



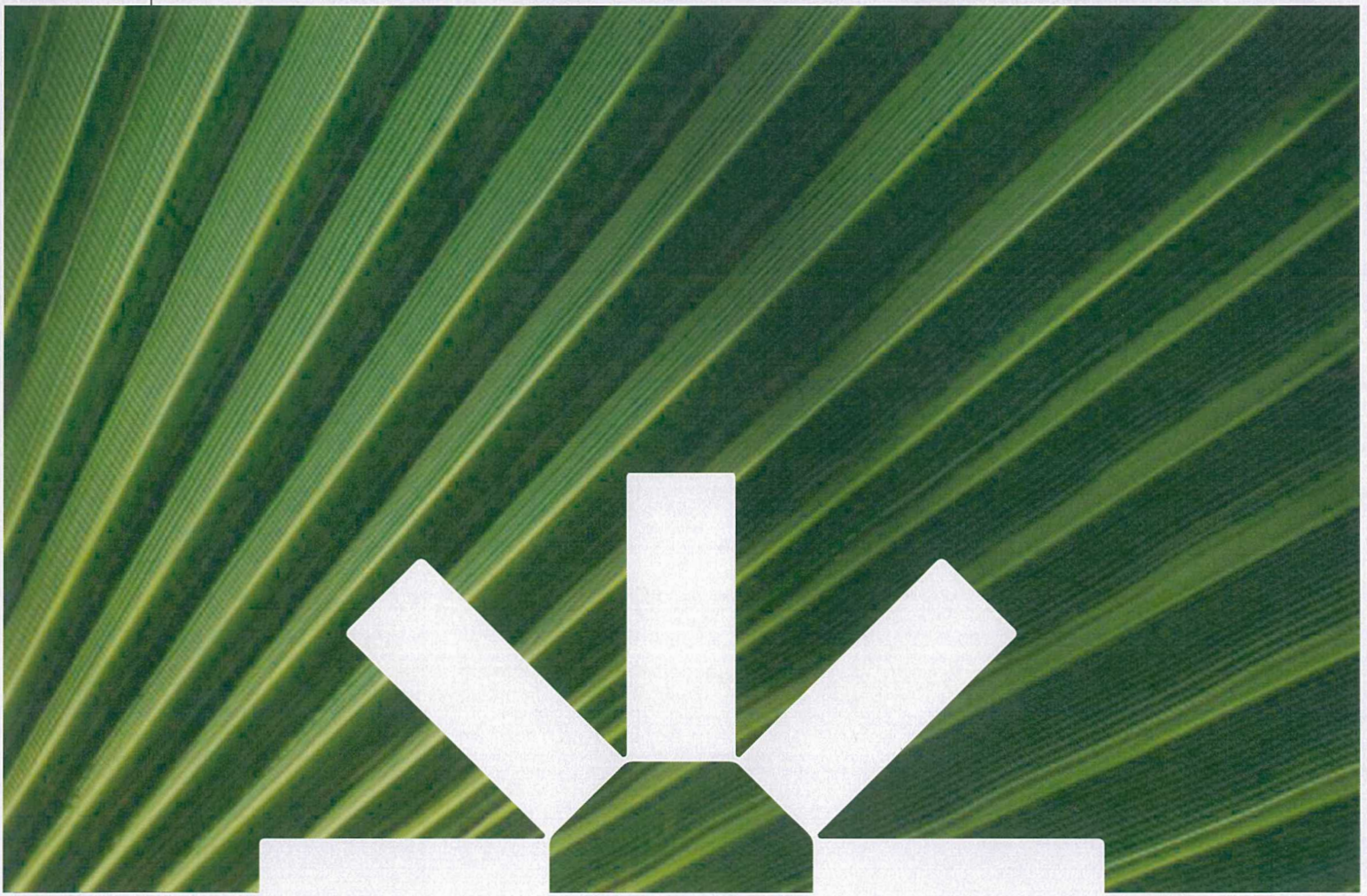
Sustainability Reporting Exposure Draft

Disclosure of Climate-related Financial Information

FOR: Australian Accounting Standards Board (AASB)

