



## Severe Flooding in Southern Thailand: Implications for IFRS S2 Climate-Related Disclosures

Southern Thailand had recently experienced severe flooding across multiple provinces, causing widespread human, economic, and infrastructural losses. This acute physical risk event highlights the urgency of transparent sustainability disclosures under IFRS S2. Importantly, affected entities may not be physically located in the flooded areas but can still experience significant impacts through supply chain disruption, underscoring the interconnected nature of climate-related risks.

This article examines how entities should report climate-related risks and opportunities across the four disclosure pillars—governance, strategy, risk management, and metrics & targets—and explores potential financial statement impacts such as impairment, provisions, and revenue disruption.

### 1. Introduction

Climate change has intensified the frequency and severity of extreme weather events worldwide. In November 2025, Southern Thailand faced devastating floods that disrupted transportation, agriculture, and tourism. Such events exemplify **acute physical risks** under IFRS S2, requiring entities to disclose their exposure, resilience, and adaptation strategies. This article situates the flooding within the IFRS S2 framework and highlights implications for corporate reporting.

### 2. IFRS S2 and Acute Physical Risk

IFRS S2, issued by the International Sustainability Standards Board (ISSB), mandates disclosure of climate-related risks and opportunities. Physical risks are categorized as **acute** (event-driven, such as floods, storms, or fires) and **chronic** (long-term shifts such as rising sea levels). The flooding in

Southern Thailand is a clear example of an acute risk, demanding immediate disclosure of its impact on operations, assets, and financial performance.

### 3. Disclosure Across the Four Pillars

#### 3.1 Governance

Entities must disclose information about:

- a) The governance body(s) or individual(s) responsible for oversight of climate-related risks and opportunities.
- b) Management’s role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.

**Example:**

“The Board of Directors, supported by the Sustainability and Risk Management Committee, oversees climate-related risks and opportunities. Following the severe flooding in Southern Thailand in 2025, management implemented emergency response measures, conducted site-specific risk assessments, and integrated lessons learned into long-term adaptation strategies. Oversight continues through quarterly climate risk reporting and Board review of resilience investments.”

#### 3.2 Strategy

Entities must disclose the following:

##### A. Climate-related Risks and Opportunities:

- a) Describe climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects;
- b) Explain, for each climate-related risk, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk;
- c) Specify, for each climate-related risk and opportunity, over which time horizons—short, medium or long term—the effects of each climate-related risk and opportunity could reasonably be expected to occur; and
- d) Explain how the entity defines ‘short term’, ‘medium term’ and ‘long term’ and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.

**Example:**

“The entity has identified both physical and transition climate-related risks and opportunities that could reasonably be expected to affect its prospects. Following the severe flooding in Southern Thailand in 2025, flooding and extreme rainfall are considered physical risks, while evolving regulatory requirements e.g., Climate Change Act are considered transition risks. In the short term (1-3 years), flooding poses immediate operational disruptions. In the medium term (3-10 years), resilience investments and regulatory compliance will shape financial performance. In the long term (10+ years), climate adaptation and sustainable innovation present opportunities for growth. These time horizons are consistent with the entity’s planning cycles for budgeting, capital allocation, and strategic decision-making.”

## **B. Business Model and Value Chain:**

Information that enables users to understand the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain. Specifically, the entity shall disclose:

- a) A description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain; and
- b) A description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated.

### **Example:**

"The entity has assessed the current and anticipated effects of climate-related risks and opportunities on its business model and value chain. The severe flooding in Southern Thailand in 2025 caused immediate operational disruptions, supply chain interruptions, and increased employee safety costs. Over the medium and long term, the entity anticipates higher capital expenditure for resilient infrastructure, rising insurance costs, and opportunities to strengthen market positioning through climate-resilient products and partnerships. Climate-related risks are concentrated in upstream suppliers and core facilities located in flood-prone areas, while opportunities are concentrated in community engagement and adaptive supply chain strategies."

