

Climate-related Disclosures



Australian Government

**Australian Accounting
Standards Board**

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Ballot Draft of AASB S2 – for voting by AASB members

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Contents

PREFACE

COMPARISON WITH IFRS S2

AUSTRALIAN SUSTAINABILITY REPORTING STANDARD AASB S2 *CLIMATE-RELATED DISCLOSURES*

	<i>from paragraph</i>
OBJECTIVE	1
SCOPE	3
CORE CONTENT	5
Governance	5
Strategy	8
Risk management	24
Metrics and targets	27
COMMENCEMENT OF THE LEGISLATIVE INSTRUMENT	Aus37.2
APPENDICES	
A Defined terms	
B Application guidance	
C Effective date and transition	
D General requirements for disclosure of climate-related financial information	
DELETED IFRS S2 TEXT	
BASIS FOR CONCLUSIONS	

AVAILABLE ON THE AASB WEBSITE

Accompanying Guidance on IFRS S2

Basis for Conclusions on IFRS S2

Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* is set out in paragraphs 1–Aus37.2 and Appendices A–D. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard.

Preface

Introduction

The Australian Accounting Standards Board (AASB) develops, issues and maintains Australian Sustainability Reporting Standards. The AASB is an Australian Government entity under the *Australian Securities and Investments Commission Act 2001*.

Main features of this Standard

Main requirements

AASB S2 *Climate-related Disclosures* sets out disclosure requirements for an entity to provide useful information to primary users of its general purpose financial report 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 over the short, medium or long term.

The main climate-related financial disclosure requirements relate to governance, strategy, risk management, and metrics and targets, including information about scenario analysis and Scope 1, Scope 2 and Scope 3 greenhouse gas emissions.

The Standard also includes general requirements for the disclosure of climate-related financial information (see Appendix D). The general requirements include the conceptual foundations for reporting such information, the location of disclosures, the timing of reporting and disclosures relating to judgements, uncertainties and errors.

An entity applying AASB S2 is not required to apply AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, which is a voluntary Standard addressing sustainability-related financial disclosures in general. Appendix D of this Standard contains paragraphs drawn from AASB S1. However, the requirements in Appendix D apply only to climate-related financial information, and not to the broader sustainability-related financial information covered by AASB S1. Nevertheless, an entity may refer to AASB S1 for guidance in complying with the requirements in Appendix D.

Application date

This Standard applies to annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The *Corporations Act 2001* sets out which entities are required to comply with this Standard and specifies three application dates (financial years beginning on or after 1 January 2025, 1 July 2026 and 1 July 2027) for the various classes of entity.

Comparison with IFRS S2

Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* is based on IFRS Sustainability Disclosure Standard IFRS S2 *Climate-related Disclosures* issued by the International Sustainability Standards Board (ISSB). The AASB developed AASB S2 by incorporating the content of IFRS S2, including the IFRS S2 paragraph numbering, modified to the extent necessary to take account of the Australian legal and institutional environment and, in particular, to ensure that any disclosure and transparency provisions are appropriate. This includes:

- (a) adding Australian-specific paragraphs (with an “Aus” prefix in the paragraph numbering) relating to the commencement of the legislative instrument, the effective date of AASB S2 and other Australian-specific requirements; and
- (b) modifying certain requirements set out in IFRS S2 by replacing IFRS S2 paragraphs with Australian-specific paragraphs (with an “Aus” prefix in the paragraph numbering) in AASB S2. Paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability.

AASB S2 includes modifications from the requirements set out in IFRS S2, as described below.

- (a) The ISSB developed IFRS S2 to be applied concurrently with IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. The content of IFRS S1 is incorporated in AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. AASB S1 is a voluntary Standard and therefore:
 - (i) an entity applying AASB S2 is not required to apply AASB S1. Rather, an entity applying AASB S2 applies the requirements set out in Appendix D *General requirements for disclosure of climate-related financial information*, which incorporates the content of IFRS S1 the AASB considered necessary to enable AASB S2 to function as the standalone mandatory Standard containing all of the requirements regarding climate-related financial disclosures; and
 - (ii) the AASB clarified that the requirements set out in IFRS S2 paragraphs 7 and 26 apply particularly if an entity elects to voluntarily apply AASB S1 to disclose information about other sustainability-related risks and opportunities in addition to climate-related risks and opportunities. The paragraphs require an entity to avoid unnecessary duplication of disclosures by providing integrated disclosures instead of separate disclosures for each sustainability-related risk and opportunity, if oversight of sustainability-related risks and opportunities is managed on an integrated basis.
- (b) Relevant references to IFRS S1 paragraphs are replaced with references to Appendix D paragraphs. The requirements set out in IFRS S1 paragraphs B6(b) and B11 are consistent with IFRS S2 paragraphs B34 and B36; consequently, cross-references to IFRS S1 paragraphs B6(b) and B11 are omitted in AASB S2 paragraphs B34–B36.
- (c) To comply with IFRS S2, in accordance with IFRS S1 paragraphs 20 and B38, an entity would need to prepare climate-related financial disclosures for its consolidated group if the related financial statements are prepared for that consolidated group. The *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* does not require a parent entity of a consolidated group to prepare climate-related financial disclosures for its consolidated group—under section 292A(2) of that Act, a parent entity has the choice of preparing a sustainability report for either the consolidated entity or the parent entity. Accordingly, the AASB modified the requirements set out in Appendix D based on those IFRS S1 paragraphs to specify that an entity’s climate-related financial disclosures shall be for the same reporting entity as the related financial statements unless otherwise permitted by law.
- (d) IFRS S2 paragraphs 12, 23, 28(b), 32, 37, B65(d) and B67 require an entity to disclose industry-based metrics and to refer to and consider the applicability of the industry-based disclosure topics (and the industry-based metrics associated with those disclosure topics) defined in the *Industry-based Guidance on Implementing IFRS S2* issued by the ISSB. The AASB modified or omitted (where relevant) the requirements in those IFRS S2 paragraphs so that an entity applying AASB S2 is not required to disclose industry-based metrics or to consider those disclosure topics. The AASB also omitted the definition of “disclosure topic” in Appendix A *Defined terms*.
- (e) A not-for-profit entity is required to refer to the descriptions of “general purpose financial reports” and “primary users of general purpose financial reports” in the *Framework for the Preparation and Presentation of Financial Statements* when applying AASB S2, rather than the definitions of those terms in Appendix A.
- (f) Consistent with the *Legislation Act 2003*, AASB S2 specifies the relevant versions of non-legislative Australian documents and foreign documents referenced in the Standard, such as the latest international agreement on climate change and the Global Industry Classification Standard (GICS).

Agenda Paper 3.4A
AASB Meeting 20 September 2024 (M209)
Ballot Draft of AASB S2 – for voting by AASB members

Australian Sustainability Reporting Standard AASB S2

The Australian Accounting Standards Board makes Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* under section 336A of the *Corporations Act 2001*.

Dated ...[date]

Keith Kendall
Chair – AASB

Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures*

Objective

- 1 **The objective of AASB S2 *Climate-related Disclosures* is to require an entity to disclose information about its *climate-related risks and opportunities* that is useful to *primary users of general purpose financial reports* in making decisions relating to providing resources to the entity.¹**
- 2 This Standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. For the purposes of this Standard, these risks and opportunities are collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects'.

