendments to IFRS S2 issued in December 2025 clarify when a company may use a method other than the GHGP Corporate Standard to measure GHG emissions on an ongoing basis (see 6.2.30).

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Example 6.2.10
Application of transition reliefs

Company Q applies IFRS Sustainability Disclosure Standards for the first time in 2026 and at its reporting date (31 December), elects to apply all available transition reliefs. Its date of initial application is 1 January 2026. The table below illustrates how Q applies these reliefs in subsequent years.

	31 December 2026	31 December 2027	31 December 2028
Application of transition reliefs	Full application	Partial application	No application
Timing of sustainability report	Published up to nine months after the reporting period	Published at the same time as the financial statements	
Comparative information	Do not present	Present for climate-related disclosures Do not present for non-climate related disclosures	Present comparative information
Nature of disclosures	CROs only	All SROs	
GHG measurement method	Permitted to use current methodology	Measure in accordance with GHGP Corporate Standard	
Scope 3 emissions	Do not disclose	Disclose without comparative information	Full disclosure

Insight 6.2.20
If a company chooses to apply the transition relief to not present comparative information, can it then choose to include prior-year information that does not comply with IFRS Sustainability Disclosure Standards?

Yes. It appears that a company can choose to include prior-year information that does not comply with the standards when it applies the first-year transition relief to not present comparative information. [IFRS S1.E3, IFRS S2.C3]

We believe that this information should be clearly distinguished from information prepared in accordance with IFRS Sustainability Disclosure Standards and clearly labelled if it is not prepared on the same basis. This could include explaining that the company has chosen to provide the information despite applying the transition relief and, when relevant, the reasons for doing so.

If this comparative information is presented alongside current-year information, then its presentation should not imply that both periods have been prepared in accordance with IFRS Sustainability Disclosure Standards or are directly comparable.

The information is also required to meet the qualitative characteristics of information and to not obscure other material information (see 2.3.20 and 2.2.150 respectively). [IFRS S1.B27, D]

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Example 6.2.20
Disclosing prior-year information based on a reporting boundary that differs from IFRS Sustainability Disclosure Standards

Company B is applying IFRS Sustainability Disclosure Standards for the first time, having previously disclosed sustainability-related information voluntarily.

B intends to disclose information from prior years in its sustainability report. This information was prepared using the same methodology as required by the standards, but some subsidiaries were excluded from the reporting boundary in the prior year(s).

B has chosen not to revise previously disclosed information to make it fully comparable with information prepared under IFRS Sustainability Disclosure Standards. Instead, it has chosen to apply the transition relief to omit comparative information.

B determines that disclosing the information from prior years, even if prepared using a different reporting boundary, would provide material information for investors. B clearly labels the information as not complying with the standards and discloses sufficient information to allow investors to understand the nature of the difference. The information B provides meets the qualitative characteristics of information and does not obscure other material information.

Example 6.2.30
Disclosing prior-year information for a metric not measured in accordance with IFRS Sustainability Disclosure Standards

Company C is reporting under IFRS Sustainability Disclosure Standards for the first time, having previously disclosed sustainability-related information voluntarily. In prior years, it reported Metric K using a methodology from a widely accepted and reputable source.

For its first year of reporting under IFRS Sustainability Disclosure Standards, C identifies a similar metric, Metric L, from IFRS S2 industry-based guidance that uses a slightly different methodology and decides to report this new metric.

C chooses not to replace Metric K from prior years with Metric L. Instead, it applies the transition relief to omit comparative information in its first year of reporting but intends to voluntarily disclose Metric K and related information from prior years. C determines that disclosing the information from prior years, even if prepared using a different methodology, would provide material information for investors. C clearly labels Metric K as not complying with the standards and discloses sufficient information to allow investors to understand the nature of the difference. The information C provides meets the qualitative characteristics of information and does not obscure other material information.

Insight 6.2.30
When applying the relief from disclosing scope 3 emissions in its first year of reporting, can a company voluntarily disclose scope 3 emissions that do not comply with the standards?

Yes. It appears that applying the transition relief does not prevent a company from disclosing the scope 3 emissions information it already has. This is the case even if that information does not comply with IFRS Sustainability Disclosure Standards, provided that management considers it decision-useful to investors. [IFRS S2.C4(b)]

However, we believe that this information should be clearly labelled as not complying with IFRS Sustainability Disclosure Standards, as well as presented in a way that does not suggest it has been prepared on the same basis as disclosures under IFRS Sustainability Disclosure Standards.

