

1 March 2024

Australian Accounting Standards Board

L14 530 Collins Street,
Melbourne, VIC, 3000
Australia

Dear Australian Accounting Standards Board,

RE: Property Council Submission to the Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information

The Property Council of Australia welcomes the opportunity to provide comments on Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information that proposes climate-related financial disclosure requirements based on the ISSB's IFSR S1 and S2.

These are important reforms, and our industry supports the Australian Government's ambition to enhance business transparency through quality climate-related financial disclosures. We are pleased to provide our detailed feedback on the new standards.

About us

The Property Council of Australia is the leading advocate for Australia's largest industry – property. Our industry represents 13% of Australia's GDP, employs 1.4 million Australians and generates \$72 billion in tax revenues. Property Council members invest in, design, build and manage places that matter to Australians across all major built environment asset classes.

Most of our leading members have net zero goals by 2030 or before (Scopes 1 & 2), with several having reached it already at a fund level. Our members have a long-term stake in ensuring our capital and regional cities thrive and want to see decisive action on climate mitigation and adaptation to avoid the worst projected impacts of climate change.

Key priorities

While we support the development of these standards to align with international frameworks, Australian policy settings, must be appropriate for the Australian context. We have included a detailed submission responding to the AASB consultation question at **Attachment A** for your reference.

The Property Council's key priorities in relation to the implementation of Climate-Related Financial Disclosure are the following:

1. **Further guidance and industry capacity building will be needed to support the use of the ASRS.** While we have provided our detailed feedback on the Exposure Draft Australian Sustainability Reporting Standards in the below attachment, our primary general comment is that the use of this standard will need to be supported by a further detailed guidance to clarify and support the use of the ASRS. These new standards

reflect an important but significant change for many organisations. While we understand that the timing to phase in mandatory reporting is a matter for Treasury, we remain concerned that the timing recently proposed is inadequate to allow industry preparedness to apply this new standard. We consider that the AASB will play a crucial role in supporting the adoption of this standard and we have highlighted in our feedback areas where further guidance and clarification would support industry use the standard.

2. **Managing legal risks of disclosures and market sensitive information.** The anticipated effects of current and committed investment plans (e.g. major acquisitions, joint ventures, new business areas and asset retirement) on a reporting entity's financial position should be made in line with current requirements, not sooner. They are market sensitive and there are legal risks associated with their disclosures. Further, the standards should not request the disclosure of market sensitive information, such as how any item will be funded/resourced, including addressing climate resilience.
3. **A flexible approach to disclosing Scope 3 emissions and a clear pathway for industry towards mandatory disclosures.** While there is broad support to measure and disclose Scope 3 emissions in the property sector, data is not readily available across the range of Scope 3 emission sources. A combination of technical and legislative barriers stands in the way of full disclosure. For instance, there is currently no established and commonly accepted methodology to measure embodied carbon in building projects and lifecycle analyses can produce significantly divergent outcomes. Australian tenancy laws also currently prevent building owners from accessing and reporting on tenancy energy usage and associated emissions. The consistent and robust measurement of Scope 3 emissions is an immense challenge across the economy, not just in the property sector. While we expect data availability and calculation methodologies of Scope 3 emissions to improve over time, a flexible approach will be needed while industry builds its reporting capabilities. Australia's Sustainability Reporting Standard along with relevant amendments to the Corporations Act should work together to make clear the pathway for disclosure of Scope 3 emissions.
4. **Clarity on the intended role of NGER and GHG Protocol methodologies to measure emissions.** High quality climate-related financial disclosures must be based on fit-for-purpose data and measurement approaches. We note that the exposure draft standard introduces a new hierarchy which preferences the use of NGER methodologies where it is 'practical.' While we agree that NGER methodologies will be a useful tool, there are a wide range of circumstances - notably the measurement of market-based Scope 2 emissions and Scope 3 emissions - for which there are no relevant NGER methodologies that could be used. Given the significant gaps in NGER we recommend that the AASB reconsider the design of the hierarchy and provide clarity on the accepted use of GHG Protocol methodologies.