Scope

- 3 **This Standard applies to:**
 - (a) **climate-related risks to which the entity is exposed, which are:**
 - (i) *climate-related physical risks*; and
 - (ii) *climate-related transition risks*; and
 - (b) **climate-related opportunities available to the entity.**
- 4 **Climate-related risks and opportunities that could not reasonably be expected to affect an entity's prospects are outside the scope of this Standard.**

Core content

Governance

- 5 **The objective of climate-related financial disclosures on governance is to enable users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.**
- 6 To achieve this objective, an entity shall disclose information about:
 - (a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about:
 - (i) how responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);
 - (ii) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities;

¹ Throughout this Standard, the terms 'primary users' and 'users' are used interchangeably, with the same meaning.

- (iii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;
 - (iv) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; and
 - (v) how the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities, and monitors progress towards those targets (see paragraphs 33–36), including whether and how related performance metrics are included in remuneration policies (see paragraph 29(g)).
- (b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:
- (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and
 - (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.
- 7 In preparing disclosures to fulfil the requirements in paragraph 6, an entity shall avoid unnecessary duplication in accordance with Appendix D (see paragraph B42(b) in Appendix D). For example, although an entity shall provide the information required by paragraph 6, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the entity would avoid duplication by providing integrated governance disclosures instead of separate disclosures for each sustainability-related risk and opportunity.
- Aus7.1 The requirement in paragraph 7 to avoid unnecessary duplication applies particularly if an entity elects to voluntarily apply AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* ([Month] 2024) to disclose information about other sustainability-related risks and opportunities in addition to climate-related risks and opportunities in *general purpose financial reports*.

Strategy

- 8 **The objective of climate-related financial disclosures on strategy is to enable users of general purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities.**
- 9 Specifically, an entity shall disclose information to enable users of general purpose financial reports to understand:
- (a) the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects (see paragraphs 10–12);
 - (b) the current and anticipated effects of those climate-related risks and opportunities on the entity's *business model* and *value chain* (see paragraph 13);
 - (c) the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its *climate-related transition plan* (see paragraph 14);
 - (d) the effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning (see paragraphs 15–21); and
 - (e) the *climate resilience* of the entity's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities (see paragraph 22).

Climate-related risks and opportunities

- 10 An entity shall disclose information that enables users of general purpose financial reports to understand the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Specifically, the entity shall:

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

- (a) describe climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects;
 - (b) explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk;
 - (c) specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term—the effects of each climate-related risk and opportunity could reasonably be expected to occur; and
 - (d) explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.
- 11 In identifying the climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects, the entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions.

12 [Deleted by the AASB]

Business model and value chain

- 13 An entity shall disclose information that enables users of general purpose financial reports to understand the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain. Specifically, the entity shall disclose:
- (a) a description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain; and
 - (b) a description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).

Strategy and decision-making

- 14 An entity shall disclose information that enables users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose:
- (a) information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the entity shall disclose information about:
 - (i) current and anticipated changes to the entity's business model, including its resource allocation, to address climate-related risks and opportunities (for example, these changes could include plans to manage or decommission carbon-, energy- or water-intensive operations; resource allocations resulting from demand or supply-chain changes; resource allocations arising from business development through capital expenditure or additional expenditure on research and development; and acquisitions or divestments);
 - (ii) current and anticipated direct mitigation and adaptation efforts (for example, through changes in production processes or equipment, relocation of facilities, workforce adjustments, and changes in product specifications);
 - (iii) current and anticipated indirect mitigation and adaptation efforts (for example, through working with customers and supply chains);
 - (iv) any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies; and
 - (v) how the entity plans to achieve any climate-related targets, including any greenhouse gas emissions targets, described in accordance with paragraphs 33–36.
 - (b) information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 14(a).
 - (c) quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a).

Financial position, financial performance and cash flows

- 15 An entity shall disclose information that enables users of general purpose financial reports to understand:
- (a) the effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period (current financial effects); and
 - (b) the anticipated effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how climate-related risks and opportunities are included in the entity's financial planning (anticipated financial effects).
- 16 Specifically, an entity shall disclose quantitative and qualitative information about:
- (a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period;
 - (b) the climate-related risks and opportunities identified in paragraph 16(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;
 - (c) how the entity expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:
 - (i) its investment and disposal plans (for example, plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements), including plans the entity is not contractually committed to; and
 - (ii) its planned sources of funding to implement its strategy; and
 - (d) how the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities (for example, increased revenue from products and services aligned with a lower-carbon economy; costs arising from physical damage to assets from climate events; and expenses associated with climate adaptation or mitigation).
- 17 In providing quantitative information, an entity may disclose a single amount or a range.
- 18 In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an entity shall:
- (a) use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort; and
 - (b) use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures.
- 19 An entity need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the entity determines that:
- (a) those effects are not separately identifiable; or
 - (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful.
- 20 In addition, an entity need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.
- 21 If an entity determines that it need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity applying the criteria set out in paragraphs 19–20, the entity shall:
- (a) explain why it has not provided quantitative information;
 - (b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that climate-related risk or opportunity; and
 - (c) provide quantitative information about the combined financial effects of that climate-related risk or opportunity with other climate-related risks or opportunities and other factors unless the entity determines that quantitative information about the combined financial effects would not be useful.

Climate resilience

- 22 An entity shall disclose information that enables users of general purpose financial reports to understand the resilience of the entity's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities. The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances (see paragraphs B1–B18). In providing quantitative information, the entity may disclose a single amount or a range. Specifically, the entity shall disclose:
- (a) the entity's assessment of its climate resilience as at the reporting date, which shall enable users of general purpose financial reports to understand:
 - (i) the implications, if any, of the entity's assessment for its strategy and business model, including how the entity would need to respond to the effects identified in the climate-related scenario analysis;
 - (ii) the significant areas of uncertainty considered in the entity's assessment of its climate resilience;
 - (iii) the entity's capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term, including:
 - (1) the availability of, and flexibility in, the entity's existing financial resources to respond to the effects identified in the climate-related scenario analysis, including to address climate-related risks and to take advantage of climate-related opportunities;
 - (2) the entity's ability to redeploy, repurpose, upgrade or decommission existing assets; and
 - (3) the effect of the entity's current and planned investments in climate-related mitigation, adaptation and opportunities for climate resilience; and
 - (b) how and when the climate-related scenario analysis was carried out, including:
 - (i) information about the inputs the entity used, including:
 - (1) which climate-related scenarios the entity used for the analysis and the sources of those scenarios;
 - (2) whether the analysis included a diverse range of climate-related scenarios;
 - (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;
 - (4) whether the entity used, among its scenarios, a climate-related scenario aligned with the *latest international agreement on climate change*;
 - (5) why the entity decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;
 - (6) the time horizons the entity used in the analysis; and
 - (7) what scope of operations the entity used in the analysis (for example, the operating locations and business units used in the analysis);
 - (ii) the key assumptions the entity made in the analysis, including assumptions about:
 - (1) climate-related policies in the jurisdictions in which the entity operates;
 - (2) macroeconomic trends;
 - (3) national- or regional-level variables (for example, local weather patterns, demographics, land use, infrastructure and availability of natural resources);
 - (4) energy usage and mix; and
 - (5) developments in technology; and
 - (iii) the reporting period in which the climate-related scenario analysis was carried out (see paragraph B18).