Prepared by: SLR Consulting Australia Pty Ltd

29 February 2024



Statement from Paul Gardiner

At SLR we are pleased to see the ambition and comprehensive nature of the proposed Australian Sustainability Reporting Standards requirements, and are broadly supportive of the standard. The standard provides a robust and internationally aligned framework to ensure that businesses have the tools and information available to manage those emerging climate risks, as well as to put in place robust mitigation and adaptation measures, from the initiation of the requirement.

In our consultation response provided within this report, there are a few key aspects, such as the application of climate scenarios, and alignment with Greenhouse Gas (GHG) accounting standards, that we believe will improve the comparability and usefulness of disclosures, both between Australian businesses and globally.



Paul Gardiner

APAC Regional Manager



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

The AASB is proposing to limit the scope of disclosure requirements based on IFRS S1 to climate-related financial disclosures. Therefore, in developing the [draft] ASRS Standards, all references to “sustainability” in IFRS S1 have been replaced with “climate”. After making that change, the requirements in IFRS S2 in respect to core content disclosures of governance, strategy and risk management duplicate the requirements in IFRS S1. To minimise unnecessary duplication, the AASB considered three possible options regarding how to present the core content disclosure requirements of IFRS S1 in [draft] ASRS Standards (see paragraphs BC21–BC24).

The AASB is proposing to develop two [draft] ASRS Standards ([draft] ASRS 1, based on IFRS S1, and [draft] ASRS 2, based on IFRS S2), and instead of having the same requirements duplicated in both [draft] Standards, decided to include in [draft] ASRS 1 the requirements relating to core content disclosures of governance, strategy and risk management, and in [draft] ASRS 2, to replace relevant IFRS S2 paragraphs with Australian-specific paragraphs cross-referencing the corresponding paragraphs in [draft] ASRS 1.

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

- a) *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;*
- b) *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;*
- c) *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 (which is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in this Exposure Draft); or*
- d) *another presentation approach (please provide details of that presentation method)?*

SLR prefers “Option 2”, that is to keep two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards. SLR believes that adopting this option would enable easier inclusion of future sustainability reporting requirements, without the need for a complete revision of the climate reporting standard.



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

Question: Do you agree with the AASB's approach to make references to its Conceptual Framework for Financial Reporting (in respect to for-profit entities) and the Framework for the Preparation and Presentation of Financial Statements (in respect to not-for-profit entities) instead of duplicating definitions and contents of those Frameworks in [draft] ASRS 1 and [draft] ASRS 2? Please provide reasons to support your view.

No, SLR is of the view that duplication of definitions and contents of the Frameworks in [draft] ASRS 1 and [draft] ASRS 2 is acceptable. This enables users of the [draft] ASRS 1 and [draft] ASRS 2 a view of all contents, and requirements across the two standards rather than having to reference external documents. This is especially important for sustainability professionals who may not be familiar with the financial accounting standards, but will need to interpret this standard as a stand alone piece.

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

Treasury's second consultation paper 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: Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2? Please provide reasons to support your view.

Yes, SLR agrees with AASB in 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. However, SLR is of the view that AASB must provide clear guidance on the level of analysis required to reach this conclusion, and guidance on the detail entities will be required to disclose on the process involved in reaching this conclusion.



4.0 Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards

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 *Industry-based Guidance on Implementing IFRS S2* issued by the ISSB developed based on SASB Standards. This is mainly because:

- (a) 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;
- (b) not all of the proposals in Appendix B to [draft] IFRS S2 are related to climate-related risks and opportunities; and
- (c) the SASB Standards are US-centric and not representative of the Australian or global market.

Question: Do you agree with the AASB's views noted in paragraphs BC39–BC41? Please provide reasons to support your view.

