



Project:	Climate-related Financial Disclosures	Meeting:	AASB 6–7 June 2024 (M204)
Topic:	Consider feedback on Exposure Draft ED SR1 <i>Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information</i>	Agenda Item:	5.0
		Date:	21 May 2024
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		Decision-Making:	High
		Project Status:	Consider ED feedback

Objective

- 1 For the purposes of finalising [draft] ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information* and [draft] ASRS 2 *Climate-related Financial Disclosures* exposed in ED SR1,¹ the objectives of this agenda item are for the Board to:
 - (a) in respect to the technical aspects of [draft] ASRS 1:
 - (i) **consider** the scope of the Standard and whether it may be appropriate to:
 - (A) issue a “mandatory” ASRS 2 that includes the necessary content presented in [draft] ASRS 1 to make ASRS 2 function as a climate-only Standard; and
 - (B) issue a “non-mandatory” ASRS 1 that covers all sustainability-related risks and opportunities rather than limiting it to climate-related risks and opportunities only.
 - (ii) **decide** on any changes required to the scope of [draft] ASRS 1 arising from point (a); and
 - (b) in respect to the technical aspects of [draft] ASRS 2:
 - (i) **consider** feedback received on the scope of the Standard, cross-industry metrics, and a few topics relating to greenhouse gas emissions; and
 - (ii) **decide** on any changes required to be made to the Standard.

¹ Exposure Draft [ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*](#).

Abbreviations

- 2 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

- 3 In addition to this Cover Memo, there are 8 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
Agenda Paper 5.1: Non-mandatory ASRS 1	This paper considers a proposed way forward in light of the feedback received on ED SR1, which would involve: <ul style="list-style-type: none">making a “mandatory” ASRS Standard [ASRS 2] that includes the necessary [draft] ASRS 1 content needed to make ASRS 2 function as the Standard that specifies all of the climate-related financial disclosures; andissuing a “non-mandatory” ASRS Standard [ASRS 1] that incorporates all the content of IFRS S1 in respect of general requirements for the disclosure of sustainability-related financial information.
Agenda Paper 5.2: Scope of [draft] ASRS 2 (SMC 9)	Omit paragraph Aus3.1 from [draft] ASRS 2 (i.e. recommend no modification to the baseline of IFRS S2).
Agenda Paper 5.3: Cross-industry metrics (SMC 12)	Retain the requirements set out in paragraphs 29(b)–29(f) of [draft] ASRS 2 (i.e. recommend no modification to the baseline of IFRS S2).
Agenda Paper 5.4: Measurement method for GHG (SMC 17)	Recommend no modification to the baseline of IFRS S2, which permits an entity to use a different method to the methods in the GHG Protocol for measuring its GHG emissions when required to do so by a jurisdictional authority or an exchange on which the entity is listed.
Agenda Paper 5.5: Definition of greenhouse gases (SMC 14)	Retain the proposed GHG definition in ED SR1 as the seven greenhouse gases listed in the Kyoto Protocol (i.e. recommend no modification to the baseline of IFRS S2).
Agenda Paper 5.6: CO ₂ equivalent conversion (SMC 15)	Adopt the requirements in IFRS S2 paragraphs B21 and B22 (i.e. recommend no modification to the baseline of IFRS S2).