23 [Deleted by the AASB]

Aus23.1 In preparing disclosures to meet the requirements in paragraphs 13–22, an entity shall refer to and consider the applicability of cross-industry metric categories, as described in paragraph 29.

Risk management

24 **The objective of climate-related financial disclosures on risk management is to enable users of general purpose financial reports to understand an entity’s processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity’s overall risk management process.**

25 To achieve this objective, an entity shall disclose information about:

- (a) the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks, including information about:
 - (i) the inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes);
 - (ii) whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks;
 - (iii) how the entity assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the entity considers qualitative factors, quantitative thresholds or other criteria);
 - (iv) whether and how the entity prioritises climate-related risks relative to other types of risk;
 - (v) how the entity monitors climate-related risks; and
 - (vi) whether and how the entity has changed the processes it uses compared with the previous reporting period;
- (b) the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities; and
- (c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity’s overall risk management process.

26 In preparing disclosures to fulfil the requirements in paragraph 25, an entity shall avoid unnecessary duplication in accordance with Appendix D (see paragraph B42(b) in Appendix D). For example, although an entity shall provide the information required by paragraph 25, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the entity would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each sustainability-related risk and opportunity.

Aus26.1 The requirement in paragraph 26 to avoid unnecessary duplication applies particularly if an entity elects to voluntarily apply AASB S1 to disclose information about other sustainability-related risks and opportunities in addition to climate-related risks and opportunities in general purpose financial reports.

Metrics and targets

27 **The objective of climate-related financial disclosures on metrics and targets is to enable users of general purpose financial reports to understand an entity’s performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.**

28 To achieve this objective, an entity shall disclose:

- (a) information relevant to the cross-industry metric categories (see paragraphs 29–31); and
- (b) [deleted by the AASB]
- (c) targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets (see paragraphs 33–Aus37.1).

Climate-related metrics

- 29 An entity shall disclose information relevant to the cross-industry metric categories of:
- (a) *greenhouse gases*—the entity shall:
 - (i) disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of *CO₂ equivalent* (see paragraphs B19–B22), classified as:
 - (1) *Scope 1 greenhouse gas emissions*;
 - (2) *Scope 2 greenhouse gas emissions*; and
 - (3) *Scope 3 greenhouse gas emissions*;
 - (ii) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its greenhouse gas emissions (see paragraphs B23–B25);
 - (iii) disclose the approach it uses to measure its greenhouse gas emissions (see paragraphs B26–B29) including:
 - (1) the measurement approach, inputs and assumptions the entity uses to measure its greenhouse gas emissions;
 - (2) the reason why the entity has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and
 - (3) any changes the entity made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;
 - (iv) for Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(1)–(2), disaggregate emissions between:
 - (1) the consolidated accounting group (for example, for an entity applying Australian Accounting Standards, this group would comprise the parent and its consolidated subsidiaries); and
 - (2) other investees excluded from paragraph 29(a)(iv)(1) (for example, for an entity applying Australian Accounting Standards, these investees would include associates, joint ventures and unconsolidated subsidiaries);
 - (v) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(2), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform users’ understanding of the entity’s Scope 2 greenhouse gas emissions (see paragraphs B30–B31); and
 - (vi) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(3), and with reference to paragraphs B32–B57, disclose:
 - (1) the categories included within the entity’s measure of Scope 3 greenhouse gas emissions, in accordance with the *Scope 3 categories* described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011); and
 - (2) additional information about the entity’s Category 15 greenhouse gas emissions or those associated with its investments (*financed emissions*), if the entity’s activities include asset management, commercial banking or insurance (see paragraphs B58–AusB63.1);
 - (b) climate-related transition risks—the amount and percentage of assets or business activities vulnerable to climate-related transition risks;
 - (c) climate-related physical risks—the amount and percentage of assets or business activities vulnerable to climate-related physical risks;
 - (d) climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities;
 - (e) capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities;

- (f) *internal carbon prices*—the entity shall disclose:
 - (i) an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and
 - (ii) the price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions;
 - (g) remuneration—the entity shall disclose:
 - (i) a description of whether and how climate-related considerations are factored into executive remuneration (see also paragraph 6(a)(v)); and
 - (ii) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations.
- 30 In preparing disclosures to meet the requirements in paragraph 29(b)–(d), an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.
- 31 In preparing disclosures to meet the requirements in paragraph 29(b)–(g), an entity shall refer to paragraphs B64–B65.
- 32 [Deleted by the AASB]

Climate-related targets

- 33 An entity shall disclose the quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the entity shall disclose:
- (a) the metric used to set the target (see paragraphs B66–AusB67.1);
 - (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);
 - (c) the part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region);
 - (d) the period over which the target applies;
 - (e) the base period from which progress is measured;
 - (f) any milestones and interim targets;
 - (g) if the target is quantitative, whether it is an absolute target or an intensity target; and
 - (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.
- 34 An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:
- (a) whether the target and the methodology for setting the target has been validated by a third party;
 - (b) the entity’s processes for reviewing the target;
 - (c) the metrics used to monitor progress towards reaching the target; and
 - (d) any revisions to the target and an explanation for those revisions.
- 35 An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity’s performance.
- 36 For each greenhouse gas emissions target disclosed in accordance with paragraphs 33–35, an entity shall disclose:
- (a) which greenhouse gases are covered by the target.
 - (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target.
 - (c) whether the target is a gross greenhouse gas emissions target or net greenhouse gas emissions target. If the entity discloses a net greenhouse gas emissions target, the entity is also required to separately disclose its associated gross greenhouse gas emissions target (see paragraphs B68–B69).
 - (d) whether the target was derived using a sectoral decarbonisation approach.

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

- (e) the entity’s planned use of *carbon credits* to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits the entity shall disclose information including, and with reference to paragraphs B70–B71:
 - (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;
 - (ii) which third-party scheme(s) will verify or certify the carbon credits;
 - (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and
 - (iv) any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credits the entity plans to use (for example, assumptions regarding the permanence of the carbon offset).

37 [Deleted by the AASB]

Aus37.1 In identifying and disclosing the metrics used to set and monitor progress towards reaching a target described in paragraphs 33–34, an entity shall refer to and consider the applicability of cross-industry metrics (see paragraph 29).

Commencement of the legislative instrument

Aus37.2 For legal purposes, this legislative instrument commences on 31 December 2024.