The information is required to meet the qualitative characteristics of information and to not obscure other material information (see 2.3.20 and 2.2.150 respectively). [IFRS S1.B27, D]

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Example 6.2.40
Voluntary disclosure of scope 3 emissions that does not comply with the standards

Company D is reporting under IFRS Sustainability Disclosure Standards for the first time and applies the scope 3 emissions relief. D previously reported scope 3 emissions voluntarily using a methodology that allowed it to disclose partial scope 3 emissions (i.e. certain scope 3 categories were excluded because they were voluntary and D elected not to include them).

In its first year of reporting under IFRS Sustainability Disclosure Standards, D determines that it does not have the resources to update its scope 3 methodology to comply with the standards. However, it intends to voluntarily disclose current-year scope 3 emissions based on prior-year methodology, because it believes that the information would provide investors with material information about its relevant SROs. D clearly labels the information as not complying with the standards and provides information to allow investors to understand the nature of the scope 3 emissions information disclosed. The information D provides meets the qualitative characteristics of information and does not obscure other material information.

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Glossary

Key terminology

Term	Description
Climate-related physical risks	Climate-related physical risks relate to the physical impacts of climate change. They could be: • acute risks that relate to more frequent or more severe event-driven disruptions to companies from extreme weather events (e.g. floods and cyclones); or • chronic risks that stem from climatic pattern changes in the longer term (e.g. increases in average temperatures that can lead to rising sea levels). [IFRS S2.A]
Climate-related transition risks	Climate-related transition risks are risks a company faces because of the transition to a lower-carbon economy and are commonly categorised as: • legal and policy (e.g. stricter regulations); • reputational (e.g. brand damage from a company's response being deemed insufficient); • technological (e.g. accelerated obsolescence); or • market (e.g. supply and demand shifts). [IFRS S2.A]
Climate-related opportunities	Climate-related opportunities can arise from both physical changes (e.g. warmer average temperatures allowing new crops to grow) and transition changes (e.g. developing new technologies to facilitate climate-related adaptation). IFRS S2 does not categorise climate-related opportunities. [IFRS S2.A]
Climate adaptation	Climate adaptation refers to the policies and actions a company implements to adjust to the actual and expected impacts of climate change and enhance the resilience of its strategy, operations and value chain. This could include strengthening flood defences, enhancing heat-resilient infrastructure or diversifying supply chains. Adaptation efforts are commonly associated with managing physical climate-related risks.
Climate mitigation	Climate mitigation refers to the policies, actions and targets a company implements to reduce its GHG emissions across its operations and value chain to limit its contribution to climate change. This could include making energy efficiency improvements, expanding use of renewable energy or deploying low-carbon technologies. Efforts are typically undertaken in the context of achieving climate-related targets, including those aligned with the Paris Agreement. Mitigation efforts are commonly associated with a company's response to climate-related transition risks.
General purpose financial reports	General purpose financial reports provide information about the company that is useful for investors who are making decisions about providing resources to the company. They include the financial statements and sustainability report and may also contain other information, such as management commentary.
Investors	In this publication, 'investors' is used to refer to the primary users of general purpose financial reports – i.e. a company's potential and actual investors, lenders and other creditors.
Material information	Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide information about a specific reporting entity. [IFRS S1.A, 18]

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Term	Description
Prospects	A company's cash flows, access to finance or cost of capital over the short, medium or long term.
Reporting entity	A reporting entity prepares general purpose financial statements and is the same for financial statements and the sustainability report. [IFRS S1.A, 20] If the reporting entity is a group, then under the standards both its consolidated financial statements and its sustainability report are for the parent and its subsidiaries.
Sustainability-related financial information	Sustainability-related financial information provides information to investors about all sustainability-related risks and opportunities that could reasonably be expected to affect a company's prospects. It provides a complete set of information required by IFRS Sustainability Disclosure Standards. In this publication, 'information' is used to refer to sustainability-related financial information unless otherwise specified.
Sustainability-related risks and opportunities (SROs)	Sustainability-related risks and opportunities arise from a company's impacts and dependencies on resources and relationships. IFRS Sustainability Disclosure Standards require a company to disclose information about all sustainability-related 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. These risks and opportunities may be referred to as 'sustainability-related risks and opportunities' that could reasonably be expected to affect the company's prospects. They may often be the sustainability-related matters that management monitors and manages when running the business.
Sustainability report	In this publication, sustainability report refers to sustainability-related financial disclosures, a particular form of general purpose financial reports that provide information about the reporting entity's SROs. These are SROs that could reasonably be expected to affect the reporting entity's cash flows, access to finance or cost of capital over the short, medium or long term. The disclosures include information about the reporting entity's governance, strategy and risk management in relation to those risks and opportunities, and related metrics and targets. [IFRS S1.A]
Value chain	The value chain includes the full range of interactions, resources and relationships related to a company's business model and the external environment in which it operates. It includes interactions, resources and relationships within the company itself (e.g. human resources), along the supply, marketing and distribution channels, and in the external environment (e.g. financing, geographical, geopolitical and regulatory environments). [IFRS S1.A]

