

*Comparison of climate disclosures in the EU and International reporting standards*

EU Sustainability Reporting Standards (ESRS)	ISSB International Sustainability Reporting Standards	Commentary / Comparison
<u>Disclosure of climate-related targets</u>		
<b>ESRS E1, DR 8, Paragraph 39-41</b> <b>Disclosure of climate-related targets, including:</b>	<b><u>Climate Prototype</u>, Metrics and Targets, Paragraph 15</b> <b>Disclosure of climate-related targets, including:</b>	<b>More detail and granularity in ESRS E1 vs. ISSB Climate Prototype</b>
(a) An explanation of what each target intends to achieve (e.g., GHG emission reduction, net zero, physical or transition risk mitigation, increase of CapEx or others) and how it is embedded in the undertaking's climate-related policies	(a) the objective of the targets (for example, mitigation, adaptation and conformance with sector and science-based initiatives);	<ul style="list-style-type: none"> <li>- Aligned requirement to report on the aim of targets</li> <li>- ESRS additional requirement to explain how targets are embedded in company policies</li> </ul>
(b) the scope of the target and the explanation of any limitations as to organisational and geographical boundaries or activities		<b>- ESRS additional requirement to report on scope and limitations of targets</b>
(c) the baseline value and base year against which progress is measured	(f) the base year from which progress is measured;	<ul style="list-style-type: none"> <li>- Aligned requirement to report on the base year from which progress is measured</li> <li>- ESRS additional requirement to report on baseline value too</li> </ul>
(d) the timeframe to achieve the target and the target values to be achieved, including any milestones or interim targets	(e) the timeframe over which the target applies; (g) any milestones or interim targets	- Aligned requirement to report on target timeframes, milestones and interim targets
(e) the methodologies and significant assumptions used to define targets, including where applicable, the underlying scenarios and alignment with science-based methodologies	(c) whether the target is science-based, and if so, whether it has been validated by a third party; (d) whether the target was derived using a sectoral decarbonisation approach;	<ul style="list-style-type: none"> <li>- Aligned requirement to report on the alignment with science-based methodologies</li> <li>- ESRS requires disclosure of methodologies and assumptions behind setting targets, while the ISSB prototype focuses on the adoption of sectoral decarbonisation approaches</li> </ul>
(f) any changes in targets or underlying methodologies and assumptions adopted within the defined time		<b>- ESRS additional requirement on details regarding changes to targets</b>

horizon together with an explanation of the rationale for those changes and their effect on comparability		
(g) the overall progress towards the defined target, including information on whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in performance of the undertaking towards achieving the target;	(h) metrics used to assess progress towards reaching targets and achieving strategic goals.	- Aligned general requirement to report on progress, yet different levels of granularity in doing so - <b>ESRS additional requirement to report alignment of progress with initial plans, or analysis of trends and changes in the performance of the company.</b>
(h) whether the target is absolute or intensity-based and in which unit it is measured	(b) whether the target is absolute or intensity-based	- Aligned requirement to report on whether targets are absolute or intensity based - ESRS additional requirement to report specific unit in which it is measured
<p><b>DR 8, Paragraph 42</b> <b>Disclosure of GHG emissions reduction targets for Scope 1, 2, and 3, and in addition::</b></p> <p>(a) an explanation of the expected contributions from different decarbonisation levers to the achievement of the target [...];</p> <p>(b) a presentation of the information over the target period preferably in five years rolling periods and at least including target values for the years 2030 and 2050;</p>	<p><i>[no explicit requirement to disclose GHG emission reduction targets]</i></p> <p><b>Paragraph 8</b> [The entity's] assessment of the impact of significant risks and opportunities on management's strategy and decision making including its transition plans. Specifically, the entity shall disclose:</p> <p>-</p> <p>(a) how it is responding to significant climate-related risks and opportunities [...]</p> <p>(i) resources, target review process, assumptions about the use of carbon offsets;</p> <p>(ii) climate-change-related R&amp;D</p> <p>(iii) new technologies</p> <p>(iv) direct adaptation and mitigation efforts</p> <p>(v) indirect adaptation and mitigation efforts</p> <p>(vi) the extent to which mitigation efforts rely on offsetting strategies and the factors affecting the choice of any offsetting strategy]</p> <p>(c) quantitative and qualitative information about the progress of plans previously disclosed in accordance with paragraphs 8(a) and 8(b)</p>	<p>- ESRS additional requirement to disclose specific GHG emission reduction targets, which is not included in ISSB Climate Prototype. This includes criteria that ensure transparency and comparability around companies' achievement of targets and alignment with policy objectives.</p> <p>Although there is no clear correlation between information points on climate targets, transition plans and scenario analysis under the ESRS and ISSB Climate Prototype and the wording differs strongly, certain elements might be considered relatively equivalent</p>