Appendix A Defined terms

This appendix is an integral part of AASB S2 and has the same authority as the other parts of the Standard.

carbon credit	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.
climate resilience	The capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities , including the ability to respond and adapt to climate-related transition risks and climate-related physical risks . An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties.
climate-related physical risks	<p>Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity.</p> <p>These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety.</p>
climate-related risks and opportunities	<p>Climate-related risks refers to the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks.</p> <p>Climate-related opportunities refers to the potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.</p>
climate-related transition plan	An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.
climate-related transition risks	Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology.
CO₂ equivalent	The universal unit of measurement to indicate the global warming potential of each greenhouse gas , expressed in terms of the global warming potential of one unit of carbon dioxide. This unit is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.
financed emissions	The portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty. These emissions are part of Scope 3 Category 15 (investments) as defined in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

global warming potential	A factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given greenhouse gas relative to one unit of CO ₂ .
greenhouse gases	The seven greenhouse gases listed in the Kyoto Protocol—carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF ₃); perfluorocarbons (PFCs) and sulphur hexafluoride (SF ₆).
indirect greenhouse gas emissions	Emissions that are a consequence of the activities of an entity, but occur at sources owned or controlled by another entity.
internal carbon price	Price used by an entity to assess the financial implications of changes to investment, production and consumption patterns, and of potential technological progress and future emissions-abatement costs. An entity can use internal carbon prices for a range of business applications. Two types of internal carbon prices that an entity commonly uses are: <ul style="list-style-type: none"> (a) a shadow price, which is a theoretical cost or notional amount that the entity does not charge but that can be used to understand the economic implications or trade-offs for such things as risk impacts, new investments, the net present value of projects, and the cost and benefit of various initiatives; and (b) an internal tax or fee, which is a carbon price charged to a business activity, product line, or other business unit based on its greenhouse gas emissions (these internal taxes or fees are similar to intracompany transfer pricing).
latest international agreement on climate change	An agreement by states, as members of the United Nations Framework Convention on Climate Change, to combat climate change (i.e. the Paris Agreement, December 2015). The agreements set norms and targets for a reduction in greenhouse gases .
Scope 1 greenhouse gas emissions	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity.
Scope 2 greenhouse gas emissions	<i>Indirect greenhouse gas emissions</i> from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity’s boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.
Scope 3 greenhouse gas emissions	Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).
Scope 3 categories	Scope 3 greenhouse gas emissions are categorised into these 15 categories—as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011): <ul style="list-style-type: none"> (1) purchased goods and services; (2) capital goods; (3) fuel- and energy-related activities not included in Scope 1 greenhouse gas emissions or Scope 2 greenhouse gas emissions; (4) upstream transportation and distribution; (5) waste generated in operations; (6) business travel; (7) employee commuting; (8) upstream leased assets; (9) downstream transportation and distribution; (10) processing of sold products; (11) use of sold products;

- (12) end-of-life treatment of sold products;
- (13) downstream leased assets;
- (14) franchises; and
- (15) investments.

Terms defined in other Standards and used in this Standard with the same meaning

business model	An entity’s system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the entity’s strategic purposes and create value for the entity and hence generate cash flows over the short, medium and long term.
disclosure topic	[Deleted by the AASB]
general purpose financial reports	<p>Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about:</p> <ul style="list-style-type: none"> (a) buying, selling or holding equity and debt instruments; (b) providing or selling loans and other forms of credit; or (c) exercising rights to vote on, or otherwise influence, the entity’s management’s actions that affect the use of the entity’s economic resources. <p>General purpose financial reports include—but are not restricted to—an entity’s general purpose financial statements and sustainability-related financial disclosures.</p>
impracticable	Applying a requirement is impracticable when an entity cannot apply it after making every reasonable effort to do so.
primary users of general purpose financial reports (primary users)	Existing and potential investors, lenders and other creditors.
value chain	<p>The full range of interactions, resources and relationships related to a reporting entity’s business model and the external environment in which it operates.</p> <p>A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity’s operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.</p>

Australian-specific terms

AusA1	<p>Notwithstanding the general definitions in the above table, in respect of not-for-profit entities the following terms are described in the <i>Framework for the Preparation and Presentation of Financial Statements</i> (as amended to March 2020) and are used in this Standard with the meaning specified in that conceptual framework:</p> <ul style="list-style-type: none"> (a) general purpose financial reports; and (b) primary users of general purpose financial reports (primary users, users of general purpose financial reports, users).
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Appendix B

Application guidance

This appendix is an integral part of AASB S2 and has the same authority as the other parts of the Standard.

Climate resilience (paragraph 22)

- B1 Paragraph 22 requires an entity to use climate-related scenario analysis to assess its climate resilience, using an approach that is commensurate with its circumstances.² The entity is required to use an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. Paragraphs B2–B18 provide guidance on how an entity uses scenario analysis to assess the entity’s climate resilience. Specifically:
- (a) paragraphs B2–B7 set out the factors the entity shall consider when assessing its circumstances;
 - (b) paragraphs B8–B15 set out the factors the entity shall consider when determining an appropriate approach to climate-related scenario analysis; and
 - (c) paragraphs B16–B18 set out additional factors for the entity to consider when determining its approach to climate-related scenario analysis over time.

Assessing the circumstances

- B2 An entity shall use an approach to climate-related scenario analysis that is commensurate with its circumstances as at the time the entity carries out its climate-related scenario analysis (see paragraph B3). To assess its circumstances the entity shall consider:
- (a) the entity’s exposure to climate-related risks and opportunities (see paragraphs B4–B5); and
 - (b) the skills, capabilities and resources available to the entity for the climate-related scenario analysis (see paragraphs B6–B7).
- B3 An entity shall assess its circumstances each time it carries out its climate-related scenario analysis. For example, an entity that carries out its climate-related scenario analysis every three years to align with its strategic planning cycle (see paragraph B18) would be required to reconsider for this purpose its exposure to climate-related risks and opportunities and the skills, capabilities and resources available at that time.

Exposure to climate-related risks and opportunities

- B4 An entity shall consider its exposure to climate-related risks and opportunities in its assessment of its circumstances and when determining the approach to use for its climate-related scenario analysis. This consideration provides essential context for understanding the potential benefits of using a particular approach to climate-related scenario analysis. For example, if an entity has a high degree of exposure to climate-related risk then a more quantitative or technically sophisticated approach to climate-related scenario analysis would be of greater benefit to the entity and users of general purpose financial reports. Users of general purpose financial reports would be less likely to benefit from quantitative or technically sophisticated climate-related scenario analysis if the entity is exposed to few or relatively less severe climate-related risks and opportunities. This means that—with all else being equal—the greater the entity’s exposure to climate-related risks or opportunities, the more likely it is the entity would determine that a more technically sophisticated form of climate-related scenario analysis is required.
- B5 This Standard requires an entity to identify the climate-related risks and opportunities to which it is exposed (see paragraph 10) and to disclose information about the process the entity uses to identify, assess, prioritise and monitor those risks and opportunities (see paragraph 25). The information the entity discloses in accordance with paragraphs 10 and 25 can inform the entity’s consideration of its exposure to climate-related risks and opportunities.

² This application guidance (paragraphs B1–B18) draws on the range of practice outlined in documents published by the Task Force on Climate-related Financial Disclosures (TCFD), including *Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities* (2017) and *Guidance on Scenario Analysis for Non-Financial Companies* (2020).

Skills, capabilities and resources available

- B6 An entity shall consider the available skills, capabilities and resources when determining an appropriate approach to use for its climate-related scenario analysis. These skills, capabilities and resources might include both internal and external skills, capabilities and resources. The entity's available skills, capabilities and resources provide context to inform its consideration of the potential cost and level of effort required by a particular approach to climate-related scenario analysis. For example, if an entity has only just begun to explore the use of climate-related scenario analysis to assess its climate resilience, it might be unable to use a quantitative or technically sophisticated approach to climate-related scenario analysis without undue cost or effort. For the avoidance of doubt, if resources are available to the entity then it will be able to invest in obtaining or developing the necessary skills and capabilities.
- B7 Climate-related scenario analysis can be resource intensive and might—through an iterative learning process—be developed and refined over multiple planning cycles. As an entity repeats the climate-related scenario analysis, it is likely to develop skills and capabilities that will enable the entity to strengthen its approach to climate-related scenario analysis over time. For example, if an entity has not yet used climate-related scenario analysis or participates in an industry where climate-related scenario analysis is not commonly used, the entity might need more time to develop its skills and capabilities. In contrast, an entity in an industry where climate-related scenario analysis is established practice—such as extractives and mineral processing—would be expected to have strengthened its skills and capabilities through its experience.