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Key acronyms

Acronym	Meaning
Capex	Capital expenditure
CDSB	Climate Disclosure Standards Board
CO_2e	Carbon dioxide equivalent
CRO	Climate-related risks and opportunities
ESG	Environmental, social and governance
ESRS	European Sustainability Reporting Standards
GHG	Greenhouse gas
GHGP	Greenhouse Gas Protocol
GRI	Global Reporting Initiative
GWP	Global warming potential
ICE	Internal combustion engine
KPIs	Key performance indicators
NDC	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
Opex	Operating expenditure
PCAF	Partnership for Carbon Accounting Financials
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets initiative
SRO	Sustainability-related risks and opportunities
TCFD	Task Force on Climate-Related Financial Disclosures
TIG	Transition Implementation Group
tCO_2e	Tonnes of carbon dioxide equivalent

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List of examples

Example	Title
2.1.10	Acquisition of a subsidiary during the reporting period
2.1.20	Disposal of a subsidiary during the reporting period
2.1.30	Demerger of a business during the reporting period
2.1.40	Assessing the value chain of a financial institution
2.1.50	Assessing the value chain of an automotive manufacturer
2.1.60	Identifying resources and relationships in the value chain
2.1.70	Considering indirect suppliers in the value chain
2.1.80	Transactions with associates and joint ventures in the value chain
2.2.10	Assessing impacts and dependencies
2.2.20	Using SASB Standards to identify SROs
2.2.30	Using a range of sources to identify SROs
2.2.40	Identifying a relevant SRO
2.2.50	Applying judgement in identifying relevant SROs
2.2.60	Reassessing relevant SROs after a significant change in circumstances
2.2.70	Identifying a relevant sustainability-related risk from an investor perspective
2.2.80	Identifying a relevant sustainability-related risk from management's perspective
2.2.90	Identifying material information for a clothing retailer
2.2.100	Applying judgement when using the IFRS S2 industry-based guidance
2.2.110	Determining the appropriate level of detail for value chain disclosures
2.2.120A	Estimating unavailable value chain data
2.2.120B	Estimating data and updating it for actual results
2.2.130	When a quantitatively small metric provides material information
2.2.140	Presenting aggregated sustainability-related financial information
2.2.150	Presenting disaggregated sustainability-related financial information
2.3.10	Events after the reporting date
2.3.20	Adjusting vs non-adjusting event
2.3.30	Applying judgement when using industry average as proxy data
2.3.40	Estimating value chain information
2.3.50	Disclosing measurement uncertainty

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Example	Title
2.3.60	Disclosing comparative information when measurement data improves
2.3.70	Revising comparative information is impracticable
2.3.80	Considering hindsight when revising comparative, forward-looking information
2.3.90	Revising comparative financed emissions information
2.3.100	Applying the reasonable and supportable information proportionality measure on scope 3 emissions
2.3.110	Omission of commercially sensitive information
3.2.10	Disclosing governance-related information for a subsidiary
3.2.20	Disclosing information about sustainability-related remuneration
3.2.30	Disclosing information about a company's skills and competencies
3.3.10	Aligning defined time horizons with strategic planning
3.3.20	Aggregating and disaggregating SROs across a group and its subsidiaries
3.3.30	Different SROs within a group and subsidiary
3.3.40	Impacts of SROs on the value chain
3.3.50	Current financial effects of a transition risk disclosed in financial statements
3.3.60	Current financial effects reflected through additional disaggregation in the sustainability report
3.3.70	Disclosing anticipated financial effects for early-stage projects when quantification is only partially available
3.3.80	Assessing whether to disclose quantitative information on anticipated financial effects
3.3.90	Anticipated financial effects not separately identifiable
3.3.100	Quantitative information on anticipated financial effects not disclosed due to high measurement uncertainty
3.3.110	Disclosing anticipated financial effects for early-stage projects when quantification is not yet possible
3.3.120	Alternative disclosures when anticipated financial effects are not separately identifiable
3.3.130	Alternative disclosures when anticipated financial effects are not quantifiable due to measurement uncertainty
3.4.10	Interaction between a company's risk management processes and its materiality process
3.5.10	Scope of information included in metrics
4.1.10	Determining what information is 'climate-related'
4.1.20	Transition plan under development
4.1.30	Transition plan for a commercial real estate company
4.1.40	Business activities vulnerable to climate-related transition risks
4.1.50	Capital investments supporting the transition plan
4.1.60	Disclosing internal carbon prices
4.1.70	Climate-related factors in executive remuneration