<p>***</p> <p><b>DR 1, Paragraph 20</b>  <b>Transition plan in alignment with Paris Agreement</b>  (a) an explanation of [GHG reduction targets'] alignment with limiting global warming to 1.5°C;  <b>DR2, Paragraph 23</b>  <b>Resilience of the strategy and business model to principal climate-related transition and physical risks</b>  (b) how the resilience analysis has been conducted, including:  (i) whether it has been conducted by comparing a diverse range of climate-related scenarios;  (ii) which climate scenarios were used for the assessment and why, along with the sources of the scenarios and critical assumptions made</p> <p><b>DR 8, Paragraph 42</b>  (c) a presentation of the information over the target period with reference to a 1.5°C climate scenario or, if not available, with reference to the -55% EU GHG emissions reduction target in 2030. It may be presented as a graphical pathway or trajectory</p> <p>***</p> <p><b>DR 1, Paragraph 20</b>  (c) financial resources supporting the implementation of the transition plan;</p> <p>(d) the locked-in GHG emissions from key assets and products, including a discussion about if and how these can jeopardise the achievement of GHG emission reduction targets and drive transition risk, and the plans to manage GHG- and energy-intensive assets and products;</p>	<p>***</p> <p><b>Paragraph 10</b>  An entity shall disclose an analysis of the resilience of the entity's strategy to significant climate-related risks (physical and transition), including:  (a) how the analysis has been conducted, including:  (i) whether it has been conducted by comparing a diverse range of climate-related scenarios and whether it has used a Paris-aligned scenario and scenarios  (ii) which scenarios were used for the assessment and the sources of the scenarios used (for example, Network for Greening the Financial System Net Zero 2050 scenarios, the [IEA] Net Zero 2050 scenario and the [IPCC] Representative Concentration Pathway 1.9 and 2.6);  (iii) an explanation of why the entity believes the chosen scenarios are relevant to assessing its resilience to climate-related risks and opportunities;</p> <p>***</p> <p><b>Paragraph 8</b>  (d) how significant climate-related risks and opportunities are included in the entity's financial planning decision making (for example, in relation to investment decisions and funding).</p> <p>(b) plans and critical assumptions for legacy assets, including strategies to manage carbon energy- and water-intensive operations, and to decommission carbon- energy- and water-intensive assets.</p>	
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<p>(e) an explanation of the role of aligning its economic activities with the provisions of Delegated Act (EU) 2021/2139 for its transition to a climate-neutral economy, including the plans for future Taxonomy-alignment;</p>	<p><i>[no equivalent]</i></p>	
<p><b>DR 8, Paragraph 43</b>  <b>If the undertaking has not adopted targets meeting the criteria included in paragraphs 41 and 42, it shall disclose:</b>          (a) if and when such targets will be adopted; or (b) reasons why there is no plan to adopt such targets; (c) how progress is measured without specific climate-related targets and; (d) the progress made in terms of climate change mitigation and adaptation.</p>		<p>- ESRS additional requirement to explain why the company has not adopted climate-related targets, which is not included in ISSB Climate Prototype.</p>