Please reach out to Eleanor Sondergeld, National Policy Manager – Sustainability and Regulatory Affairs at esondergeld@propertycouncil.com.au should you wish to discuss this submission in further detail.

Yours faithfully,



Matthew Kandelaars

Group Executive, Policy and Advocacy
Property Council of Australia

Attachment A – Detailed Feedback

GAPS IN EXPOSURE DRAFT	
<p>Financial position, financial performance and cash flows</p> <p>Paragraphs 34-35 of the exposure draft require a range of disclosures which will require careful interpretation to avoid inadvertent disclosure of market sensitive information. Notably, 35(c)(ii) requires the disclosure of expected changes in financial position including major acquisitions and divestments as well as planned sources of funding to implement its strategy.</p>	<p>We are concerned that that is inappropriate to forecast expected impacts as well as disclose planned acquisitions and divestments and how they will be funded. It could both create legal risk as well as being market sensitive information.</p> <p>Disclosure of material risks are already addressed under ASX Listing Rules Chapter 3 on Continuous Disclosures. Specifically, rule 3.1 requires greater certainty prior to disclosure and acknowledges where disclosure would not be appropriate/required.</p> <p>Recommendation: ASRS S1 should reflect the form set out in the ASX Listing Rules. This will avoid inappropriate disclosures of market sensitive information.</p>
<p>Stapled structures – Corporations Act reporting entity definitions</p>	<p>We understand that the draft ASRS will use the current Corporations Act reporting entity definitions (grouped by size). As a result, many secondary staples in the Groups may need to separately report – which we do not understand to be the intent of the standard. In the case of climate-related disclosures separate reporting by secondary staples may either not be appropriate or pose significant data challenges.</p> <p>Recommendation: We request clarity from the AASB on interpretation of the ASRS in relation to stapled groups.</p>

RESPONSE TO AASB CONSULATION QUESTIONS

Presenting the core content of IFRS S1 in [draft] ASRS Standards

In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:

- Option 1 – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2
- Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards
- Option 3 – two ASRS Standards by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1 (what is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in ED SR1)
- another presentation approach (please provide details of that presentation method)

- **Option 2 is preferred.**
- While this may result in some duplication across ASRS 1 and ASRS 2, this option will ensure closer alignment of the Australian standard with the ISSB IFRS S1 and S2. International alignment will be critical to ensure that users of reports can clearly interpret and accurately compare the disclosures made by different organisations in different jurisdictions.
- It is also important that the Australian standards are designed to be interoperable with other international reporting requirements that are ISSB aligned, either through attestation or mutual recognition.

Replacing duplicated content with references to the Conceptual Frameworks

As noted in paragraphs BC25–BC27, the AASB is of the view that since the *Conceptual Framework for Financial Reporting* (in respect of for-profit entities) and the *Framework for the Preparation and Presentation of Financial Statements* (in respect to not-for-profit entities) are not legislative instruments and do not form part of the authoritative Australian Accounting Standards, they

- **Agree.**

should not be made enforceable as part of ASRS Standards. Accordingly, where elements of those Frameworks have been duplicated within IFRS S1 and IFRS S2 as requirements that an entity must comply with, the AASB is proposing to replace the relevant IFRS S1 and IFRS S2 paragraphs with Australian-specific paragraphs cross-referencing to those Frameworks.

Question Title

1. Do you agree with the proposed approach?
 - Agree
 - Agree in principle, but ...
 - Disagree

Entities that do not have material climate-related risks and opportunities

Treasury's second consultation indicated that, where an entity assesses climate-related risks and opportunities as not material, disclosing that fact would be useful information to users. Accordingly, the AASB is proposing that if an entity determines that there are no material climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects, the entity shall disclose that fact and explain how it came to that conclusion (see paragraphs BC34-BC36).