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Example	Title
4.1.80	Disclosing carbon credit use
5.1.10	Transition planning with broader sustainability-related considerations
5.2.10	Assessing circumstances with high exposure but available skills, capabilities and resources to respond
5.2.20	Assessing circumstances with high exposure but limited skills, capabilities and resources to respond
5.2.30	Assessing circumstances with low exposure to SROs
5.2.40	Selecting an approach to scenario analysis
6.1.10	Connecting supply chain risks, strategy and financial effects
6.1.20	Connectivity in the sustainability report
6.1.30	Connectivity in general purpose financial reports
6.1.40	Consistency of data and assumptions with the financial statements
6.2.10	Application of transition reliefs
6.2.20	Disclosing prior-year information based on a reporting boundary that differs from IFRS Sustainability Disclosure Standards
6.2.30	Disclosing prior-year information for a metric not measured in accordance with IFRS Sustainability Disclosure Standards
6.2.40	Voluntary disclosure of scope 3 emissions that does not comply with the standards

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List of insights

Insight	Title
2.1.10	Can subsidiaries that are immaterial for financial reporting still be relevant for sustainability reporting?
2.1.20	How does an investment entity as defined in IFRS Accounting Standards determine the reporting entity?
2.1.30	Does a company need to assess every direct and indirect supplier in its value chain?
2.2.10	Can a risk be relevant if a company determines that it has no or low exposure to it?
2.2.20	How does assessing material information under IFRS Sustainability Disclosure Standards differ from IFRS Accounting Standards?
2.2.30	Can information about the absence of a risk be material?
2.2.40	Are there scenarios in which a company would not need to disclose otherwise material information?
2.2.50	Can a company disclose information that is estimated?
2.2.60	Does a company need to model its future cash flows when assessing if information is material?
2.2.70	Could information be material regardless of its timing or potential magnitude?
2.2.80	Does a company need to reassess both materiality judgements and the scope of the value chain at every reporting date?
2.2.90	Does a company need to document its materiality process?
2.2.100	Can a company use segments identified under IFRS Accounting Standards as the level of disaggregation for its sustainability report?
2.2.110	Can a subsidiary use information disclosed by a parent company when preparing its own disclosures?
2.2.120	Does a group need to disaggregate information by subsidiary when preparing its sustainability disclosures?
2.3.10	Does providing an accurate depiction of an SRO mean that the information needs to be precise?
2.3.20	Is comparability the same as consistency?
2.3.30	Does information need to be supported by evidence to be verifiable?
2.3.40	Can forward-looking information be verifiable?
2.3.50	Does understandability require omitting complex or technical information?
2.3.60	Will all companies in a particular industry provide the same information?
2.3.70	Are entity-specific disclosures required for relevant SROs arising in the value chain, even if the applicable standard or guidance does not explicitly refer to the value chain?
2.3.80	Can a company use estimates in place of directly measuring information for a portion of the reporting period?
2.3.90	When a company has a different reporting period from some or all of the companies in its value chain, can it measure its scope 3 emissions using data based on the different reporting period?
2.3.100	Do updates to third-party data received after the reporting date need to be reflected in reported metrics?
2.3.110	Does a company need to provide disclosures describing all judgements made?
2.3.120	Can measurement uncertainty affect information other than metrics?