Determining the appropriate approach

- B8 An entity shall determine an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. The determination of the approach shall be informed by the assessments of the entity's exposure to climate-related risks and opportunities (see paragraphs B4–B5) and its available skills, capabilities and resources (see paragraphs B6–B7). Making such a determination involves:
- (a) selecting inputs to the climate-related scenario analysis (see paragraphs B11–B13); and
 - (b) making analytical choices about how to carry out the climate-related scenario analysis (see paragraphs B14–B15).
- B9 Reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions. It also includes quantitative or qualitative information, and information that is obtained from an external source or owned or developed internally.
- B10 An entity will need to use judgement to determine the mix of inputs and analytical choices that will enable the entity to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. The degree of judgement that is required depends on the availability of detailed information. As the time horizon increases and the availability of detailed information decreases, the degree of judgement required increases.

Selecting inputs

- B11 When an entity selects the inputs to use in its climate-related scenario analysis, the entity shall consider all reasonable and supportable information—including scenarios, variables and other inputs—available to the entity at the reporting date without undue cost or effort. The inputs used in scenario analysis might include information that is qualitative or quantitative, and is obtained from an external source or developed internally. For example, publicly available climate-related scenarios—from authoritative sources—that describe future trends and a range of pathways to plausible outcomes are considered to be available to the entity without undue cost or effort.
- B12 When selecting scenarios, variables and other inputs to use in climate-related scenario analysis, an entity might, for example, use one or more climate-related scenarios—including international and regional scenarios—that are publicly and freely available from authoritative sources. The entity shall have a reasonable and supportable basis for using a particular scenario or set of scenarios. For example, an entity with operations concentrated in a jurisdiction where emissions are regulated—or are likely to be regulated in the future—might determine that it is appropriate to carry out its analysis using a scenario consistent with an orderly transition to a lower-carbon economy or consistent with relevant jurisdictional commitments to the latest international agreement on climate change. Elsewhere, for example, an entity with heightened exposure to physical climate-related risks might determine that it is appropriate to carry out its analysis using a localised climate-related scenario that takes into account current policies.
- B13 In considering whether the selected inputs are reasonable and supportable, an entity shall consider the objective of paragraph 22, which requires the entity to disclose information that enables users of general

purpose financial reports to understand the resilience of the entity’s strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity’s identified climate-related risks and opportunities. This means that the inputs to the entity’s climate-related scenario analysis shall be relevant to the entity’s circumstances, for example, to the particular activities the entity undertakes and the geographical location of those activities.

Making analytical choices

- B14 An entity’s resilience assessment will be informed not only by the individual inputs to its climate-related scenario analysis, but also by the information it develops in combining those inputs to carry out the analysis. The entity shall prioritise the analytical choices (for example, whether to use qualitative analysis or quantitative modelling) that will enable it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. For example, if an entity is able—without undue cost or effort—to incorporate multiple carbon price pathways associated with a given outcome (for example, a 1.5 degree Celsius outcome), this analysis is likely to strengthen the entity’s resilience assessment, assuming such an approach is warranted by the entity’s risk exposure.
- B15 Quantitative information will often enable an entity to carry out a more robust assessment of its climate resilience. However, qualitative information (including scenario narratives), either alone or combined with quantitative data, can also provide a reasonable and supportable basis for the entity’s resilience assessment.

Additional considerations

- B16 Climate-related scenario analysis is an evolving practice and, therefore, the approach that an entity uses is likely to change over time. As described in paragraphs B2–B7, the entity shall determine its approach to climate-related scenario analysis based on its particular circumstances, including the entity’s exposure to climate-related risks and opportunities and the skills, capabilities and resources available for the scenario analysis. Those circumstances are also likely to change over time. Therefore, the entity’s approach to climate-related scenario analysis need not be the same from one reporting period or strategic planning cycle to the next (see paragraph B18).
- B17 An entity might use a simpler approach to climate-related scenario analysis, such as qualitative scenario narratives, if such an approach is appropriate to the entity’s circumstances. For example, if an entity does not currently have the skills, capabilities or resources to carry out quantitative climate-related scenario analysis but has a high degree of exposure to climate-related risk, the entity might initially use a simpler approach to climate-related scenario analysis, but would build its capabilities through experience and, therefore, would apply a more advanced quantitative approach to climate-related scenario analysis over time. An entity with a high degree of exposure to climate-related risks and opportunities, and with access to the necessary skills, capabilities or resources, is required to apply a more advanced quantitative approach to climate-related scenario analysis.
- B18 Although paragraph 22 requires an entity to disclose information about its climate resilience at each reporting date, the entity might carry out its climate-related scenario analysis in line with its strategic planning cycle, including a multi-year strategic planning cycle (for example, every three to five years). Therefore, in some reporting periods the entity’s disclosures in accordance with paragraph 22(b) could remain unchanged from the previous reporting period if the entity does not conduct a scenario analysis annually. The entity shall—at a minimum—update its climate-related scenario analysis in line with its strategic planning cycle. However, an assessment of the entity’s resilience is required to be carried out annually to reflect updated insight into the implications of climate uncertainty for the entity’s business model and strategy. As such, an entity’s disclosure in accordance with paragraph 22(a)—that is, the results of the entity’s resilience assessment—shall be updated at each reporting period.

Greenhouse gases (paragraph 29(a))

Greenhouse gas emissions

Permission to use information from a reporting period that is different from the entity’s reporting period, in specific circumstances

- B19 An entity might have a different reporting period from some or all of the entities in its value chain. Such a difference would mean that greenhouse gas emissions information from these entities in its value chain for the entity’s reporting period might not be readily available for the entity to use for its own disclosure. In such circumstances, the entity is permitted to measure its greenhouse gas emissions in accordance with

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

paragraph 29(a)(i) using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the entity's reporting period, on the condition that:

- (a) the entity uses the most recent data available from those entities in its value chain without undue cost or effort to measure and disclose its greenhouse gas emissions;
- (b) the length of the reporting periods is the same; and
- (c) the entity discloses the effects of significant events and changes in circumstances (relevant to its greenhouse gas emissions) that occur between the reporting dates of the entities in its value chain and the date of the entity's general purpose financial reports.

Aggregation of greenhouse gases into CO₂ equivalent using global warming potential values

- B20 Paragraph 29(a) requires an entity to disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent. To meet this requirement, the entity shall aggregate the seven constituent greenhouse gases into CO₂ equivalent values.
- B21 If an entity uses direct measurement to measure its greenhouse gas emissions, the entity is required to convert the seven constituent greenhouse gases into a CO₂ equivalent value using global warming potential values based on a 100-year time horizon, from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date.
- B22 If an entity uses emission factors to estimate its greenhouse gas emissions, the entity shall use—as its basis for measuring its greenhouse gas emissions—the emission factors that best represent the entity's activity (see paragraph B29). If these emission factors have already converted the constituent gases into CO₂ equivalent values, the entity is not required to recalculate the emission factors using global warming potential values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date. However, if an entity uses emission factors that are not converted into CO₂ equivalent values, then the entity shall use the global warming potential values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date.
- AusB22.1 For the purposes of paragraphs B21 and B22, the latest Intergovernmental Panel on Climate Change assessment available at the reporting date means the Panel's Sixth Assessment Report.

