

Comparison of climate disclosures in the EU and International reporting standards

EU Sustainability Reporting Standards (ESRS)	IFRS Sustainability Disclosure Standards	Commentary / Comparison
<u>Disclosure of climate-related targets</u>		
ESRS E1, DR 8, Paragraph 39-41 Disclosure of climate-related targets, including:	IFRS S2, Metrics and targets, Paragraph 23 Disclosure of climate-related targets, including:	More detail and granularity in ESRS E1 vs. IFRS S2
(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	23(d) the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives);	<ul style="list-style-type: none"> - Aligned requirement to report on the aim of targets - ESRS additional requirement to explain how targets are embedded in company policies
(b) the scope of the target and the explanation of any limitations as to organisational and geographical boundaries or activities		ESRS additional requirement to report on scope and limitations of targets
(c) the baseline value and base year against which progress is measured	23(h) the base period from which progress is measured;	<ul style="list-style-type: none"> - Aligned requirement to report on the base year/period from which progress is measured - ESRS additional requirement to report on baseline value too
(d) the timeframe to achieve the target and the target values to be achieved, including any milestones or interim targets	23(g) the period over which the target applies; (b) the specific target the entity has set for addressing climate-related risks and opportunities; (i) any milestones or interim targets.	<ul style="list-style-type: none"> - Aligned requirement to report on target timeframes/period, target value/specific target as well as 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	23(e) how the target compares with those created in the latest international agreement on climate change and whether it has been validated by a third party; 23(f) whether the target was derived using a sectoral decarbonisation approach;	<ul style="list-style-type: none"> - ESRS requires disclosure of methodologies (including science-based ones), assumptions, and underlying scenarios behind setting targets, while the IFRS exposure draft focuses on targets' comparison to international agreement on climate change and on the adoption of sectoral decarbonisation approaches - IFRS exposure draft additional requirement to report on whether the targets have been validated by a third party

(f) any changes in targets or underlying methodologies and assumptions adopted within the defined time horizon together with an explanation of the rationale for those changes and their effect on comparability	13(b) information regarding climate-related targets for these plans including: (i) the processes in place for review of the targets	IFRS requirement to provide information on the processes to review climate-related; ESRS more specific requirement on details regarding changes to targets, including rationale for changes and 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;	23(a) metrics used to assess progress towards reaching the target and achieving its strategic goals;	- Aligned general requirement to report on progress, yet different levels of granularity in doing so - ESRS additional requirement to report alignment of progress with initial plans, or analysis of trends and changes in the performance of the company.
(h) whether the target is absolute or intensity-based and in which unit it is measured	23(c) whether this target is an absolute target or an intensity target;	- Aligned requirement to report on whether targets are absolute or intensity based - ESRS additional requirement to report specific unit in which it is measured
DR 8, Paragraph 42 Disclosure of GHG emissions reduction targets for Scope 1, 2, and 3, and in addition: (a) an explanation of the expected contributions from different decarbonisation levers to the achievement of the target (e.g., electrification and deployment of renewable energy; energy or resource efficiency; reduced lifecycle emissions of products); (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; ***	<i>[no explicit requirement to disclose GHG emission reduction targets]</i> Paragraph 13 [Disclosure of information on] the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans. Specifically, the entity shall disclose: (a) how it is responding to significant climate-related risks and opportunities including how it plans to achieve any climate-related targets it has set [, including: (i) changes to its business model, including (1) changes to strategy and resource allocations (e.g. demand or supply changes, new business lines, R&D, legacy assets, etc.); (2) direct adaptation and mitigation efforts; (3) indirect adaptation and mitigation efforts]; (ii) how these plans will be resourced. (c) quantitative and qualitative information about the progress of plans disclosed in prior reporting periods... ***	- ESRS additional requirement to disclose specific GHG emission reduction targets, which is not included in IFRS exposure draft. This includes criteria that ensure transparency and comparability around companies' achievement of targets and alignment with policy objectives. Although there is no clear correlation between information points on climate targets, transition plans and scenario analysis under the ESRS and IFRS exposure draft and the wording differs strongly, certain elements might be considered relatively equivalent

<p>DR 1, Paragraph 20 (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 style="text-align: center;">***</p> <p>DR 1, Paragraph 20 (c) ...an explanation of the financial resources supporting the implementation of the transition plan;</p> <p style="text-align: center;">***</p> <p>DR 1, Paragraph 20 Transition plan in alignment with Paris Agreement (a) an explanation of [GHG reduction targets'] alignment with limiting global warming to 1.5°C;</p> <p>DR2, Paragraph 23 Resilience of the strategy and business model to principal climate-related transition and physical risks (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>DR 8, Paragraph 42 (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 style="text-align: center;">***</p> <p>DR 1, Paragraph 20 (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</p>	<p>Paragraph 13 (a)(i)(1) [information about changes the entity is making in strategy and resource allocation to address the risks and opportunities...including plans and critical assumptions for <i>legacy</i> assets, including strategies to manage carbon-energy- and water-intensive operations, and to decommission carbon-energy- and water-intensive assets]</p> <p style="text-align: center;">***</p> <p>Paragraph 14 (c) how it expects its financial position to change over time, given its strategy to address significant climate-related risks and opportunities, reflecting:... (ii) its planned sources of funding to implement its strategy;</p> <p style="text-align: center;">***</p> <p>Paragraph 15 [Disclosure of information on] the resilience of the entity's strategy (including its business model) to climate-related changes, developments or uncertainties... Specifically, the entity shall disclose: ... (b) how the analysis has been conducted, including: (i) when climate-related scenario analysis is used: (1) which scenarios were used for the assessment and the sources of the scenarios used; (2) whether the analysis has been conducted by comparing a diverse range of climate-related scenarios; (3) whether the scenarios used are associated with transition risks or increased physical risks; (4) whether the entity has used, among its scenarios, a scenario aligned with the latest international agreement on climate change; (5) an explanation of why the entity has decided that its chosen scenarios are relevant to assessing its resilience to climate-related risks and opportunities; (6) the time horizons used in the analysis; (7) the inputs used in the analysis, including [the scope of risks, the scope of operations covered, details of the assumptions]; (8) assumptions about the way the transition to a lower carbon economy will affect the entity...</p> <p style="text-align: center;">***</p> <p><i>[no equivalent]</i></p>	
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future Taxonomy-alignment;		
DR 8, Paragraph 43 If the undertaking has not adopted targets meeting the criteria included in paragraphs 41 and 42, it shall disclose: (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.		- ESRS additional requirement to explain why the company has not adopted climate-related targets, which is not included in ISSB Climate Prototype.

Disclaimer: The table refers to the recent [exposure draft on climate-related disclosures](#), while the original [article “A route-map on how European and global sustainability standards for corporate reporting can and will converge” by Richard Howitt](#) mostly discusses the original [prototype](#).