Yes, SLR agrees with AASB's view as noted in paragraphs BC39–BC41, which suggests not publishing the industry-based guidance accompanying IFRS S2 or including references to SASB Standards until the content has been comprehensively internationalised by the ISSB and has undergone the AASB's own due process. While SLR acknowledges that SASB is not relevant in this context, we expect AASB to provide industry guidance in future.

5.0 Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards

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 *Industry-based Guidance on Implementing IFRS S2* issued by the ISSB developed based on SASB Standards. This is mainly because:

- (a) 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;
- (b) not all of the proposals in Appendix B to [draft] IFRS S2 are related to climate-related risks and opportunities; and
- (c) the SASB Standards are US-centric and not representative of the Australian or global market.



Question: *Do you agree with the AASB’s views noted in paragraphs BC39–BC41? Please provide reasons to support your view.*

Yes, SLR agrees with AASB’s view as noted in paragraphs BC39–BC41, which suggests not publishing the industry-based guidance accompanying IFRS S2 or including references to SASB Standards until the content has been comprehensively internationalised by the ISSB and has undergone the AASB’s own due process. While SLR acknowledges that SASB is not relevant in this context, we expect AASB to provide industry guidance going forward.

The industry classification system used in Australia is the Australian and New Zealand Standard Industrial Classification (ANZSIC) 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).

Question: *Do you agree with the AASB’s view that if an entity elects to make industry-based disclosures, the entity should 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? Please provide reasons to support your view.*

SLR understands that the industrial classifications under the Australian and New Zealand Standard Industrial Classification (ANZSIC) and the SASB Sustainable Industry Classification System (SICS) are not aligned. Hence, we agree with the AASB’s view that if an entity elects to make industry-based disclosures, the entity should 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, to ensure standardised comparability of industries in Australia.

Question: *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. Please provide reasons to support your view.*

Yes, SLR is of the view that ASRS should expressly permit an entity to also provide voluntary disclosures based on relevant frameworks or pronouncements if they are required to do so because of requirements outside of the Climate-related financial disclosure legislation. However, it is important to mention that these voluntary disclosures should be permitted as long as they are supplementary and not replacing the ASRS disclosures.



6.0 Disclosing the location of the entity's climate-related financial disclosures

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.

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.

Question: *Instead of requiring a detailed index table to be included in GPFR, 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. Do you agree with that proposed requirement? Please provide reasons to support your view.*

No, SLR is of the opinion that an index table should be made mandatory to indicate where relevant information for each ASRS recommended disclosures can be located by stakeholders across the document. SLR does not believe this will add significant additional burden to reporting entities and will provide significant benefits to stakeholders wishing to access the information provided. Additionally, it would be beneficial to have the index table to indicate any cross-references to external information outside of the GPFR, where relevant.



7.0 Interim reporting

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:

- (a) IFRS S1 paragraph 69, which requires an entity electing to prepare interim reports to comply with IFRS S1 paragraph B48; and
- (b) IFRS S1 paragraph B48, which provides guidance on the content of interim disclosures should an entity elect to prepare interim reports.

Question: Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view.

Yes, the omission of IFRS S1 paragraphs 65, 69 from B48 from [draft] ASRS 1 is reasonable to reduce confusion around mandated requirements for interim reporting. However, SLR recommends AASB to explicitly mention this in ASRS 1 that only annual reporting would be required by entities.

8.0 Modifications to baseline of IFRS S2 for [draft] ASRS 2

Scope of [draft] ASRS 2

IFRS S2 applies to climate-related risks and opportunities within the context of climate change. As noted in paragraphs BC49–BC50, feedback to ED 321 highlighted that there was a significant degree of confusion on what was meant by “climate” and the boundary of [draft] IFRS S2. Given that IFRS S2 makes no reference to climate-related financial disclosures beyond climate change or other climate-related emissions, the AASB decided to add paragraph Aus3.1 to [draft] ASRS 2 to clarify the scope of the Standard—that [draft] ASRS 2:

- (a) is limited to climate-related risks and opportunities related to climate change; and
- (b) does not apply to other climate-related emissions (e.g. ozone depleting emissions) that are not greenhouse gas (GHG) emissions.