Question Title

2. Do you agree with the proposed approach?
 - Agree
 - Agree in principle, but ...
 - Disagree

- **Agree in principle.**
- This is a new form of disclosure – in other accounting standards only material risks are disclosed. Climate-related financial risks are likely to be sufficiently well defined that this kind of disclosure can be reasonably made with limited assurance.
- However, we note it is likely that such an approach would not be possible in regard to other forms of sustainability disclosures. If the remit of AASB to make sustainability disclosures that are not climate-related financial disclosures, and the ASRS are expanded accordingly, this provision should be carefully re-examined in light of any new disclosures.
- Where an entity would prima facie not be impacted by material climate risks, the burden associated assessing potential materiality should be reasonable.

	<ul style="list-style-type: none"> • Clarification to assist such entities ensure they can accurately determine the materiality of climate risks and guidance about the relevant 'sustainability records' that would be needed to be retained to comply with both the standard and the legislative framework would be useful in instances where an entity relies on this disclosure.
<p>Modifications to the baseline of IFRS S1 for [draft] ASRS 1</p>	
<p>Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards</p> <p>As noted in paragraphs BC39-BC41, the AASB is proposing to remove from IFRS S1 and IFRS S2 the requirement for an entity to consider the applicability of SASB Standards and references to <i>Industry-based Guidance on Implementing IFRS S2</i> issued by the ISSB developed based on SASB Standards.</p> <p>This is mainly because:</p> <ol style="list-style-type: none"> 1. the ISSB's public consultation period was too short for Australian stakeholders to appropriately consider the proposals in Appendix B to [draft] IFRS S2 (issued by the ISSB as Industry-based Guidance on Implementing IFRS S2) and for the AASB to appropriately apply its own due process; 2. not all of the proposals in Appendix B to [draft] IFRS S2 are related to climate-related risks and opportunities; and 3. the SASB Standards are US-centric and not representative of the Australian or global market. <p>Question Title</p> <ol style="list-style-type: none"> 1. Do you agree with the AASB's views noted in paragraphs BC39-BC41? <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree in principle. • While we agree with the removal of a requirement to consider SASB Standards, to promote the recognition of the Australian Standard as interoperable with international jurisdictions, the Australian Standard should make it clear it is an option for entities to consider SASB Standards. This would also support entities that already comply with ISSB standards to use the Australian Framework. • The use of SASB should not be required but may be a useful tool for entities while Australian specific guidance is still being developed.

<p>Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards</p> <p>The industry classification system used in Australia is the <i>Australian and New Zealand Standard Industrial Classification (ANZSIC)</i> issued by the Australian Bureau of Statistics. As noted in paragraph BC42, to avoid introducing requirements that would require an entity to use another industry classification system, the AASB is proposing to specify in [draft] ASRS Standards that, if an entity elects to make industry-based disclosures, the entity shall consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC (see paragraphs Aus48.1, Aus55.1, Aus58.1 and AusB20.1 of [draft] ASRS 1 and paragraphs Aus32.1, Aus37.1, AusB63.1 and AusB67.1 of [draft] ASRS 2).</p> <p>Question Title</p> <p>1. Do you agree with the proposal?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree in principle. • We strongly agree that industry-based disclosures should <u>only</u> refer to well established and understood metrics. • Australian property companies are world leaders in their commitment to decarbonisation and investors have seen their investment potential. Our industry actively uses a variety of home-grown, globally recognised, rating tools and frameworks that have been developed to enhance transparency and accountability, tailored to the Australian property context. • Given the inherent complexity of the property industry the introduction of a standard for mandatory climate-related financial disclosures should allow flexibility by permitting but not requiring the use of a particular source of metrics. • We note that “shall consider” ANZSIC classification departs from the ISSB standards. Optionality to consider the relevance of other classifications may support entities that already comply with ISSB standards to use the Australian Framework – for example the Global Industry Classification Standard (GICS).
<p>Do you consider that ASRS Standards should expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards)? (Entities are able to provide additional disclosures provided that they do not obscure or conflict with required disclosures.)</p> <ul style="list-style-type: none"> • Yes • No 	<ul style="list-style-type: none"> • Agree. • Voluntary disclosures should be permitted. Further guidance on ensuring that voluntary disclosures do not obscure or conflict with mandatory disclosures would be value.

