
Disclosing information about an entity's climate- related transition, including information about transition plans

September 2025

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2-year ISSB journey on transition plan disclosures



Background

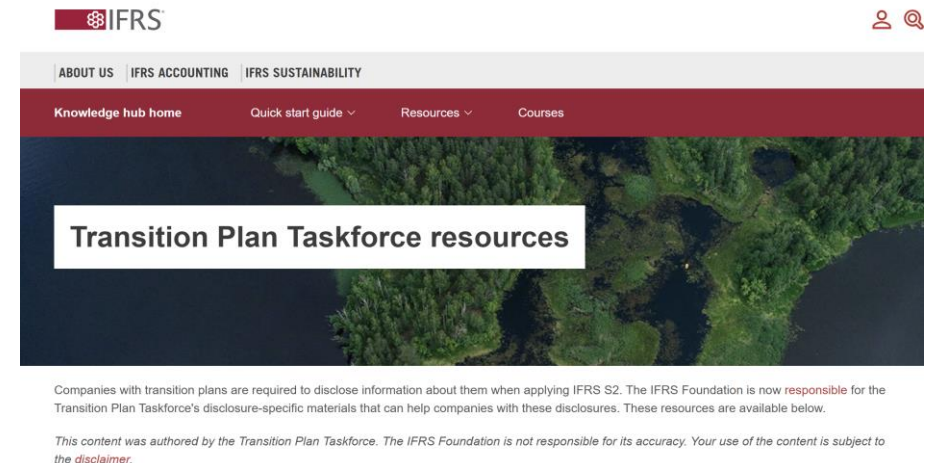


Addressing fragmentation of disclosures about transition plans

“Market participants are concerned about the current lack of standardisation of transition plan disclosures with entities using different definitions and reporting frameworks or standards – or none. Above all, market participants called for consistent and comparable transition plan disclosures.”

Addressing fragmentation of disclosures about transition plans

- Responding to calls for more guidance and harmonisation of disclosures about transition plans, in June 2024 the [IFRS Foundation announced](#) it would assume responsibility for the disclosure-specific materials developed by the TPT
- A [dedicated area](#) of the IFRS Sustainability [Knowledge Hub](#) houses the materials (13 documents)
- The IFRS Foundation has used these materials to develop educational materials, published in June 2025
- Objectives are to **reduce risk of fragmentation in disclosures** and to **support the quality and comparability of information** provided using IFRS S2



Approach to incorporate the TPT materials into IFRS guidance document

Objective

Tailor the TPT materials:

- to ensure global applicability; and
- to deliver full compatibility with the ISSB global baseline and IFRS S2's focus on disclosures of the climate-related risks and opportunities affecting an entity's prospects, to meet the needs of investors and the capital markets

Consider differences between TPT materials and IFRS S2

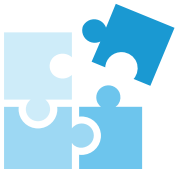
- Normative statements beyond disclosure
- Policy-oriented or jurisdiction-specific statements
- Disclosure outside the ISSB's remit

To obtain information from stakeholders to inform the work to tailor the TPT material, the IFRS Foundation has held three roundtables with stakeholders in February and March 2025

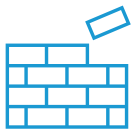
Key takeaways from stakeholder events on disclosures about transition plans



- The IFRS educational material can **provide further examples to improve disclosures**, without changing the requirements in IFRS S2, building on the Transition Plan Taskforce (TPT) disclosure-specific material that corporate preparers find most helpful



- **Some aspects of the TPT material related to normative, policy-oriented or jurisdiction-specific statements can be omitted**, to keep focus on disclosure about transition plans, consistent with the requirements in IFRS S2 and the policy-neutral position of the ISSB