Greenhouse Gas Protocol

- B23 Paragraph 29(a)(ii) requires an entity to disclose its greenhouse gas emissions measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). For the avoidance of doubt, an entity shall apply the requirements in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) only to the extent that they do not conflict with the requirements in this Standard. For example, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) does not require an entity to disclose its Scope 3 greenhouse gas emissions, however, the entity is required to disclose Scope 3 greenhouse gas emissions in accordance with paragraph 29(a).
- B24 An entity is required to use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless the entity is required by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its greenhouse gas emissions. If the entity is required by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its greenhouse gas emissions, the entity is permitted to use this method rather than using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) for as long as the jurisdictional or exchange requirement applies to the entity.
- B25 In some circumstances, an entity might be subject to a requirement in the jurisdiction in which it operates to disclose its greenhouse gas emissions for a specific part of the entity or for some of its greenhouse gas emissions (for example, only for Scope 1 and Scope 2 greenhouse gas emissions). In such circumstances, the jurisdictional requirement does not exempt the entity from applying the requirements in this Standard to disclose the entity's Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for the entity as a whole.

Measurement approach, inputs and assumptions

- B26 Paragraph 29(a)(iii) requires an entity to disclose the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions. As part of this requirement, the entity shall include information about:

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

- (a) the measurement approach the entity uses in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (see paragraph B27);
- (b) the applicable method if the entity is not using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and the measurement approach the entity uses (see paragraph B28); and
- (c) the emission factors the entity uses (see paragraph B29).

The measurement approach set out in the Greenhouse Gas Protocol

B27 The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) includes different measurement approaches that an entity might use when measuring its greenhouse gas emissions. In disclosing information in accordance with paragraph 29(a)(iii), the entity is required to disclose information about the measurement approach it uses. For example, when the entity discloses its greenhouse gas emissions measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is required to use the equity share or control approach. Specifically, the entity shall disclose:

- (a) the approach it uses to determine its greenhouse gas emissions (for example, the equity share or control approach in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)); and
- (b) the reason, or reasons, for the entity's choice of measurement approach and how that approach relates to the disclosure objective in paragraph 27.

Other methods and measurement approaches

B28 When an entity discloses its greenhouse gas emissions measured in accordance with another method, applying paragraphs 29(a)(ii), B24–B25 or C4(a), the entity shall disclose:

- (a) the applicable method and measurement approach the entity uses to determine its greenhouse gas emissions; and
- (b) the reason, or reasons, for the entity's choice of method and measurement approach and how that approach relates to the disclosure objective in paragraph 27.

Emission factors

B29 As part of an entity's disclosure of the measurement approach, inputs and assumptions, the entity shall disclose information to enable users of general purpose financial reports to understand which emission factors the entity uses in its measurement of its greenhouse gas emissions. This Standard does not specify emission factors an entity is required to use in its measurement of its greenhouse gas emissions. Instead, this Standard requires an entity to use emission factors that best represent the entity's activity as its basis for measuring its greenhouse gas emissions.

Scope 2 greenhouse gas emissions

B30 Paragraph 29(a)(v) requires an entity to disclose its location-based Scope 2 greenhouse gas emissions and provide information about any contractual instruments the entity has entered into that could inform users' understanding of the entity's Scope 2 greenhouse gas emissions. For the avoidance of doubt, an entity is required to disclose its Scope 2 greenhouse gas emissions using a location-based approach and is required to provide information about contractual instruments only if such instruments exist and information about them informs users' understanding of an entity's Scope 2 greenhouse gas emissions.

B31 Contractual instruments are any type of contract between an entity and another party for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims (unbundled energy attribute claims relate to the sale and purchase of energy that is separate and distinct from the greenhouse gas attribute contractual instruments). Various types of contractual instruments are available in different markets and the entity might disclose information about its market-based Scope 2 greenhouse gas emissions as part of its disclosure.

Scope 3 greenhouse gas emissions

B32 In accordance with paragraph 29(a)(vi), an entity shall disclose information about its Scope 3 greenhouse gas emissions to enable users of general purpose financial reports to understand the source of these emissions. The entity shall consider its entire value chain (upstream and downstream) and shall consider all 15 categories of

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

- Scope 3 greenhouse gas emissions, as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). In accordance with paragraph 29(a)(vi), the entity shall disclose which of these categories are included in its Scope 3 greenhouse gas emissions disclosures.
- B33 For the avoidance of doubt, regardless of the method an entity uses to measure its greenhouse gas emissions, the entity is required to disclose the categories included within its measure of Scope 3 greenhouse gas emissions as described in paragraph 29(a)(vi)(1).
- B34 On the occurrence of a significant event or a significant change in circumstances, an entity shall reassess the scope of all affected climate-related risks and opportunities throughout its value chain, including reassessing which Scope 3 categories and entities throughout its value chain to include in the measurement of its Scope 3 greenhouse gas emissions. A significant event or significant change in circumstances can occur without the entity being involved in that event or change in circumstances or as a result of a change in what the entity assesses to be important to users of general purpose financial reports. For example, such significant events or significant changes in circumstances might include:
- (a) a significant change in the entity's value chain (for example, a supplier in the entity's value chain makes a change that significantly alters the supplier's greenhouse gas emissions);
 - (b) a significant change in the entity's business model, activities or corporate structure (for example, a merger or acquisition that expands the entity's value chain); and
 - (c) a significant change in the entity's exposure to climate-related risks and opportunities (for example, a supplier in the entity's value chain is affected by the introduction of an emissions regulation that the entity had not anticipated).
- B35 An entity is permitted, but not required, to reassess the scope of any climate-related risk or opportunity throughout its value chain more frequently than required by paragraph B34.
- B36 To determine the scope of the value chain, which includes its breadth and composition, an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.
- B37 An entity that participates in one or more financial activities associated with asset management, commercial banking and insurance shall disclose additional information about the financed emissions associated with those activities as part of the entity's disclosure of its Scope 3 greenhouse gas emissions (see paragraphs B58–AusB63.1).

Scope 3 measurement framework

- B38 An entity's measurement of Scope 3 greenhouse gas emissions is likely to include the use of estimation rather than solely comprising direct measurement. In measuring Scope 3 greenhouse gas emissions an entity shall use a measurement approach, inputs and assumptions that result in a faithful representation of this measurement. The measurement framework described in paragraphs B40–B54 provides guidance for an entity to use in preparing its Scope 3 greenhouse gas emissions disclosures.
- B39 An entity is required to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort when the entity selects the measurement approach, inputs and assumptions it uses in measuring Scope 3 greenhouse gas emissions.
- B40 An entity's measurement of Scope 3 greenhouse gas emissions relies upon a range of inputs. This Standard does not specify the inputs the entity is required to use to measure its Scope 3 greenhouse gas emissions, but does require the entity to prioritise inputs and assumptions using these identifying characteristics (which are listed in no particular order):
- (a) data based on direct measurement (paragraphs B43–B45);
 - (b) data from specific activities within the entity's value chain (paragraphs B46–B49);
 - (c) timely data that faithfully represents the jurisdiction of, and the technology used for, the value chain activity and its greenhouse gas emissions (paragraphs B50–B52); and
 - (d) data that has been verified (paragraphs B53–B54).
- B41 An entity is required to apply the Scope 3 measurement framework to prioritise inputs and assumptions even when the entity is required by a jurisdictional authority or an exchange on which the entity is listed to use a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) for measuring its greenhouse gas emissions (see paragraphs B24–B25), or whether the entity uses the transition relief described in paragraph C4(a).
- B42 An entity's prioritisation of the measurement approach, inputs and assumptions and the entity's considerations of associated trade-offs—based on the characteristics in paragraph B40—requires management to apply

judgement. For example, an entity might need to consider the trade-offs between timely data and data that is more representative of the jurisdiction and technology used for the value chain activity and its emissions. More recent data might provide less detail about the specific activity, including the technology that was used in the value chain and the location of that activity. On the other hand, older data that is published infrequently might be considered more representative of the specific activity and its greenhouse gas emissions.