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Insight	Title
2.3.130	Can a company use hindsight when revising comparative information?
2.3.140	Is revising comparative information impracticable simply because obtaining updated data is difficult?
2.3.150	Does a company need to revise comparative information when updated value chain data becomes available?
2.3.160	Do proportionality measures applied in the current period continue to automatically apply in future reporting periods?
2.3.170	Is a proportionality measure available for a company facing challenging data collection (e.g. obtaining data from value chain partners)?
2.3.180	Is information used for other purposes considered to be available without undue cost or effort?
3.2.10	Do IFRS Sustainability Disclosure Standards require a company to change its governance structures or activities?
3.2.20	Does a company need to disclose information on governance if it has no separate committees and/or processes devoted to specific SROs?
3.2.30	Do governance arrangements need to be in place throughout the reporting period?
3.2.40	Is disclosure required if governance arrangements are changed after the reporting date?
3.2.50	Is information about sustainability-related incentives for all employees required?
3.3.10	Does a company need to connect sustainability-related strategy disclosures to information about its overall business model and strategy?
3.3.20	Are time horizons for SROs entity-specific?
3.3.30	What type of information can help investors understand a relevant SRO?
3.3.40	When an SRO is connected to a general business risk or opportunity, does a company need to explain that connection in its disclosures?
3.3.50	Does a company need to present granular information on every identified SRO?
3.3.60	Does a consolidated group and a subsidiary reporting in its own right disclose information about the same SROs?
3.3.70	Is a company required to explain how its SROs have changed compared with the prior year?
3.3.80	How can a company describe concentrations of effects on its business model and value chain?
3.3.90	Is a company required to disclose where each relevant SRO occurs in the value chain?
3.3.100	Is information about a company's resource allocation required to explain the company's strategic response to its relevant SROs?
3.3.110	Is disclosure of social- or nature-related trade-offs required when a company applies the 'climate-first' exemption?
3.3.120	Does a company need to duplicate information included in the financial statements when disclosing current financial effects?
3.3.130	Can a current financial effect that is not material for the financial statements be material for the sustainability report?
3.3.140	Can the extent to which an SRO is incorporated into financial planning influence the nature and level of detail of the disclosures on its anticipated financial effects?

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Insight	Title
3.3.150	Does a company need to create quantitative forecasts solely for the purpose of disclosing anticipated financial effects?
3.3.160	What types of quantitative information can help investors to understand anticipated financial effects?
3.3.170	What factors might a company consider when assessing whether decision-useful information is available on anticipated financial effects?
3.3.180	Can a company combine anticipated financial effects when they cannot be separately identified?
3.3.190	Can information be considered 'reasonable and supportable' even if it is subject to high measurement uncertainty?
3.3.200	Can a company avoid providing quantitative information if it has limited skills, capabilities or resources?
3.3.210	What factors does a company consider when deciding the appropriate balance between quantitative and qualitative information?
3.3.220	What methods can a company use to support its resilience assessment?
3.3.230	Is a quantitative assessment required under IFRS S1 when conducting a resilience analysis?
3.3.240	Does a company consider sustainability-related opportunities in its resilience assessment?
3.3.250	Does a company need to reassess resilience on an annual basis?
3.4.10	Do SROs need to be integrated into the company's overall risk management framework?
3.4.20	Does a company need to disclose risk management processes together for each topic identified (e.g. climate)?
3.4.30	Does a company need to use similar processes to identify, assess, prioritise and monitor both sustainability-related risks and sustainability-related opportunities?
3.4.40	Does information about a company's mitigation activities form part of its risk management disclosures?
3.4.50	Is a company required to use scenario analysis in its risk assessment processes?
3.5.10	Does the IFRS S2 industry-based guidance align with SASB Standards?
3.5.20	Does a company need to disclose metrics for every SRO?
3.5.30	Do metrics always need to cover the full scope of a company's activities that are included within its financial statements?
3.5.40	Can a company continue reporting its existing internal KPIs?
3.5.50	Does a company need to disaggregate its metrics?
3.5.60	Can a company use estimates and proxies for metrics?
3.5.70	Does a company need to revise comparative information for metrics?
3.5.80	Do metrics need to be consistent from period to period?
3.5.90	Do all objectives established by a company qualify as a 'target' that requires disclosure?
3.5.100	Do the standards require a company to set targets?
3.5.110	Do the standards provide specific guidance on the target level for any metric?
3.5.120	When does a subsidiary disclose information about a group-level target or transition plan?