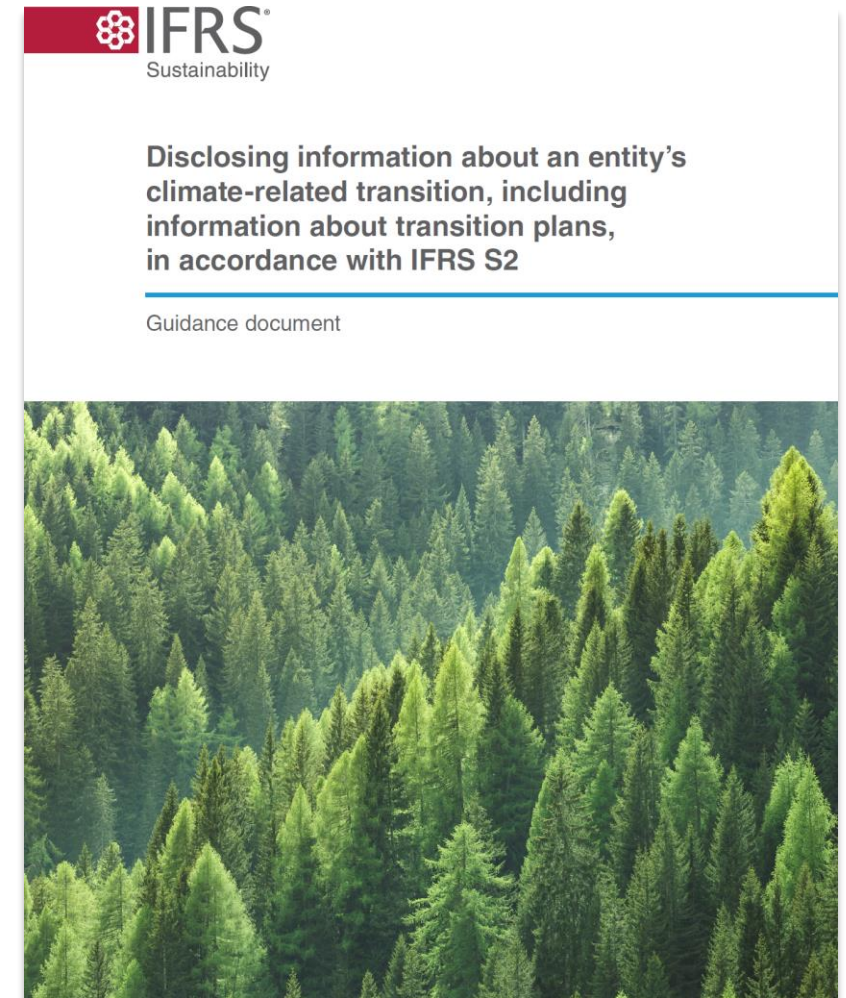
- Benefits of using the IFRS guidance document as a **baseline for jurisdictions**
- Jurisdictional authorities and supervisors might **add jurisdiction-specific building blocks** from the TPT material to the IFRS guidance document to reflect jurisdictional circumstances or to respond to specific stakeholder needs

A new IFRS guidance document



IFRS Foundation guidance document

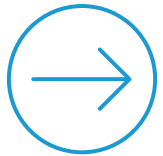
- Address **fragmentation** of disclosures about transition plans, building on disclosure-specific material developed by Transition Plan Taskforce
- Provide **guidance** to enable entities to provide high-quality information about their climate-related transition when applying IFRS S2
- Support the **ISSB global baseline and its implementation**
- Enable **jurisdictions** adopting or otherwise using ISSB Standards to use this guidance document to support the provision of high-quality, comparable information in accordance with IFRS S2
- **Building block approach** – jurisdictions can complement with additional information
- **Complement** materials provided by jurisdictions and others that establish requirements or recommendations to establish transition plans and the content of such plans





Location of information applying IFRS S2

- IFRS S2 requires disclosures of **information about** any transition plan an entity has, not the transition plan itself
- General requirements in IFRS S1 apply
- Disclosures provided as part of general purpose financial reports
- **Possibility** to include the information required by IFRS S2 by **cross-reference to another report** published by the entity (for example, a formal transition plan document), subject to:
 - the cross-referenced information is available on the same terms and at the same time as the sustainability-related financial disclosures
 - the complete set of sustainability-related financial disclosures is not made less understandable by including information by cross-reference
 - the sustainability-related financial disclosures clearly identify the report within which that information is located and explain how to access that report
 - the cross-reference is to a precisely specified part of that report

Information may vary by strategic goal



Depending on the type of strategic goal the entity has set, the information an entity provides about its climate-related transition may vary

| | Fact pattern | Example of disclosures |
|---|--|--|
|  | Entity has a strategic goal to respond to transition risks | Information about actions to reduce GHG emissions |
|  | Entity has a strategic goal to respond to transition and physical risks | Information about actions to reduce GHG emissions and actions to become more climate resilient |