Data based on direct measurement

- B43 Two methods are used to quantify Scope 3 greenhouse gas emissions: direct measurement and estimation. Of these two methods—and with all else being equal—an entity shall prioritise direct measurement.
- B44 ‘Direct measurement’ refers to the direct monitoring of greenhouse gas emissions and, in theory, provides the most accurate evidence. However, it is expected that Scope 3 greenhouse gas emissions data will include estimation due to the challenges associated with direct measurement of Scope 3 greenhouse gas emissions.
- B45 Estimation of Scope 3 greenhouse gas emissions involves approximate calculations of data based on assumptions and appropriate inputs. An entity that measures its Scope 3 greenhouse gas emissions using estimation is likely to use two types of input:
- (a) data that represents the entity’s activity that results in greenhouse gas emissions (activity data). For example, the entity might use distance travelled as activity data to represent the transport of goods within its value chain.
 - (b) emission factors that convert activity data into greenhouse gas emissions. For example, the entity will convert the distance travelled (activity data) into greenhouse gas emissions data using emission factors.

Data from specific activities within the entity’s value chain

- B46 An entity’s measurement of its Scope 3 greenhouse gas emissions will be based on data obtained directly from specific activities within the entity’s value chain (primary data), data not obtained directly from activities within the entity’s value chain (secondary data), or a combination of both.
- B47 In measuring an entity’s Scope 3 greenhouse gas emissions, primary data is more likely to be representative of the entity’s value chain activity and its greenhouse gas emissions than secondary data. Therefore, the entity shall prioritise—with all else being equal—the use of primary data.
- B48 Primary data for Scope 3 greenhouse gas emissions includes data provided by suppliers or other entities in the value chain related to specific activities in an entity’s value chain. For example, primary data could be sourced from meter readings, utility bills or other methods that represent specific activities in the entity’s value chain. Primary data could be collected internally (for example, through the entity’s own records), or externally from suppliers and other value chain partners (for example, supplier-specific emission factors for purchased goods or services). Data from specific activities within an entity’s value chain provides a more accurate representation of the entity’s specific value chain activities and, therefore, will provide a better basis for measuring the entity’s Scope 3 greenhouse gas emissions.
- B49 Secondary data for Scope 3 greenhouse gas emissions is data that is not obtained directly from specific activities within an entity’s value chain. Secondary data is often supplied by third-party data providers and includes industry-average data (for example, from published databases, government statistics, literature studies and industry associations). Secondary data includes data used to approximate the activity or emission factors. Additionally, secondary data includes primary data from a specific activity (proxy data) used to estimate greenhouse gas emissions for another activity. If an entity uses secondary data to measure its Scope 3 greenhouse gas emissions, it shall consider the extent to which the data faithfully represents the entity’s activities.

Timely data that faithfully represents the jurisdiction of, and the technology used for, the value chain activity and its greenhouse gas emissions

- B50 If an entity uses secondary data, it shall prioritise the use of activity or emissions data that is based on, or represents, the technology used in the value chain activity the data is intended to represent. For example, an entity might obtain primary data from its activities (for example, the specific aircraft model, distance travelled and travel-class used by employees when travelling) and would then use secondary data that represents the greenhouse gas emissions arising from those activities to convert the primary data into an estimate of its greenhouse gas emissions from air travel.

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

- B51 If an entity uses secondary data, it shall prioritise activity or emissions data that is based on, or represents, the jurisdiction in which the activity happened. For example, an entity shall prioritise emission factors that relate to the jurisdiction in which the entity operates or in which the activity has taken place.
- B52 If an entity uses secondary data, it shall prioritise activity or emissions data that is timely and representative of the entity's value chain activity during the reporting period. In some jurisdictions, and for some technologies, secondary data is collected annually and, therefore, the data is likely to be representative of the entity's current practice. However, some secondary data sources rely on information collected in a reporting period that is different from the entity's own reporting period.

Verified data

- B53 An entity shall prioritise Scope 3 greenhouse gas emissions data that is verified. Verification can provide users of general purpose financial reports with confidence that the information is complete, neutral and accurate.
- B54 Verified data might include data that has been internally or externally verified. Verification can take place in several ways, including on-site checking, reviewing calculations, or cross-checking of data against other sources. However, in some cases an entity might be unable to verify its Scope 3 greenhouse gas emissions without undue cost or effort. For example, the entity might be prevented from obtaining a complete set of verified data due to the volume of data or because the data is obtained from entities in the value chain that are separated by many tiers from the reporting entity, that is, entities that the reporting entity does not interact with directly. In such cases, an entity might need to use unverified data.

Disclosure of inputs to Scope 3 greenhouse gas emissions

- B55 An entity shall disclose information about the measurement approach, inputs and assumptions it uses to measure its Scope 3 greenhouse gas emissions in accordance with paragraph 29(a)(iii). This disclosure shall include information about the characteristics of the data inputs as described in paragraph B40. The purpose of this disclosure is to provide users of general purpose financial reports with information about how the entity has prioritised the highest quality data available, which faithfully represents the value chain activity and its Scope 3 greenhouse gas emissions. This disclosure also helps users of general purpose financial reports to understand why the measurement approach, inputs and assumptions the entity uses to estimate its Scope 3 greenhouse gas emissions are relevant.
- B56 As part of the requirement in paragraph 29(a)(iii), and to reflect how an entity prioritises Scope 3 data in accordance with the measurement framework set out in paragraphs B40–B54, the entity shall disclose information that enables users of general purpose financial reports to understand:
- (a) the extent to which the entity's Scope 3 greenhouse gas emissions are measured using inputs from specific activities within the entity's value chain; and
 - (b) the extent to which the entity's Scope 3 greenhouse gas emissions are measured using inputs that are verified.
- B57 This Standard includes the presumption that Scope 3 greenhouse gas emissions can be estimated reliably using secondary data and industry averages. In those rare cases when an entity determines it is *impracticable* to estimate its Scope 3 greenhouse gas emissions, the entity shall disclose how it is managing its Scope 3 greenhouse gas emissions. Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Financed emissions

- B58 Entities participating in financial activities face risks and opportunities related to the greenhouse gas emissions associated with those activities. Counterparties, borrowers or investees with higher greenhouse gas emissions might be susceptible to risks associated with technological changes, shifts in supply and demand and policy change, which in turn can affect the financial institution that is providing financial services to these entities. These risks and opportunities can arise in the form of credit risk, market risk, reputational risk and other financial and operational risks. For example, credit risk might arise in relation to financing clients affected by increasingly stringent carbon taxes, fuel efficiency regulations or other policies; credit risk might also arise through technological shifts. Reputational risk might arise from financing fossil-fuel projects. Entities participating in financial activities, including commercial and investment banks, asset managers and insurance entities, are increasingly monitoring and managing such risks by measuring their financed emissions. This measurement serves as an indicator of an entity's exposure to climate-related risks and opportunities and how the entity might need to adapt its financial activities over time.
- B59 Paragraph 29 (a)(i)(3) requires an entity to disclose its absolute gross Scope 3 greenhouse gas emissions generated during the reporting period, including upstream and downstream emissions. An entity that

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

participates in one or more of the following financial activities is required to disclose additional and specific information about its Category 15 emissions or those emissions associated with its investments which is also known as ‘financed emissions’:

- (a) asset management (see paragraph B61);
- (b) commercial banking (see paragraph B62); and
- (c) insurance (see paragraph B63).