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).

Question: Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] Standard? Please provide reasons to support your view.

Yes, SLR agrees with AASB to add paragraph Aus3.1 to [draft] ASRS 2 to clarify the scope of the Standard. However the current clarification does not go far enough, and it would be prudent for AASB to further clarify the ASRS 2, by including the following:

- (a) Is limited to climate-related **physical and transitional** risks, and opportunities related to climate change; and



- (b) does not to other climate-related emissions (e.g. ozone depleting emissions) that are not greenhouse gas (GHG) emissions **as defined by the Kyoto Protocol**.

SLR believes these additional information to the abovementioned sections will limit entities having varying views on disclosure requirements.

Climate resilience

IFRS S2 does not prescribe the number of scenarios an entity is required to assess to meet the disclosure objective of IFRS S2 paragraph 22.

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 Corporations Act 2001 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 Climate Change Act 2022 (i.e. 1.5°C above pre-industrial levels). The global temperature goal set out in paragraphs 3(a)(i) and 3(a)(ii) of the Climate Change Act is to contribute to “holding the increase in the global average temperature to well below 2°C above pre-industrial levels; and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.” To avoid entities incurring unnecessary costs and effort in determining which temperature goal to select within the range of 1.5°C and below 2°C above pre-industrial levels, the AASB decided to specify the most ambitious global temperature goal set out in the Climate Change Act (i.e. 1.5°C above pre-industrial levels).

Consistent with the ISSB’s reasons, the AASB decided 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.

Question: *Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.*

No, SLR proposes that clearer guidance on the number and temperature range of scenarios required is essential to ensure quality and comparable disclosures. The ASRS standard needs to ensure companies assess the full extent of potential climate risk, and that stakeholders are provided with clear, comparable and complete information.

The assessment of climate risks undertaken by an entity should aim to identify the range of possible risk and opportunities, across plausible scenarios that may be encountered in the coming years. Only mandating a low warming scenario (as in the current draft) means that companies may focus only on transitional risks, or underestimate the potential exposure to physical risks, that may be more impactful in a high warming scenario.

In addition, whilst mandating three scenarios may prove too burdensome for some entities, for many a mid-range or delayed transition scenario can prove to be one of the most impactful. If AASB does not want to mandate a third scenario, SLR recommends at least providing best-practice guidance, and directing companies to appropriate resources on the purpose and application of climate scenarios.

SLR believes that AASB should directly reference the across the Intergovernmental Panel on Climate Change (IPCC) shared socio-economic pathways (SSPs) as reference scenarios. This would ensure that entities are using the latest scientific modelling, as well as consistency and comparability between disclosures.



Therefore, SLR recommends that organisations, at the very least, should assess two scenarios:

- A low-warming scenario, aligned to a 1.5°C pathway, and SSP1-2.6
- A high-warming scenario, aligned to (at a minimum) SSP5 3–7.5, ideally SSP5 5-8.5

AASB should also recommend further scenarios to explore a wider range of possible impacts, as well as providing access to relevant scenario resources (e.g. [NGFS Scenarios Portal](#)).

This approach would afford entities a broader perspective on potential climate-related impacts, facilitating more robust risk assessment and mitigation strategies aligned with evolving climate scenarios.

Question: *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? Please provide reasons to support your view.*

No, SLR suggests that the AASB should stipulate a minimum warming for the high-temperature scenario for an entity's climate-related scenario analysis. This specification would ensure the entity obtains a comprehensive understanding of both physical and transition risks, as opposed to the current recommendation of 1.5°C, which primarily addresses transition risks. It would also ensure comparability and consistency for stakeholders accessing the information.