Agenda Paper	Summary of staff view/staff recommendations
Agenda Paper 5.7: Market-based Scope 2 GHG emissions (SMC 16)	<p>Staff are of the view that the Board’s proposal set out in paragraphs Aus31.1(f) and AusC4.2 of [draft] ASRS 2 may be appropriate; however, modifying the baseline of IFRS S2 might not be necessary.</p> <p>Staff present the Board with two options to consider, rather than a staff recommendation. The options are:</p> <ul style="list-style-type: none"> • Option 1 – as proposed in ED SR1, to require an entity to disclose its market-based Scope 2 GHG emissions (in addition to its location-based) from the fourth year of applying [draft] ASRS 2; or • Option 2 – make no modifications to the baseline of IFRS S2. Under this option, entities might provide information about their market-based Scope 2 GHG emissions if they consider it would be useful to the users of their climate-related financial disclosures and / or for NGER Reporters if NGER Scheme legislation requires reporting of Scope 2 GHG emissions using the market-based method in the future.
Agenda Paper 5.8: Scope 3 GHG emissions categories (SMC 19)	<p>Staff recommend aligning with IFRS S2 to require an entity to disclose the categories of sources of its Scope 3 GHG emissions using the 15 categories in GHG Protocol.</p> <p>Staff also recommend considering whether some entities should be permitted to use other labels to categorise their Scope 3 GHG emissions where none of the 15 categories in the GHG Protocol adequately describes the source of their emissions.</p>

- 4 Several documents are provided as supporting materials for the Board members’ reference. These are:
- (a) Agenda Paper 5.9: Overview of stakeholder feedback on [draft] ASRS 2 expressed in the comment letters **[Board only]**;
 - (b) Supporting materials: 117 comment letters received on ED SR1;
 - (c) Supporting materials: 289 survey responses received **[Board only]**; and
 - (d) Supporting materials: 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) with respect to [draft] ASRS 1:

- (i) presenting the core content of IFRS S1 in [draft] ASRS Standards **(SMC 1)**;
- (ii) replacing duplicated content with cross-references to Conceptual Frameworks **(SMC 2)**;
- (iii) entities that do not have material climate-related risks and opportunities **(SMC 3)**;
- (iv) removing the requirement to consider the applicability of the Sustainability Accounting Standards Board (SASB) Standards and references to Industry-based Guidance on Implementing IFRS S2 **(SMC 4)**;
- (v) requirement to consider the Australian and New Zealand Standard Industrial Classification (ANZSIC) system when electing to make voluntary industry-based disclosures **(SMC 5)**;
- (vi) statement expressly permitting voluntary disclosures based on other frameworks **(SMC 6)**;
- (vii) disclosing the location of the entity's climate-related financial disclosures **(SMC 7)**; and
- (viii) approach to clarifying interim reporting **(SMC 8)**.

(b) with respect to [draft] ASRS 2:

- (i) consider which requirements in IFRS S1 are required to be added to [draft] ASRS 2 (assuming the Board agrees with the staff recommendations in Agenda Paper 5.1 to issue [draft] ASRS 1 as a non-mandatory Standard);
- (ii) climate scenario analysis **(SMCs 10 and 11)**;
- (iii) executive remuneration **(SMC 13)**;
- (iv) relief relating to Scope 3 GHG emissions **(SMC 18)**;
- (v) financed emissions **(SMC 20)**;
- (vi) superannuation entity considerations **(SMC 21)**; and
- (vii) carbon credits **(SMC 22)**.

- (c) the proposed clarifications made in [draft] ASRS 1 and [draft] ASRS 2 for not-for-profit entities **(SMC 23–27)**; and
 - (d) the feedback received on the General Matters for Comment in ED SR1 **(SMC 30–35)**.
- 8 To assist in progress towards the Board’s aspirational deadline of August 2024 for finalising the Australian Sustainability Reporting Standards (ASRS Standards) on climate-related financial disclosures, staff recommend forming a sub-committee. The purpose of the sub-committee would be to provide timely informal input to staff out of session, to assist staff in developing papers for Board deliberation at future meetings.

Question for Board members

Q1: Do Board members agree with forming a sub-committee to provide support to staff out of session?

Appendix A: Abbreviations

The following table outlines the abbreviations used in this Cover Memo and Agenda Papers 5.1–5.9.

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 ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information (October 2023), the AASB’s Exposure Draft exposing [draft] ASRS 1, [draft] ASRS 2 and [draft] ASRS 101 for comment
ED 321	Exposure Draft 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 (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	Transition Implementation Group on IFRS S1 and IFRS S2 (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