Disclosing information applying IFRS S2

Possible cases

Case A

Strategic goal, but no formal transition plan

- If an entity has a strategic goal, but no formal transition plan, applying IFRS S2 the entity discloses information about how it intends to respond to transition and physical risks and climate-related opportunities, and thus contribute to its climate-related transition
- In disclosing this information, the entity provides users of its general purpose financial reports with **information regarding its climate-related transition** in the absence of a formal transition plan

Disclosing information applying IFRS S2

Possible cases

Case B

Strategic goal and a formal transition plan

If an entity that has a strategic goal and has developed a formal transition plan (which the entity might or might not publish), applying IFRS S2, the entity discloses:

- that it has a transition plan, providing **information about the formal transition plan**, including information about key assumptions and dependencies; **and**
- other **information** on how it plans to achieve its strategic goal.

Structure of IFRS guidance document

Governance – Strategy – Metrics and targets

Requirements in IFRS S2

**Aspects that an entity
might determine it is
relevant to disclose**

**Examples of aspects an
entity might consider if
operating in some sectors**

A table within Appendix B of the IFRS guidance document maps the requirements in IFRS S2 to the TPT Disclosure Framework. It might be helpful to entities that have already applied the TPT materials because it would enable them to identify information in their transition plans relevant to comply with IFRS S2.

Governance – requirements in IFRS S2

Paragraphs 5, 6, 29(g) and 34(b) of IFRS S2 are relevant to an entity's climate-related transition

Paragraph 5 of IFRS S2

The objective of climate-related financial disclosures on governance is to **enable** users of general purpose financial reports to **understand** the governance **processes, controls and procedures** an entity uses to **monitor, manage** and **oversee** climate-related **risks and opportunities**.

Paragraph 6 of IFRS S2

... how **responsibilities** ... are reflected in the terms of reference, mandates, role descriptions ...

... how the body(s) or individual(s) determines whether appropriate **skills and competencies** are available ... **oversees** the **setting of targets** ... and **monitors progress** towards those targets

Paragraph 29(g) of IFRS S2

... whether and how climate-related considerations are factored into executive **remuneration**

Paragraph 34(b) of IFRS S2

... the entity's **processes for reviewing the target**

Governance – aspects that an entity might determine it is relevant to disclose

1

Body(s) or individual(s) responsible for a strategic goal

3

Incentive and remuneration linked to a strategic goal

2

Management's role in the processes used for a strategic goal

4

Skills, competencies and knowledge to implement a strategic goal

Strategy – requirements in IFRS S2

Paragraph 14(a)(i)–(iii) of IFRS S2 is relevant to an entity's climate-related transition

Paragraph 14(a)(i)–(iii) of IFRS S2

... the entity shall disclose information about:

- (i) current and anticipated **changes to the entity's business model**, including its resource allocation, to address climate-related risks and opportunities (for example, these changes could include plans to manage or decommission carbon-, energy- or water-intensive operations; resource allocations resulting from demand or supply-chain changes; resource allocations arising from business development through capital expenditure or additional expenditure on research and development; and acquisitions or divestments);
- (ii) current and anticipated **direct mitigation and adaptation efforts** (for example, through changes in production processes or equipment, relocation of facilities, workforce adjustments, and changes in product specifications);
- (iii) current and anticipated **indirect mitigation and adaptation efforts** (for example, through working with customers and supply chains);

Strategy – aspects that an entity might determine it is relevant to disclose

1

Business model and value chain

3

Indirect mitigation and adaptation efforts—Engagement strategy

2

Direct mitigation and adaptation efforts—Business operations, products and services, policies and conditions

Climate-related targets – disclosures

Paragraph 14(a)(v) of IFRS S2 is relevant to an entity's climate-related transition

Paragraph 14(a)(v) of IFRS S2

... the entity shall disclose information about **how the entity plans to achieve any climate-related targets**, including any greenhouse gas emissions targets...

Objectives and priorities

External requirements

Science-based
targets

Commitments

Transition pathways
or roadmaps

Scenarios

Funding the implementation – disclosures

Paragraph 14(b) of IFRS S2 is relevant to an entity's climate-related transition

Paragraph 14(b) of IFRS S2

... the entity shall disclose information about **how the entity is resourcing, and plans to resource, the activities** disclosed in accordance with paragraph 14(a) of IFRS S2.

