



<b>Project:</b>	<b>Climate-related Financial Disclosures</b>	<b>Meeting:</b>	AASB 26 June 2024 (M205)
<b>Topic:</b>	<b>Consider feedback on Exposure Draft ED SR1 <i>Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information</i></b>	<b>Agenda Item:</b>	4.0
		<b>Date:</b>	11 June 2024
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Consider ED feedback

## Objective

- For the purposes of finalising [draft] ASRS 2 *Climate-related Financial Disclosures* exposed in ED SR1, the objectives of this agenda item are for the Board to:
  - consider** feedback received on climate scenario analysis, the cross-industry remuneration metric, and the remaining topics relating to greenhouse gas emissions not yet considered by the Board;
  - consider** feedback received on SMC 21 regarding superannuation entities; and
  - decide** on any changes required to be made to [draft] ASRS 2.

## Abbreviations

- Abbreviations used in this Cover Memo and the accompanying Agenda Papers are outlined in [Appendix A](#) to this Cover Memo.

## Attachments and summary of staff recommendations

- In addition to this Cover Memo, there are six Agenda Papers in the combined pack in which decisions from Board members are sought in this meeting. The following table provides a high-level summary of the staff view/staff recommendation in each of those papers.

Agenda Paper	Summary of staff view/staff recommendations
<p>Agenda Paper 4.1 Climate Scenario Analysis (SMCs 10–11)</p>	<p>The paper provides analysis to assist Board members in deciding whether to add to the requirements of IFRS S2 with respect to scenario analysis. If the Board decides to add to the baseline of IFRS S2, staff recommend:</p> <ul style="list-style-type: none"> <li>(a) confirming the Board’s decision to require assessment against 1.5°C warming outcome, but amending paragraph Aus22.1 of [draft] ASRS 2 to not prescribe a minimum number of scenarios an entity must assess; and</li> <li>(b) requiring assessment against 3°C or greater warming outcome.</li> </ul> <p>Staff also recommend omitting paragraph Aus22.2 and editing the last sentence of paragraph B17 of [draft] ASRS 2 to avoid implying an entity is required to use quantitative modelling to comply with the climate resilience disclosure requirements.</p>
<p>Agenda Paper 4.2: Executive Remuneration Disclosures (SMC 13)</p>	<p>Staff recommend:</p> <ul style="list-style-type: none"> <li>(a) amending paragraph Aus29.1 of [draft] ASRS 2 so that it refers to the key management personnel definition, but not the compensation definition, in AASB 124 <i>Related Party Disclosures</i>;</li> <li>(b) retaining the requirement set out in paragraph 29(g)(i) of [draft] ASRS 2 to require disclosure of a description of whether and how climate-related considerations are factored into remuneration;</li> <li>(c) re-expressing the requirement set out in paragraph 29(g)(ii) of [draft] ASRS 2 to require disclosure of information that conveys the extent to which management remuneration recognised in the current period is linked to the management of climate-related risks and opportunities, such information can be expressed the in form of a percentage, amount, range or description; and</li> <li>(d) clarifying that the requirements described in points (b) and (c) can be met by cross-referencing to an entity’s remuneration report prepared in accordance with Australian legislation, if the conditions in paragraphs B45–B47 of IFRS S1 are met.</li> </ul>
<p>Agenda Paper 4.3: Scope 3 GHG emissions relief (SMC 18)</p>	<p>Staff recommend no change to the baseline of IFRS S2 with respect to the requirements in IFRS S2 paragraphs B19 and B38–B57. That is, staff recommend removing paragraph AusB39.1 from [draft] ASRS 2 on the basis that it is unnecessary and may result in a more stringent application compared to the IFRS S2 baseline, which could pose implementation challenges.</p>
<p>Agenda Paper 4.4: Superannuation entities (SMC 21)</p>	<p>Staff recommend no change to the baseline of IFRS S2 but clarifying in the Basis for Conclusions to [draft] ASRS 2 that:</p> <ul style="list-style-type: none"> <li>(a) the entities subject to climate-related financial disclosure requirements should be the same as those to which AASB 1056 <i>Superannuation Entities</i> applies; and</li> <li>(b) users of GPFR of superannuation entities may include those listed in paragraph BC12 of AASB 1056.</li> </ul>

Agenda Paper	Summary of staff view/staff recommendations
Agenda Paper 4.5: Financed emissions (SMC 20)	IFRS S2 paragraphs B59 and B61–B63 require entities participating in financial activities of asset management, commercial banking or insurance to disclose additional information about their financed emissions. Staff recommend modifying the baseline to require relevant entities to disclose those information from the fourth year in which an entity applies ASRS 2, rather than from the first year of application.
Agenda Paper 4.6: Carbon Credits (SMC 22)	Staff recommend adopting the IFRS S2’s definition of carbon credits with no modification.