SLR recommends that a high warming scenario aligned with, at a minimum, the IPCC's SSP5 3–7.5 or ideally SSP5 5–8.5 scenario should be prescribed.

Question: *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? Please provide reasons to support your view.*

Yes, SLR considers that the cross-industry metric disclosures set out in paragraphs 29(b)–29(g) of IFRS S2 (and [draft] ASRS 2) will provide useful information to users about an entity’s performance in relation to its climate-related risks and opportunities. Furthermore, it is our understanding that disclosures set out in these paragraphs will foster transparency, support informed decision-making, strengthen risk management practices, and facilitate integration with wider financial reporting.



Cross-industry remuneration disclosure (paragraphs 29(g) and Aus29.1)

AASB members formed two views regarding whether to require Australian entities to disclose the following information as set out in [draft] ASRS 2 paragraph 29(g):

- (a) a description of whether and how climate-related considerations are factored into executive remuneration; and
- (b) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations.

One of the concerns noted by a minority of the AASB is that if [draft] ASRS 2 paragraph 29(g) is included in the final Standard, it might be seen as the AASB replicating remuneration reporting requirements outside of Australian legislation. However, for the reasons outlined in paragraphs BC57–BC63, on balance the AASB decided to propose that entities should be required to disclose that information.

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 Related Party Disclosures.

Question: Do you agree with the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1 to disclose the information described in points (a) and (b) in the above box? In your opinion, will this requirement result in information useful to users? Please provide reasons to support your view.

Yes, the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1 to disclose information on climate-related considerations in executive remuneration are commendable as they enhance transparency and accountability within Australian entities. By disclosing whether and how climate-related factors are incorporated into executive remuneration, along with the percentage of executive management remuneration linked to these considerations, stakeholders are provided with valuable insights into an entity's environmental strategy and its alignment with business practices. This transparency fosters informed decision-making among investors and the public, facilitating the mitigation of climate risks and the promotion of sustainable business practices, while also addressing concerns about potential conflicts with existing regulatory requirements through clarifying definitions and ensuring consistency in reporting practices.



Greenhouse gas (GHG) emissions (paragraphs Aus31.1 and B19–AusB63.1 and Australian application guidance)

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 National Greenhouse and Energy Reporting Act 2007 and related regulations (NGER Scheme legislation) as a class of greenhouse gas.

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.

Question: Do you agree with the AASB’s proposal to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification? Please provide reasons to support your view.

Yes, SLR agrees with the view of AASB to incorporate in ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification, as it promotes global alignment and consistency for entities reporting emissions both within and outside Australia.

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 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: 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? Please provide reasons to support your view.

SLR acknowledges the importance of aligning Australian entity reporting with greenhouse gas conversion using GWP values, consistent with the NGER Scheme legislation, to promote uniformity within the country. However, the AASB might consider granting flexibility to entities reporting under IFRS S2, which mandates adherence to the IPCC 6th assessment report. Redoing CO₂ equivalents aligned with AR5 entails additional effort for these entities, and accommodating this could ease their reporting burden while ensuring alignment with global standards.



SLR suggests an alternative solution granting flexibility to those not captured by NGERs requirements:

- For entities NGERs reporting entities –
 - Required to use the GWP values in line with NGERs (initially the GWP values in the IPCC 5th assessment report (AR5), however this should be worded such that if the values for NGERs are updated, then the reporting under ASRS 2 would follow)
- For ASRS reporting entities not required to report under NGERs –
 - Required to use the GWP values in line with NGERs, OR;
 - GWP values in the most recent IPCC assessment report (currently AR6), whilst clearly stating which have been used.

Converting greenhouse gases into a CO2 equivalent value

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 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: Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2? Please provide reasons to support your view.