<p>Disclosing the location of the entity's climate-related financial disclosures</p> <p>The AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures.</p> <p>As noted in paragraphs BC43-BC45, in its second consultation Treasury proposed to require entities to include an index table in its annual report that displays climate-related financial disclosure requirements (i.e. governance, strategy, risk management, and metrics and targets) and the relevant disclosure section and page number. Feedback to that consultation indicated that there was overall support for such an index table and that it would provide useful information to users.</p> <p>However, the AASB was concerned that requiring an entity to include a detailed index table in its GPFR could be onerous to prepare. The AASB is of the view that the benefits of having such a detailed index table presented in an entity's GPFR would not outweigh the cost and effort required to prepare the index table.</p> <p>Question Title</p> <p>1. Do you agree with the proposed requirement in paragraph Aus60.1?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree. • The Treasury exposure draft legislation defines the report containing mandatory climate-related financial disclosures as a 'sustainability report.' • We note that many entities already produce annual sustainability reports which integrate reporting about the environmental, social and governance (ESG) impacts of their activities. Such reports typically address issues beyond climate related risks as well as qualitative information, for example social impacts like workforce and labour standards, other environmental considerations like circularity and materials, water and energy consumption as well as governance information, business ethics, board diversity etc. • This standard and the legislative framework should work cohesively to maximise the flexibility for entities present climate-disclosures. This may involve voluntary disclosures.
<p>Interim reporting</p> <p>Treasury staff observed that the feedback received on the second consultation paper indicated there was a significant degree of confusion over whether interim reporting of climate-related financial disclosures would be mandatory, since IFRS S1 included optional requirements on interim reporting. As noted in paragraph BC46, to help avoid creating confusion around interim reporting the AASB is proposing to omit the following IFRS S1 paragraphs in [draft] ASRS 1:</p>	<ul style="list-style-type: none"> • Agree.

<ul style="list-style-type: none"> • IFRS S1 paragraph 69, which requires an entity electing to prepare interim reports to comply with IFRS S1 paragraph B48; and • IFRS S1 paragraph B48, which provides guidance on the content of interim disclosures should an entity elect to prepare interim reports. <p>Question Title</p> <p>1. Do you agree with the proposed omission of the interim reporting requirements in IFRS S1 paragraphs 69 and B48 from [draft] ASRS 1?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	
<p>Modifications to the baseline of IFRS S2 for [draft] ASRS 2</p>	
<p>As noted in paragraphs BC49–BC50, the AASB added paragraph Aus3.1 to [draft] ASRS 2 to clarify the scope of the Standard—that [draft] ASRS 2:</p> <ul style="list-style-type: none"> • is limited to climate-related risks and opportunities related to climate change; and • does not apply to other climate-related emissions (e.g. ozone depleting emissions) that are not greenhouse gas (GHG) emissions. <p>That scope statement would also clarify that [draft] ASRS 2 does not replace existing legislation or pronouncements prescribing reporting requirements related to other sustainability-related topics (e.g. water and biodiversity).</p> <p>. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] ASRS 2?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree. • This paragraph clarifies the scope of the standard and that only climate-related disclosures are required to be considered.

<p>Climate resilience</p> <p>As noted in paragraphs BC51-BC54, the AASB considered the Treasury's second consultation paper and added paragraph Aus22.1 to [draft] ASRS 2 to propose requiring an entity required by the <i>Corporations Act 2001</i> to prepare climate-related financial disclosures to disclose its climate resilience assessments against at least two possible future states, one of which must be consistent with the most ambitious global temperature goal set out in the <i>Climate Change Act 2022</i> (i.e. 1.5°C above pre-industrial levels).</p> <p>Consistent with the ISSB's reasons, the AASB is proposing not to specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis, which mainly assesses climate-related physical risks. This is because scenarios used in assessing physical risk would depend on the entity's facts and circumstances, including the nature and location of its operations.</p> <p>Question Title</p> <p>1. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree. • Scenarios used in assessing physical risk would depend on the entity's facts and circumstances, including the nature and location of its operations. Flexibility to determine future states relevant to the location of operations will be important to ensure entities can best manage climate-related financial risks.
<p>2. Do you agree with the AASB's view that it should not specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree. • This approach ensures there is enough flexibility to allow for scenarios to evolve – details should be included in guidance noting the value of upper temperature scenarios is likely limited to physical risk.
<p>Cross-industry metric disclosures (paragraphs 29(b)-29(g))</p> <p>Question Title</p>	<ul style="list-style-type: none"> • Yes in principle.