Paragraph 14(a) of IFRS S2

... the entity shall disclose information about **how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making**, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation...

planned capital expenditure

planned funding needs for research and development

Effects of the implementation – disclosures

Paragraph 15 of IFRS S2 is relevant to an entity's climate-related transition

Paragraph 15 of IFRS S2

An entity shall disclose information that enables users of general purpose financial reports to understand:

- (a) the effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period (current financial effects) (**current financial effects**); and
- (b) the anticipated effects of climate-related risks and opportunities on the entity's financial position financial performance and cash flows over the short, medium and long term, taking into consideration how climate-related risks and opportunities are included in the entity's financial planning (**anticipated financial effects**).

effects on asset valuations and asset lives

effects on financial position of borrowing to fund the implementation

effects on revenues and on operating costs

impairments arising when assets become or are expected to become stranded

Examples about disclosures for entities operating in some sectors



Example 1 – Changes to products and services



For the food and beverage sector

The entity might determine that it is relevant to disclose information about any current and anticipated actions, which might include:

- **shifting its product portfolio** towards food and beverage products with lower associated GHG-emissions, by:
 - making changes to existing products (for example, substituting a product with a certified lower GHG-emission product of the same type); and/or
 - changes to the composition of its product portfolio (for example, increasing the proportion of plant-based products);
- innovating and designing **new products and recipes** (for example, designing pea-based cereal that supports soil health and lowers GHG emissions);
- **developing by-products** from existing production systems (for example, biogas from manure or nuts and seeds from agroforestry); and
- using sustainability data (for example, GHG emissions) in marketing and stocking decisions.

Example 2 – Funding the implementation of a transition plan



For the electric utilities and power generators sector

The entity might determine that it is relevant to disclose its current and planned investments to achieve its strategic goal, including in relation to:

- low- and zero-carbon energy generation and storage assets;
- transmission and distribution grid infrastructure (including network upgrades and expanding grid access);
- other relevant technologies (for example, digitalisation or electric-vehicle-charging infrastructure); and
- unabated fossil fuel generation.

Example 3 – Effects of implementing a transition plan on the entity's financial performance



For the oil and gas sector

The entity might determine that it is relevant to disclose:

- whether and how it has considered transition and physical risks in the estimates of decommissioning costs; and
- how the implementation of its strategic goal might be affected by changes in key assumptions (for example, the sensitivity of oil and gas reserve valuations or refining capacity to a range of future price scenarios).

How can jurisdictions build on the IFRS guidance document?