## **C. Strategy & Decision-Making, including Climate-related Transition Plan**

Information that enables users to understand the effects of climate-related risks and opportunities on the entity's strategy and decision-making. Specifically, the entity shall disclose:

- a) Information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making. Specifically, the entity shall disclose:
  - i. Current and anticipated changes to the entity's business model to address climate-related risks and opportunities;
  - ii. Current and anticipated direct mitigation and adaptation efforts;
  - iii. Current and anticipated indirect mitigation and adaptation efforts;
  - iv. Any climate-related transition plan; including information about key assumptions used in developing the transition plan and dependencies on which the plan relies; and
  - v. How the entity plans to achieve any climate-related targets, including any GHG targets.
- b) Information about how the entity is resourcing, and plans to resource, the activities disclosed as per the requirements in (a) above; and
- c) Quantitative and qualitative information about the progress of plans disclosed in previous reporting periods as per the requirements in (a) above.

### **Example:**

"The entity has responded to climate-related risks and opportunities by integrating resilience into its strategy and decision-making. Following the severe flooding in Southern Thailand in 2025, the entity relocated operations, implemented emergency protocols, and initiated infrastructure redesign. Direct efforts include facility upgrades and renewable energy adoption, while indirect efforts involve supplier engagement and community partnerships. The entity has developed a transition plan based on assumptions of increased rainfall and regulatory tightening, with

dependencies on green financing and supplier compliance. Targets include a 30% reduction in GHG emissions and full resilience upgrades of flood-prone facilities by 2030. Resources allocated include capital expenditure, a dedicated Climate Risk Task Force, and partnerships with insurers and local authorities. Progress to date includes 20% of facilities upgraded and a 10% reduction in emissions, alongside qualitative improvements in employee safety and community engagement.”

#### D. Financial Position, Financial Performance and Cash Flows

Information that enables users to understand both current financial effects and anticipated financial effects.

**Example:**

“The entity has assessed both current and anticipated financial effects of climate-related risks and opportunities. Following the severe flooding in Southern Thailand in 2025, immediate financial impacts included THB 120 million in facility repair costs, THB 80 million in lost revenue, and increased operating expenses for emergency response. In the short term, higher insurance premiums and supply chain volatility are expected to affect financial performance. In the medium term, capital expenditure of THB 1.2 billion is planned for resilient infrastructure, alongside regulatory compliance costs. In the long term, strategic repositioning of facilities and investment in climate-resilient products are anticipated to reduce risk exposure and create new growth opportunities. These financial effects are integrated into the entity’s strategic planning and capital allocation processes.”

#### E. Climate Resilience

Information that enables users to understand the resilience of the entity’s strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity’s identified climate-related risks and opportunities.

**Example:**

“The entity has assessed the resilience of its strategy and business model to climate-related changes, developments, and uncertainties. The severe flooding in Southern Thailand in 2025 demonstrated the entity’s ability to maintain continuity through diversified logistics and emergency protocols. Anticipated changes include redesigning facilities with resilience features, integrating climate clauses into supply chain contracts, and strengthening community partnerships. Risks are concentrated in flood-prone operations and vulnerable suppliers, while opportunities are concentrated in resilient infrastructure investment, community engagement, and sustainable product innovation. Scenario analysis (best, base and worst cases as explained in the below table) confirms that the entity’s strategy remains resilient under both physical and transition climate risk scenarios.”

Scenario	Physical risks - assumptions	Transition risks - assumptions
Best	XX	XX
Base	XX	XX
Worst	XX	XX

### 3.3 Risk Management

Entities must disclose the following:

#### A. Climate-related Risks - Processes and Related Policies

The processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks, including information about:

- The inputs and parameters the entity uses;
- Whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks;
- How the entity assesses the nature, likelihood and magnitude of the effects of those risks;
- Whether and how the entity prioritises climate-related risks relative to other types of risk;
- How the entity monitors climate-related risks; and
- Whether and how the entity has changed the processes it uses compared with the previous reporting period.

#### *Example:*

“The entity identifies climate-related risks through enterprise risk management processes, site-level assessments, and stakeholder engagement. Inputs include historical climate data, floodplain mapping, and regulatory developments. Scenario analysis is used to model both acute flooding events and long-term rainfall shifts, informing resilience planning. Risks are assessed by nature, likelihood, and magnitude, with flooding classified as a high-likelihood, high-magnitude physical risk. Climate-related risks are prioritised relative to other enterprise risks using a risk matrix, with immediate operational risks ranked highest. Risks are monitored through climate data dashboards, supplier reporting, and quarterly Board updates. Compared with the previous reporting period, the entity has expanded scenario analysis, enhanced monitoring systems, and integrated climate risk more deeply into capital planning.”