<p>1. Do you consider the cross-industry metric disclosures set out in paragraphs 29(b)-29(g) of IFRS S2 (and [draft] ASRS 2) would provide useful information to users about an entity's performance in relation to its climate-related risks and opportunities?</p> <ul style="list-style-type: none"> • Yes • Yes in principle, but ... • No 	<ul style="list-style-type: none"> • We agree metrics disclosed provide useful guidance to preparers in terms of the type of considerations they should provide around climate risks. This also facilitates cross-industry comparability between accounts.
<p>Cross-industry remuneration disclosure (paragraphs 29(g) and Aus29.1)</p> <p>For the reasons outlined in paragraphs BC57-BC63, on balance, the AASB decided to propose that entities should be required to disclose following information as set out in [draft] ASRS 2 paragraph 29(g):</p> <p>(a) a description of whether and how climate-related considerations are factored into executive remuneration; and</p> <p>(b) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations.</p> <p>To avoid potential conflicts with existing regulatory requirements or entities attempting to define which of their key management personnel is considered an "executive", the AASB decided to clarify that, in the context of [draft] ASRS 2, "executive" and "executive management" has the same meaning as "key management personnel" and "remuneration" has the same meaning as "compensation", both as defined in AASB 124 <i>Related Party Disclosures</i> (see paragraph Aus29.1 of [draft] ASRS 2).</p> <p>Question Title</p> <p>1. Do you agree with the proposed disclosure requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1?</p>	<ul style="list-style-type: none"> • Agree in principle. • We support this disclosure on the basis of alignment to international practices but note that there is not a clear industry view on reporting the percentage of executive management remuneration linked to climate-related considerations.

<ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	
<p>2. In your opinion, will the proposed disclosure requirement in [draft] ASRS 2 paragraph 29(g) and Aus29.1 result in information useful to users?</p> <ul style="list-style-type: none"> • Yes • No 	<ul style="list-style-type: none"> • Yes.
<p>Definition of greenhouse gases (GHG)</p>	
<p>The AASB is proposing to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification.</p> <p>As noted in paragraphs BC66–BC69, IFRS S2 defines greenhouse gases as the seven greenhouse gases listed in the Kyoto Protocol. However, the AASB noted that one of those gases, nitrogen trifluoride (NF₃), is not listed in the <i>National Greenhouse and Energy Reporting Act 2007</i> and related regulations (NGER Scheme legislation) as a class of greenhouse gas.</p> <p>Despite that difference, the AASB decided to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification. This is because Australia does not have a significant presence in the manufacturing of items containing NF₃. Therefore, it is expected that not many Australian entities would have material NF₃ emissions to report.</p> <p>Question Title</p> <p>1. Do you agree with AASB's proposal?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree in principle. • We support alignment with the ISSB definition but note that the exposure draft standards currently require the use of NGER scheme methodologies where practical. We recommend there is a note about NF₃ so that it is not overlooked inadvertently.

GHG Emissions - Converting greenhouse gases into a CO2 equivalent value

Paragraphs B21 and B22 of IFRS S2 require an entity to convert greenhouse gases into a CO2 equivalent value using global warming potential (GWP) values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change (IPCC) assessment available at the reporting date. The IPCC has undertaken its 6th assessment in 2023. Therefore, if an entity is preparing climate-related financial disclosures for the financial period beginning 1 July 2024, under IFRS S2 the entity would be required to convert greenhouse gases using the GWP values in the IPCC 6th assessment report (AR6).

