



DAY 1 CASE STUDY 1

MATERIAL RISKS & OPPORTUNITIES IDENTIFICATION PROCESS: example

The Scenario: "AgriCorp" (A Global Commercial Bakery)

AgriCorp relies heavily on global supply chains for wheat and owns several high-energy manufacturing facilities. Management needs to identify what climate-related information must be disclosed under IFRS S2.

The Materiality Identification Process

Step 1. Cast a wide net (Identify potentially relevant risks):

AgriCorp reviews its value chain and notes two major shifts:

- **Physical Risk:** Changing rainfall patterns and intense heatwaves are hitting their primary wheat-growing region (Region A).
- **Transition Risk:** The government is introducing a steep carbon tax on manufacturing emissions.

Step 2. Check industry-specific guidance (SASB mapping):

Step 2. Per IFRS S2 instructions, AgriCorp looks at the *Industry-based Guidance for Agricultural Products and Processed Foods*. The guidance points them to look closely at water management in supply chains and fleet fuel efficiency.

Step 3. Apply the investor lens (Assess financial impact):

Now, management asks: “Will omitting information about these risks alter an investor's view of our financial prospects?”

- **Region A Wheat:** Severe droughts could slash crop yields by 40%, forcing AgriCorp to source expensive alternatives, hitting future cash flows. **(Material)**
- **Carbon Tax:** The factory emissions will trigger a \$5M annual penalty starting next year, lowering net margins. **(Material)**
- **Fleet Emissions:** AgriCorp uses a third-party logistics firm. Their direct logistics emissions are negligible and won't trigger regulatory costs. **(Immaterial)**

Step 4. Filter the disclosures:

AgriCorp filters out the fleet emissions to avoid cluttering the report. They finalize disclosures specifically detailing the financial resilience of their wheat supply chain and the capital expenditure needed to retrofit factories against the carbon tax.



What the Final Material Disclosure Looks Like

Because AgriCorp deemed the wheat supply chain and carbon tax **material**, they do not just give a generic "climate change is bad" statement. Under IFRS S2, they must disclose explicit, decision-useful data for investors:

Identified Material Risk	Qualitative Disclosure	Quantitative Metric
Physical: Water scarcity & crop failure in Region A.	Strategic plan to source 30% of wheat from climate-resilient alternative regions by 2028.	Scope 3 Emissions from the supply chain, and % of sourcing assets located in high-water-stress areas.
Transition: Upcoming domestic Carbon Tax.	Breakdown of operations directly exposed to the tax and plans to transition to electric ovens.	Scope 1 & 2 Emissions MTCO ₂ e and the anticipated \$5M financial exposure embedded in financial planning.

The Key Takeaway: Under IFRS S2, AgriCorp didn't report on their fleet emissions because it didn't impact their financial bottom line. Materiality isn't about how much carbon a company emits overall; it is about how climate risks fundamentally alter the company's financial future.