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Insight	Title
3.5.130	Does a group need to disclose information about targets that are set at a subsidiary level?
3.5.140	Do the standards provide specific guidance on how a company establishes a base period or when updates to the base period are required?
3.5.150	Does a company need to disclose its performance against targets?
4.1.10	Does IFRS S2 define the term 'climate-related'?
4.1.20	Does a company need to align its strategy with the Paris Agreement?
4.1.30	Does IFRS S2 require a minimum level of certainty before including planned acquisitions or disposals in disclosures about changes to a company's business model?
4.1.40	Is a company required to disclose information about past mitigation and adaptation efforts?
4.1.50	Does a company need to disclose mitigation and adaptation efforts separately for each climate-related risk?
4.1.60	What are decarbonisation levers?
4.1.70	If a company does not have a transition plan, does it need to disclose that fact?
4.1.80	Can a company supplement disclosures about its transition plan with additional information to meet jurisdictional requirements?
4.1.90	Can a company aggregate information about climate-related resource allocations with information about broader projects or business activities?
4.1.100	Is a company required to include all of its operations in its scenario analysis?
4.1.110	Is a company required to reassess its climate resilience at each reporting date?
4.1.120	Are 'business activities' defined in IFRS S2?
4.1.130	Is the term 'vulnerable' defined in IFRS S2?
4.1.140	Does IFRS S2 specify the metrics that a company needs to disclose to explain its exposure to CROs?
4.1.150	Can a company incorporate information on the amount of capital deployment in its sustainability report by cross-referring to the financial statements?
4.1.160	Do cross-industry and industry-specific metrics overlap?
4.1.170	Does the IFRS S2 industry-based guidance create additional disclosure requirements?
4.1.180	Is a company required to disclose all topics or metrics in the IFRS S2 industry-based guidance?
4.1.190	Does IFRS S2 specify how to measure financed emissions?
4.1.200	Does IFRS S2 require insurers to disclose insurance-associated emissions?
4.1.210	Does IFRS S2 require a company that participates in asset management activities to disclose emissions relating to off-balance sheet investments?
4.1.220	Do the standards provide guidance on the target level for any metric?
4.1.230	What is the difference between an absolute target and an intensity target?
4.1.240	Is a carbon credit the same as a carbon offset?
4.1.250	How are carbon credits generated?

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Insight	Title
4.1.260	Why does IFRS S2 require transparency about the planned use of carbon credits?
5.1.10	Is a transition plan just about climate change mitigation?
5.1.20	Do transition plans vary across companies?
5.2.10	Is there a difference between forecasting and scenario analysis?
5.2.20	Is a company required to use scenario analysis in identifying CROs?
5.2.30	Is a company required to use scenario analysis to understand its anticipated financial effects?
5.2.40	Does a company need to perform scenario analysis at each reporting date?
5.2.50	Can a company with low skills and capabilities choose to conduct a simple scenario analysis?
5.2.60	Is a company required to use publicly available scenarios?
5.2.70	Is a company required to use more than one scenario?
5.2.80	Do scenarios focus only on climate-related physical risks?
6.1.10	Can a company apply some of the requirements but not all and still make a statement of compliance?
6.1.20	Can a company still state compliance when applying transition reliefs?
6.1.30	Can a company state compliance with IFRS Sustainability Disclosure Standards when it applies a locally adopted version of the standards?
6.1.40	Can a company state compliance with IFRS Sustainability Disclosure Standards when applying multiple frameworks?
6.1.50	Can information be split across multiple documents when applying IFRS Sustainability Disclosure Standards?
6.1.60	Can a company present disclosures prepared under IFRS Sustainability Disclosure Standards together with disclosures prepared under GRI Standards?
6.1.70	Can information presented in a sustainability statement prepared in accordance with ESRS also be used to comply with IFRS Sustainability Disclosure Standards?
6.1.80	Can a company continue to publish a separate sustainability report to meet the needs of wider stakeholders?
6.1.90	Does a company that previously adopted TCFD need to change its presentation structure?
6.1.100	Is a company required to use the content areas as a presentation structure?
6.1.110	Does a lack of connectivity across the core content areas suggest that disclosures are missing?
6.1.120	Does a company need to prepare its financial statements under IFRS Accounting Standards to achieve connectivity?
6.1.130	Can data and assumptions applied in the sustainability report differ from those used in the financial statements and remain appropriate?
6.1.140	Do IFRS Sustainability Disclosure Standards require changes in accounting policies to ensure consistency in data and assumptions?
6.1.150	Can excessive cross-referencing obscure information?
6.2.10	How are IFRS Sustainability Disclosure Standards adopted or otherwise used?

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Insight	Title
6.2.20	If a company chooses to apply the transition relief to not present comparative information, can it then choose to include prior-year information that does not comply with IFRS Sustainability Disclosure Standards?
6.2.30	When applying the relief from disclosing scope 3 emissions in its first year of reporting, can a company voluntarily disclose scope 3 emissions that do not comply with the standards?

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About this publication

This publication has been produced by the KPMG International Standards Group (part of KPMG IFRG Limited).

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