However, entities reporting under NGER Scheme legislation would be required to use the GWP values in the IPCC 5th assessment report (AR5). As noted in paragraphs BC70-BC72, to avoid regulatory burden for certain Australian entities, the AASB added paragraphs AusB22.1 and AusB22.2 to [draft] ASRS 2 to require an entity to convert greenhouse gases using the GWP values in AR5, as identified in [draft] ASRS 101.

Question Title

1. Do you agree with the AASB's view that an Australian entity should be required to convert greenhouse gases using GWP values in line with the reporting requirements under NGER Scheme legislation?

- Agree
- Agree in principle, but ...
- Disagree

- **Agree.**

Market-based Scope 2 GHG emissions

IFRS S2 paragraph 29(a)(v) requires an entity to disclose its location-based Scope 2 GHG emissions. However, the Treasury's second consultation paper proposed a phased-in approach to requiring an entity to also disclose market-based Scope 2 GHG emissions. The AASB added paragraphs Aus31.1(f) and AusC4.2 to propose requiring an entity that would be required by the *Corporations Act 2001* to prepare

- **Agree.**
- Both location and market-based carbon accounting should be included, aligned with the GHG Protocol. The Treasury's second

climate-related financial disclosures to disclose its market-based Scope 2 GHG emissions in addition to its location-based Scope 2 GHG emissions, except for the first three annual reporting periods in which such an entity applies [draft] ASRS 2 (see also paragraphs BC78-BC79).

Question Title

1. Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2?

- Agree
- Agree in principle, but ...
- Disagree

consultation paper proposed that companies should report the same emissions and energy data in their reports as is required by NGER (which excludes market-based carbon accounting). We recommend alignment with the GHG Protocol to determine market-based accounting is appropriate.

- We note that the GHG measurement methodologies put forward in the draft standard only anticipates use of the GHG Protocol Standards where NGER is not practical and there is no other measurement method required by a jurisdictional authority where the entity is listed. Areas where NGER methodologies are likely to not be appropriate should be made clear within the standard.

GHG emission measurement methodologies

1. Do you agree with the proposal in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1?

- Agree
- Agree in principle, but ...
- Disagree

- **Agree in principle.**
- While we agree with the value of aligning approaches to NGER methodologies where possible is appropriate in the Australian context, it would be useful to include guidance on where it is not practical to apply NGER methodology. Notably, NGER boundaries are operational. For some entities it will be more practical to consider financial control and equity share approaches to defining emissions reporting boundaries – consistent with the GHG Protocol.
- For example, as articulated in the previous question, the draft standard will require entities to consider location-based and market-based Scope 2 emissions. Methodologies set out in NGER legislation do not include an appropriate approach to assessing market-based Scope 2 emissions. This would be an example where an entity would need to supplement NGER reporting methodologies with GHG Protocol methodologies.

	<ul style="list-style-type: none"> • Additionally, as previously acknowledged, NGER does not include NF₃. It would be useful for AASB to provide clear guidance where departure from NGER methodologies may be needed and substituted with a reference to the GHG Protocol.
<p>Providing relief relating to Scope 3 GHG emissions</p>	
<p>As noted in paragraphs BC80–BC81, the AASB added paragraph AusB39.1 to [draft] ASRS 2 to propose permitting an entity to disclose in the current reporting period its Scope 3 GHG emissions using data for the immediately preceding reporting period, if reasonable and supportable data related to the current reporting period is unavailable.*</p> <p>* Under [draft] ASRS 2 paragraph AusC4.1, an entity would not be required to disclose its Scope 3 GHG emissions in the first annual reporting period in which the entity applies [draft] ASRS 2.</p> <p>Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree. • We note this is not aligned with the Treasury exposure draft legislation which will require Scope 3 reporting from the first reporting year. We recommend the AASB provides feedback to Treasury to delay Scope 3 reporting requirements in line with the draft standard.
<p>Scope 3 GHG emission categories</p>	
<p>The AASB is proposing to add the Scope 3 GHG emission categories in IFRS S2 to [draft] ASRS 2 as examples of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, rather than requiring an entity to categorise the sources of emissions in accordance with the categories of the GHG Protocol Standards (see [draft] ASRS 2 paragraph AusB33.1 and paragraphs BC82–BC85).</p> <p>Question Title</p> <ol style="list-style-type: none"> 1. Do you agree with the proposal in [draft] ASRS 2 paragraph AusB33.1? 	<ul style="list-style-type: none"> • Agree in principle. • Disclosure of Scope 3 material emissions is complex in the property sector and should be voluntary until there is accepted industry practice. The property sector has complex and far-ranging supply chains, barriers to obtaining tenancy electricity consumption data, and no agreed way to assess embodied emissions consistently. With notable variations across asset classes, this makes it extremely challenging to quantify and report on Scope 3 emissions.

<ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • The sector requires maximum flexibility as industry grapples with the challenges of Scope 3 measurement and reporting.
<p>Financed emissions</p>	
<p>As noted in paragraph BC86, IFRS S2 paragraphs 29(a)(vi)(2) and B58–B63 require an entity that participates in asset management, commercial banking or financial activities associated with insurance to provide additional disclosures relating to its financed emissions.</p> <p>When incorporating those IFRS S2 requirements relating to financed emissions, instead of requiring an entity to disclose the information outlined in IFRS S2 paragraphs B61–B63, the AASB proposes to require an entity to consider the applicability of those disclosures related to its financed emissions (see [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1). This is because IFRS S2 paragraphs B61–B63 are based on GHG Protocol Standards requirements, which require an entity to disaggregate its Scope 1 and Scope 2 GHG emissions (in addition to its Scope 3 GHG emissions). The AASB is of the view that entities that apply methodologies set out in NGER Scheme legislation to measure their Scope 1 and Scope 2 GHG emissions may not have the information necessary for those disaggregated disclosures.</p> <p>The AASB is proposing to require an entity to disclose the information outlined in [draft] ASRS 2 paragraphs AusB61.1 and AusB63.1 if those disclosures are applicable to the entity.</p> <p>Question Title</p> <ol style="list-style-type: none"> 1. Do you agree with the AASB’s proposal to require an entity to consider the applicability of those disclosures related to its financed emissions, as set out in [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1, instead of explicitly requiring an entity to disclose that information? <ul style="list-style-type: none"> • Agree 	<ul style="list-style-type: none"> • Agree in principle. • We agree that there will be challenges associated with using NGER data to disaggregate Scope 1 and Scope 2 GHG emissions in relation to finance emissions – consistent with IFRS S2 requirements. • Guidance about options to provide these disclosures would be useful for entities where disclosures are applicable. The application of the GHG Protocol in the hierarchy approach to methodology selection should be considered in this context – i.e. clarification if entities can rely on the GHG Protocol methodologies over NGER for the purpose of making additional disclosures would be useful to understand.

<ul style="list-style-type: none"> • Agree in principle, but ... • Disagree 	
<p>Carbon credits</p>	
<p>IFRS S2 defines a carbon credit as “An emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.” [emphasis added]</p> <p>As noted in paragraphs BC90–BC92, non-Kyoto Australian carbon credit units (ACCUs) are not uniquely serialised. The AASB is proposing to modify the definition of carbon credit in [draft] ASRS 2 to specify that carbon credits issued under the Australian Carbon Credits Units Scheme meet the definition of carbon credit to ensure non-Kyoto ACCUs can also be recognised as carbon credits in the context of the [draft] Standard.</p> <p>Question Title</p> <p>1. Do you agree with the AASB’s proposal to modify the definition of carbon credit in [draft] ASRS 2?</p> <ul style="list-style-type: none"> • Agree • Agree in principle, but ... • Disagree 	<ul style="list-style-type: none"> • Agree. • It should be open to Australian entities to utilise Australia’s legislated voluntary carbon market for the purpose of offsetting emissions.