No, while SLR broadly supports the proposals outlined in [draft] ASRS 2 paragraphs Aus31.1 (f) and AusC4.2, which mandate the disclosure of market-based Scope 2 GHG emissions alongside location-based emissions, SLR suggests that the three-year gap for reporting market-based emissions may not be warranted. Estimating both approaches of Scope 2 emissions is straightforward for entities, once the energy data is obtained, and has been standard practice for many years. A shorter reporting interval could enhance timeliness and accuracy in reflecting changes in emissions profiles and align more closely with evolving sustainability goals and reporting practices.

AASB should also note the ongoing consultation by the GHG protocol on the future of scope 2 market based reporting, and ensure that the legislation continues to align with international standards as they evolve going forward.



GHG emission measurement methodologies

The AASB added paragraphs Aus31.1(b) and AusB25.1 in [draft] ASRS 2 to specify that an entity would be required to:

- (a) consider the measurement of its Scope 1 GHG emissions, location-based Scope 2 GHG emissions, market-based Scope 2 GHG emissions (when applicable) and Scope 3 GHG emissions separately;
- (b) apply methodologies set out in NGER Scheme legislation, using Australian-specific data sources and factors for the estimation of greenhouse gas emissions, to the extent practicable; and
- (c) when applying a methodology in NGER Scheme legislation is not practicable, apply:
 - (i) a methodology that is consistent with measurement methods otherwise required by a jurisdictional authority or an exchange on which the entity is listed that are relevant to the sources of the greenhouse gas emissions; or
 - (ii) in the absence of such a methodology, a relevant methodology that is consistent with GHG Protocol Standards.

The diagram in the Australian Application Guidance accompanying [draft] ASRS 2 illustrates the application of paragraphs Aus31.1(b) and AusB25.1. See also paragraphs BC73–BC76.

Question: Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1? Please provide reasons to support your view.

No, while SLR broadly agrees with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1 as they establish a comprehensive framework for greenhouse gas emissions reporting, mandating the use of methodologies outlined in the NGER Scheme legislation may not be practical for some global entities, and require duplication of effort where they are already calculating and reporting under other schemes.

For NGERs reporting entities, mandating alignment is reasonable, for other entities there should be more flexibility to allow selection of the GHG protocol, even when use of the NGERs methodology would be feasible.

Providing relief relating to Scope 3 GHG emissions

As noted in paragraphs BC80–BC81, the AASB decided to add 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.

Question: Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.

Yes, SLR supports AASB's view to permit entities 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. However, we propose AASB to have a timeframe mentioned in the [draft] ASRS to ensure entities transition towards timely reporting.



Scope 3 GHG emission categories

IFRS S2 paragraphs B32–B33 require an entity to categorise the sources of its Scope 3 GHG emissions based on the 15 categories listed in the IFRS S2 definition, which was taken from the GHG Protocol Standards. However, as noted in paragraphs BC82–BC85, the AASB observed that those 15 categories of Scope 3 GHG emissions are not referenced in IPCC guidelines or the Paris Agreement. The AASB was unsure whether requiring categorisation of the sources of Scope 3 GHG emissions under the 15 categories listed in the IFRS S2 definition would achieve international alignment if entities in other jurisdictions that are parties to the Paris Agreement are able to disclose different categories.

The AASB considered whether it would be more appropriate to require Australian entities to categorise the sources of their Scope 3 GHG emissions consistent with the categories outlined in IPCC guidelines and National Greenhouse Gas Inventory reporting requirements. However, the AASB rejected that approach because the objective of IFRS S2 paragraphs B32–B33 is to disclose information about the entity’s activities that give rise to Scope 3 GHG emissions, and the IPCC sectoral classifications do not appear to be sufficient in identifying the entity’s activities. For example, it is unclear whether the sectoral categories would provide information about emissions arising from business travel, employee commuting and investments, which are categories in IFRS S2.

The AASB decided 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).