#### B. Climate-related Opportunities - Processes

The processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities.

#### *Example:*

“The entity identifies climate-related opportunities through its enterprise risk and opportunity management framework, market analysis, and stakeholder engagement. Inputs include regulatory developments, customer demand trends, technological innovation, and climate data. Climate-related scenario analysis is used to evaluate opportunities under different climate pathways, such as increased demand for resilient infrastructure, renewable energy adoption, and sustainable product innovation. Opportunities are assessed by nature, likelihood, and magnitude of potential benefits, and prioritised relative to other strategic opportunities using a structured opportunity matrix. Monitoring occurs through quarterly reporting to the Sustainability and Risk Management Committee, supplier collaboration programs, and community partnerships. Compared with the previous reporting period, the entity has expanded its scenario analysis to include opportunities arising from adaptation to extreme weather events and has integrated climate-related opportunities more deeply into capital allocation and long-term strategy.”

## C. Integration into Entity's Overall Risk Management Process

The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.

### *Example:*

“The entity's processes for identifying, assessing, prioritising, and monitoring climate-related risks and opportunities are fully integrated into its overall enterprise risk management framework. Climate-related risks and opportunities are evaluated using the same methodologies, risk matrix, and prioritisation criteria applied to other strategic, operational, and financial risks, ensuring consistency and comparability. Scenario analysis of both physical risks (such as flooding) and transition risks (such as regulatory changes) informs enterprise-wide risk assessments and capital allocation decisions. Opportunities, including resilient infrastructure investment and renewable energy adoption, are assessed alongside risks to provide a balanced view of potential impacts. Monitoring occurs through integrated dashboards and quarterly reporting to the Board, where climate-related risks and opportunities are reviewed together with other enterprise risks. Compared with the previous reporting period, integration has been strengthened through enhanced scenario modelling, expanded monitoring systems, and closer alignment of climate-related opportunity assessments with long-term strategic planning and capital allocation.”

## 3.4 Metrics & Targets

Entities must disclose the following:

### A. Cross-Industry Metrics

Information relevant to the cross-industry metric categories of:

- Greenhouse gases;
- Climate-related transition and physical risks: the amount and percentage of assets or business activities vulnerable to climate-related transition/physical risks;
- Climate-related opportunities—the amount and percentage of assets or business activities aligned climate-related opportunities;
- Capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities;
- Internal carbon prices:
  - An explanation of whether and how the entity is applying a carbon price in decision-making;
  - The price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions;
- Remuneration:
  - A description of whether and how climate-related considerations are factored into executive remuneration;
  - The percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations.

**Example:**

“The entity discloses information relevant to cross-industry climate-related metrics and targets in accordance with IFRS S2. Greenhouse gas emissions are measured and reported across Scope 1, Scope 2, and material Scope 3 categories, with progress tracked against the entity’s reduction targets. Climate-related transition and physical risks are quantified by identifying the amount and percentage of assets and business activities vulnerable to flooding and extreme rainfall events, as demonstrated by the severe flooding in Southern Thailand in 2025. Climate-related opportunities are measured by the proportion of assets and activities aligned with resilience investments, renewable energy adoption, and sustainable product innovation. Capital deployment is disclosed through the amount of capital expenditure and financing allocated to climate resilience projects and low-carbon initiatives. The entity applies an internal carbon price in decision-making, currently set at US\$ xx per metric tonne of greenhouse gas emissions, to assess the cost of emissions and guide investment choices. Executive remuneration incorporates climate-related considerations, with a defined percentage of management compensation linked to achievement of greenhouse gas reduction targets, resilience milestones, and sustainability performance indicators. Progress against these metrics and targets is reported annually, with quantitative and qualitative updates provided to the Board and disclosed publicly to stakeholders.”

**B. Industry-based Metrics**

An entity shall disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. The entity shall refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the Industry-based Guidance on Implementing IFRS S2.