- 4 Several supporting materials are included in the supplementary folder for the Board’s reference. They are:
- (a) Agenda Paper 4.7: Overview of stakeholder feedback on SMC 21 of ED SR1 expressed in the comment letters **[Board only]**; and
  - (b) the supporting materials previously provided to Board members at the 6-7 June 2024 meeting:
    - (i) Agenda Paper 5.9 for the 6-7 June 2024 meeting: Overview of stakeholder feedback on [draft] ASRS 2 expressed in the comment letters **[Board only]**;
    - (ii) 117 comment letters received on ED SR1;
    - (iii) 289 survey responses received **[Board only]**; and
    - (iv) Overview of each roundtable discussion **[Board only]**.

## Analysis

- 5 The analysis presented in the staff papers accompanying this memo contains stakeholder feedback received through comment letters, survey responses and roundtables. Staff acknowledge that stakeholders were able to provide feedback through any, or all three, of these channels and that the feedback provided via the roundtables may be less independent than via the comment letters and surveys (for example because the nature of roundtables makes on-going dialogue possible between stakeholders as they are forming their views, and between stakeholders and AASB staff responding to questions).
- 6 In the accompanying Agenda Papers, staff have used the following terms to describe the proportion of respondents who commented on a particular topic.

Term	Extent of response among respondents
Almost all	All except a very small minority (90% or over)
Most	A large majority, with more than a few exceptions (71%-89%)
Many	A small majority or large minority (31%-70%)
Some	A small minority, but more than a few (11%-30%)
Few	A very small minority (10% or less)

## Next steps

- 7 Staff plan to present analysis on the following topics for Board deliberation at future meetings:
  - (a) any follow-up matters relating to [draft] ASRS 2 arising from the two June Board meetings;
  - (b) stakeholder feedback relating to [draft] ASRS 1;
  - (c) consideration of which requirements in IFRS S1 are required to be added to ASRS 2 to make ASRS 2 function as a climate-only Standard;
  - (d) the proposed clarifications made in [draft] ASRS 1 and [draft] ASRS 2 for not-for-profit entities (SMCs 23–27);
  - (e) any changes required to be made to [draft] ASRS 101;
  - (f) feedback received on the General Matters for Comment in ED SR1; and
  - (g) sweep issues.

## Appendix A: Abbreviations

The following table outlines the abbreviations used in this Cover Memo and Agenda Papers 4.1–4.6.

CER	Clean Energy Regulator
Climate Change Act	<i>Climate Change Act 2022</i>
[Draft] ASRS 1	[Draft] ASRS 1 <i>General Requirements for Disclosure of Climate-related Financial Information</i> , draft Australian Sustainability Reporting Standard (ASRS Standard) developed using IFRS S1 as the baseline but with a scope limitation to climate-related financial disclosure
[Draft] ASRS 2	[Draft] ASRS 2 <i>Climate-related Financial Disclosures</i> , draft ASRS Standard developed using IFRS S2 as the baseline
[Draft] ASRS 101	[Draft] ASRS 101 <i>References in Australian Sustainability Reporting Standards</i> , draft ASRS Standard developed as a service standard that would be updated periodically to list the relevant versions of any non-legislative documents published in Australia and foreign documents that are referenced in ASRS Standards
DCCEEW	Department of Climate Change, Energy, the Environment and Water
ED SR1	Exposure Draft <a href="#">ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information</a> (October 2023), the AASB’s Exposure Draft exposing [draft] ASRS 1, [draft] ASRS 2 and [draft] ASRS 101 for comment
ED 321	Exposure Draft <a href="#">ED 321 Request for Comment on ISSB [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [draft] IFRS S2 Climate-related Disclosures</a> (April 2022), the AASB’s Exposure Draft requesting comments on the ISSB’s [draft] IFRS 1 and [draft] IFRS 2
GHG	Greenhouse gas
GHG Protocol Standards	Standards issued by the Greenhouse Gas Protocol
GPFR	General purpose financial reports
GPFS	General purpose financial statements
IFRS S1	IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i>
IFRS S2	IFRS S2 <i>Climate-related Disclosures</i>
IPCC	The Intergovernmental Panel on Climate Change
IPCC guidelines	The Intergovernmental Panel on Climate Change guidelines (2006), which provides methodologies for making estimates of national anthropogenic emissions and removals of greenhouse gases.
ISO 14064-1	ISO 14064-1:2018 Greenhouse gases–Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals
ISSB	International Sustainability Standards Board
ISSB’s TIG	<a href="#">Transition Implementation Group on IFRS S1 and IFRS S2</a> (TIG) of the ISSB
NGA Factors	Australian National Greenhouse Accounts Factors

NGER Scheme legislation	NGER Scheme legislation means: (a) the <i>National Greenhouse and Energy Reporting Act 2007</i> (NGER Act); (b) the <i>National Greenhouse and Energy Reporting Regulations 2008</i> ; and (c) the <i>National Greenhouse and Energy Reporting (Measurement) Determination 2008</i> .
PCAF	Partnership for Carbon Accounting financials
SMC	Specific Matters for Comment in ED SR1
TCFD	The Task Force on Climate-related Financial Disclosures