Question: *Do you agree with the AASB’s approach in [draft] ASRS 2 paragraph AusB33.1 to include the Scope 3 GHG emission categories in IFRS S2 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? Please provide reasons to support your view.*

No, SLR does not agree with the AASB’s approach in [draft] ASRS 2 paragraph AusB33.1 to include the Scope 3 GHG emission categories from IFRS S2 as examples for entities to consider when disclosing their Scope 3 emissions sources. The GHG Protocol Standards are widely recognised and used globally, providing a common framework for emissions reporting. By deviating from these standards, there’s a risk of inconsistency, complexity of assurance practices, and confusion among stakeholders, hindering the effectiveness of emissions disclosure.

Hence, SLR believes that mandating the Scope 3 categorisation aligned with the GHG protocol will ensure entities to screen all sources of emissions and thereby identify relevant and material emissions. Allowing discretion opens the door for non-disclosure of material categories because they are hard to estimate, lack data sets, and entail inconsistent categorisation.



Financed emissions

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.

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.

An entity is required to disclose the information outlined in [draft] ASRS 2 paragraphs AusB61.1 and AusB63.1 if those disclosures are applicable to the entity.

Question: *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? Please provide reasons to support your view.*

No, SLR believes that companies should be mandated to report material financed emissions, and that the current wording of the draft give too much leeway to companies who may choose not to disclose financed emissions due to their size, or difficult of calculation. However, the methodologies for financed emissions calculations are now well established, and companies should be able to calculate and report on them in due course.

AASB may wish to consider a longer (1-2 year) grace period for financed emissions over scope 1 & 2 and other scope 3 emissions.

We recommend that AASB considers the inclusion of the Partnership for Carbon Accounting Financials (PCAF) guidelines for estimating an entities financed emissions, either as a mandatory standard, or as a recommended guide.



Superannuation entities

As noted in paragraphs BC87–BC88, the AASB has heard from some stakeholders that superannuation entities may have challenges complying with climate-related financial disclosure requirements set out in IFRS S1 and IFRS S2.

Question: *In your opinion, are there circumstances specific to superannuation entities that would cause challenges for superannuation entities to comply with the proposed requirements in [draft] ASRS 1 and [draft] ASRS 2? If so, please provide details of those circumstances and why they would lead to superannuation entities being unable to comply with the proposed requirements or else able to comply only with undue cost or effort.*

No, SLR believes that superannuation entities will be able to comply adequately with the draft standard.

Carbon credits

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] As noted in paragraphs BC90–BC92, non-Kyoto Australian carbon credit units (ACCU) 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 ACCU can also be recognised as carbon credits in the context of the [draft] Standard.

Question: *Do you agree with the AASB's proposal to modify the definition of carbon credit in [draft] ASRS 2? Please provide reasons to support your view.*

Yes, SLR agrees with the AASB's proposal 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.

Questions specific to not-for-profit entities

As noted in paragraphs BC28–BC30, the AASB is proposing to specify the objective of [draft] ASRS 1 and [draft] ASRS 2 in respect to a not-for-profit entity. Paragraph Aus3.1(b) of [draft] ASRS 1 and paragraph 2.2(b) of [draft] ASRS 2 state that the objective would be for a not-for-profit entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital, and its ability to further its objectives, over the short, medium or long term.

Question: *Do you agree with paragraph Aus3.1(b) of [draft] ASRS 1 and paragraph 2.2(b) of [draft] ASRS 2 that the objective of a not-for-profit entity would be to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital, and its ability to further its objectives, over the short, medium or long term? Please provide reasons to support your view.*

Yes, however AASB should ensure there is additional guidance, and flexibility, to ensure the reporting burden for the not-for-profit entities is not too great.



Question: *Is there additional guidance that you consider would be helpful in explaining the objective of a not-for-profit entity preparing climate-related financial disclosures? If so, please provide details of that guidance and explain why you think it would be helpful.*

SLR believes that additional guidance will need to be developed.

[Draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1 propose that a not-for-profit entity would not need to undertake an exhaustive search for information to identify climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects, but would be required to use all reasonable and supportable information available to the entity at the reporting date without undue cost or effort in preparing material climate-related financial information required by [draft] ASRS 1 and [draft] ASRS 2. As noted in paragraphs BC31–BC33, the AASB is of the view that the clarification in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1, together with the practical expedients already provided in the baseline of IFRS S1 and IFRS S2 (and the [draft] ASRS) relating to certain quantitative disclosures, would be sufficient to address cost-benefit concerns for not-for-profit entities to prepare climate related financial disclosures and concerns with the scalability of [draft] ASRS 1 and [draft] ASRS 2 for not for-profit entities.

Question: *Do you agree with the proposal in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1? Please provide reasons to support your view.*

Yes, SLR believes that whilst it is important for not-for-profit entities to identify potential risks, the reporting burden should be minimised where possible.

Question: *Do you agree with the AASB's view noted in paragraphs BC31–BC33 that the proposed clarification in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1, together with the practical expedients already provided through the baseline of IFRS S1 and IFRS S2, would be sufficient to address the cost-benefit and scalability concerns for not-for-profit entities preparing climate-related financial disclosures? Please provide reasons to support your view.*

Yes, the current clarification is sufficient.

Question: *If you disagree with the AASB's view in Question 26, what other modifications could be made to the baseline of IFRS S1 and IFRS S2 as included in the [draft] ASRS to assist not-for-profit entities to comply with climate related financial disclosure requirements without undue cost or effort? Please specify which requirements in [draft] ASRS 1 and [draft] ASRS 2 you would suggest modifying, how those requirements could be modified and why you think the modifications would be helpful.*

n/a



Questions specific to not-for-profit public sector entities

Paragraphs BC105–BC106 set out a high-level overview of two matters raised by not-for-profit public sector stakeholders regarding applying climate-related financial disclosure requirements:

- (a) whether climate-related financial disclosures should be provided by public sector entities on a mandatory or voluntary basis, and by which level of government entities; and
- (b) how to determine the value chain of a government and public sector entities with multi-stakeholder groups.

Additionally, as noted in paragraphs BC107–BC109, the AASB is proposing to defer consideration of whether to undertake a domestic standard-setting project to develop Australian requirements or guidance for not-for profit public sector entities to report the effect of climate-related risks and opportunities, and related government policies, on the economy, environment and people (i.e. climate-related impact reporting) until it has considered the results of the International Public Sector Accounting Standards Board's project on Climate related Disclosures in due course. Questions 28–29 below are designed for the AASB to obtain information on whether additional modifications to [draft] ASRS 1 and [draft] ASRS 2 may be needed to better support the application of the proposed requirements by not-for-profit public sector entities.

Question: *Unless already provided in response to Question 27, are there any other modifications or additions that could be made to the baseline of IFRS S1 and IFRS S2 as included in the [draft] ASRS to:*

- (a) *assist not-for-profit public sector entities to apply the concept of value chain and other climate related financial disclosure requirements; and*
- (b) *better support alignment with public sector projects related to climate-related matters, such as the Australian Government's Australian Public Service (APS) Net Zero 2030 policy, which is a policy for the APS to reduce its greenhouse gas emissions to net zero by 2030?*

In your response, please specify:

- (a) *which requirements in [draft] ASRS 1 and [draft] ASRS 2 you would suggest modifying, how those requirements could be modified and why you think the modifications would be helpful; and*
- (b) *which of the following levels of government entities should be subject to your suggested modifications or additional requirements. Please provide reasons to support your view.*
 - (i) *Whole of Government;*
 - (ii) *General Government Sector;*
 - (iii) *Government departments;*
 - (iv) *Government entities; and*
 - (v) *Local governments.*

n/a

Question: *Do you agree with the AASB's proposed approach of deferring consideration of whether to undertake a domestic standard-setting project to address Australian public sector climate-related impact reporting? Please provide reasons to support your view.*

No comment





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