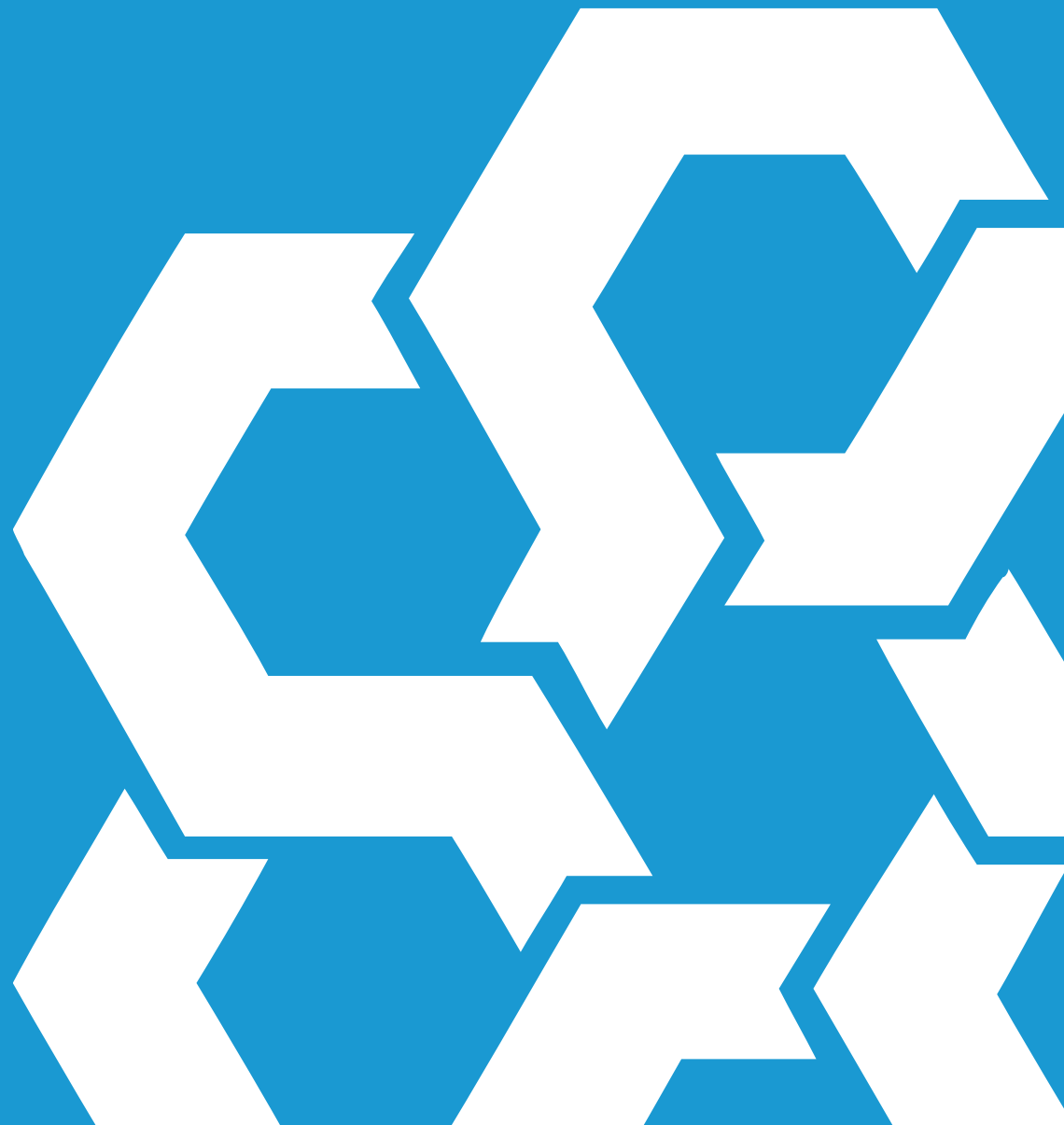
How can jurisdictions use the IFRS guidance document?

- Jurisdictions that adopt or otherwise use ISSB Standards can use the IFRS guidance document to support implementation of climate-related disclosures.
- The IFRS guidance document **complements**:
 - **jurisdictional guidance** or requirements **about the content** and provision of **transition plans**. The IFRS guidance document enables entities to disclose information about such plans
 - **jurisdiction-specific disclosures** that supplement disclosures required by IFRS S2 (see building block approach box in the next page)

Building block approach

- Entities and jurisdictions **can supplement the disclosures required by IFRS S2** with information aimed at meeting the needs of a broader group of stakeholders or to address specific jurisdictional information needs, **to the extent that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information**
- For example, a jurisdictional authority might:
 - further build on the TPT materials for the provision of information related to an entity's contribution to an economy-wide transition; or
 - require that entities operating in the jurisdiction disclose information on how their GHG targets will enable global warming to be limited to 1.5 degrees Celsius, in line with the latest international agreement on climate change.

Key points



IFRS guidance document – key points



Global baseline

Guidance fully compatible with the ISSB global baseline and disclosures about climate-related risks and opportunities affecting an entity's prospects



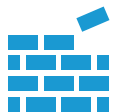
Mitigation and adaptation

Disclosures depend on the entity's strategy to respond to transition risks and physical risks and cover both mitigation and adaptation



Source of inspiration

Guidance and support for entities applying IFRS S2 when making disclosures – does not add requirements to IFRS S2



Building blocks

Jurisdictional authorities can build on the IFRS guidance document with disclosures to reflect jurisdictional circumstances



Disclosure focus

Guidance on disclosures about transition plans - complements jurisdictional or other materials that ask for or set out content for transition plans

Next steps



Transition plan disclosures - ISSB next steps

Encourage adoption and use of the guidance

Monitor disclosure about transition plans

Consider if **more guidance** on disclosure about transition plans is needed

Over time, consider whether enhancements to the application guidance within IFRS S2 are needed. Any potential changes to IFRS S2 are subject to consultation following the due process set out by the IFRS Foundation

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