**Example:**

“The entity discloses industry-based metrics associated with its business models and activities, in line with the Industry-based Guidance on Implementing IFRS S2. These metrics are selected to reflect the specific characteristics of the entity’s industry and its participation in climate-related risks and opportunities. For example, in the manufacturing sector, disclosures include energy consumption per unit of output, water usage in production processes, and waste recycling rates. In the financial services sector, disclosures include financed emissions, exposure to carbon-intensive industries, and percentage of assets aligned with sustainable finance. The entity evaluates the applicability of these industry-based metrics annually, ensuring they remain relevant to its business model, value chain, and strategic decision-making. Compared with the previous reporting period, the entity has expanded its industry-based metrics to include resilience investments in flood-prone facilities and supply chain adaptation measures, reflecting lessons learned from the severe flooding in Southern Thailand in 2025.”

**C. Target set by the Entity/ Required by Law or Regulation**

i. Information about the targets: An entity shall disclose quantitative and qualitative climate-related targets it has set and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the entity shall disclose: The metric used to set the target; The objective of the target; The part of the entity to which the target applies; The period over which the target applies; The base period from which progress is measured; Any milestones and interim targets; If the target is quantitative, whether it is an absolute target or an intensity target; and How the latest international agreement on climate change has informed the target.

ii. Information about setting and reviewing the targets: An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: Whether the target and the methodology for setting the target has been validated by a third party; The entity's processes for reviewing the target; The metrics used to monitor progress towards reaching the target; and Any revisions to the target and an explanation for those revisions.

iii. Performance against the targets: An entity shall disclose information about its performance against each climate-related target; and an analysis of trends or changes in the entity's performance.

iv. GHG targets

**Example:**

"The entity has established quantitative and qualitative climate-related targets, including greenhouse gas (GHG) emissions reduction targets, in line with regulatory requirements and international climate agreements. Each target specifies the metric used, the objective, the applicable business unit, the period of application, the base year, and interim milestones. For example, the entity has set a quantitative absolute target to reduce Scope 1 and Scope 2 GHG emissions by 30% by 2030, measured against a 2020 baseline, with interim milestones of 10% reduction by 2025 and 20% reduction by 2027. The latest international agreement on climate change has informed the ambition level and alignment of these targets.

Targets are set and reviewed through a structured governance process. Methodologies are validated by independent third parties to ensure credibility. Progress is monitored using emissions intensity metrics, capital deployment tracking, and resilience indicators. Targets are reviewed annually by the Sustainability and Risk Management Committee, with revisions made when assumptions or regulatory requirements change.

Performance against targets is disclosed annually. As of 2025, the entity has achieved a 12% reduction in Scope 1 and Scope 2 emissions compared to the 2020 baseline, exceeding its interim milestone of 10% by 2025. Trends show steady progress driven by renewable energy adoption, efficiency improvements, and resilient infrastructure investments. Qualitative performance includes strengthened stakeholder trust and enhanced market positioning through climate-aligned products.

Greenhouse gas targets remain central to the entity's climate strategy, with progress measured both in absolute terms and intensity metrics, ensuring transparency and accountability in line with IFRS S2 requirements."

Remark: Absolute targets set a specific reduction in the total amount of greenhouse gas (GHG) emissions by a certain date. Intensity targets set a reduction in the amount of GHG emissions per unit of economic output (e.g., per unit of product produced).

#### **4. Financial Statement Implications**

Flooding can materially affect financial accounts under IFRS standards, for instance:

- **Impairment of assets:** Factories, and transport infrastructure damaged by floods may require impairment testing.
- **Inventory write-downs:** Agricultural produce and goods destroyed by water damage.

- **Revenue recognition delays:** Suspension of services in tourism and transport sectors.
- **Insurance recoveries:** Disclosure of contingent assets or liabilities related to claims.
- **Provisions:** Recognition of clean-up, restoration, and employee support costs.

## 5. Conclusion

The severe flooding in Southern Thailand illustrates the financial materiality of climate-related risks. IFRS S2 provides a structured framework for entities to disclose governance, strategy, risk management, and metrics & targets in relation to acute physical risks. Transparent reporting not only ensures compliance but also strengthens stakeholder confidence in corporate resilience amid escalating climate events.

This article is intended solely to explain the disclosure requirements under IFRS S2 and to provide illustrative examples that may assist readers in understanding and applying those requirements. Entities are advised to review the complete IFRS S2 standard and seek appropriate professional advice when preparing climate-related disclosures in accordance with IFRS S2.

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