B60 An entity shall apply the requirements for disclosing greenhouse gas emissions in accordance with paragraph 29(a) when disclosing information about its financed emissions.

Asset management

B61 An entity that participates in asset management activities shall disclose:

- (a) its absolute gross financed emissions, disaggregated by Scope 1, Scope 2 and Scope 3 greenhouse gas emissions.
- (b) for each of the disaggregated items in paragraph B61(a), the total amount of assets under management (AUM) that is included in the financed emissions disclosure, expressed in the presentation currency of the entity’s financial statements.
- (c) the percentage of the entity’s total AUM included in the financed emissions calculation. If the percentage is less than 100%, the entity shall disclose information that explains the exclusions, including types of assets and associated amount of AUM.
- (d) the methodology used to calculate the financed emissions, including the method of allocation the entity used to attribute its share of emissions in relation to the size of investments.

Commercial banking

B62 An entity that participates in commercial banking activities shall disclose:

- (a) its absolute gross financed emissions, disaggregated by Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for each industry by asset class. When disaggregating by:
 - (i) industry—the entity shall use the Global Industry Classification Standard (GICS) 6-digit industry-level code for classifying counterparties, reflecting the latest version of the classification system available at the reporting date.
 - (ii) asset class—the disclosure shall include loans, project finance, bonds, equity investments and undrawn loan commitments. If the entity calculates and discloses financed emissions for other asset classes, it shall include an explanation of why the inclusion of those additional asset classes provides relevant information to users of general purpose financial reports.
- (b) its gross exposure to each industry by asset class, expressed in the presentation currency of the entity’s financial statements. For:
 - (i) funded amounts—gross exposure shall be calculated as the funded carrying amounts (before subtracting the loss allowance, when applicable), whether prepared in accordance with Australian Accounting Standards or other GAAP.
 - (ii) undrawn loan commitments—the entity shall disclose the full amount of the commitment separately from the drawn portion of loan commitments.
- (c) the percentage of the entity’s gross exposure included in the financed emissions calculation. The entity shall:
 - (i) if the percentage of the entity’s gross exposure included in the financed emissions calculation is less than 100%, disclose information that explains the exclusions, including the type of assets excluded.
 - (ii) for funded amounts, exclude from gross exposure all impacts of risk mitigants, if applicable.
 - (iii) disclose separately the percentage of its undrawn loan commitments included in the financed emissions calculation.

- (d) the methodology the entity used to calculate its financed emissions, including the method of allocation the entity used to attribute its share of emissions in relation to the size of its gross exposure.

Insurance

- B63 An entity that participates in financial activities associated with the insurance industry shall disclose:
- (a) its absolute gross financed emissions, disaggregated by Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for each industry by asset class. When disaggregating by:
 - (i) industry—the entity shall use the Global Industry Classification Standard (GICS) 6-digit industry-level code for classifying counterparties, reflecting the latest version of the classification system available at the reporting date.
 - (ii) asset class—the disclosure shall include loans, bonds and equity investments, as well as undrawn loan commitments. If the entity calculates and discloses financed emissions for other asset classes, it shall include an explanation of why the inclusion of those additional asset classes provides relevant information to users of general purpose financial reports.
 - (b) the gross exposure for each industry by asset class, expressed in the presentation currency of the entity’s financial statements. For:
 - (i) funded amounts—gross exposure shall be calculated as the funded carrying amounts (before subtracting the loss allowance, when applicable), whether prepared in accordance with Australian Accounting Standards or other GAAP.
 - (ii) undrawn loan commitments—the entity shall disclose the full amount of the commitment separately from the drawn portion of loan commitments.
 - (c) the percentage of the entity’s gross exposure included in the financed emissions calculation. The entity shall:
 - (i) if the percentage of the entity’s gross exposure included in the financed emissions calculation is less than 100%, disclose information that explains the exclusions, including type of assets excluded.
 - (ii) disclose separately the percentage of its undrawn loan commitments included in the financed emissions calculation.
 - (d) the methodology the entity used to calculate its financed emissions, including the method of allocation the entity used to attribute its share of emissions in relation to the size of its gross exposure.
- AusB63.1 For the purposes of paragraphs B62(a)(i) and B63(a)(i), the latest version of the Global Industry Classification Standard (GICS) available at the reporting date means the version that incorporates amendments to August 2024.

Cross-industry metric categories (paragraph 29(b)–(g))

- B64 In addition to information about an entity’s greenhouse gas emissions, the entity is required to disclose information relevant to the cross-industry metric categories set out in paragraph 29(b)–(g).
- B65 In preparing disclosures to fulfil the requirements in paragraph 29(b)–(g), an entity shall:
- (a) consider the time horizons over which the effects of climate-related risks and opportunities could reasonably be expected to occur, described in accordance with paragraph 10.
 - (b) consider where in the entity’s business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities or types of assets) (see paragraph 13).
 - (c) consider the information disclosed in accordance with paragraph 16(a)–(b) in relation to the effects of climate-related risks and opportunities on the entity’s financial position, financial performance and cash flows for the reporting period.
 - (d) [deleted by the AASB]
 - (e) consider the connections between the information disclosed to fulfil the requirements in paragraph 29(b)–(g) with the information disclosed in the related financial statements, in accordance with paragraph 21(b)(ii) of Appendix D. These connections include consistency in the

data and assumptions used—to the extent possible—and linkages between the amounts disclosed in accordance with paragraph 29(b)–(g) and the amounts recognised and disclosed in the financial statements. For example, an entity would consider whether the carrying amount of assets used is consistent with amounts included in the financial statements and would explain the connections between information in these disclosures and amounts in the financial statements.

Climate-related targets (paragraphs 33–Aus37.1)

Characteristics of a climate-related target

B66 Paragraph 33 requires an entity to disclose the quantitative or qualitative climate-related targets it has set, and any it is required to meet by law or regulation, including any greenhouse gas emissions targets. In disclosing these climate-related targets, the entity is required to disclose information about the characteristics of these targets as described in paragraph 33(a)–(h). If the climate-related target is quantitative, an entity is required to describe whether the target is an absolute target or an intensity target. An absolute target is defined as a total amount of a measure or a change in the total amount of a measure, whereas an intensity target is defined as a ratio of a measure, or a change in the ratio of a measure, to a business metric.

B67 [Deleted by the AASB]

AusB67.1 In identifying and disclosing the metric used to set a climate-related target and measure progress, an entity shall consider the cross-industry metrics. If the metric has been developed by the entity to measure progress towards a target, the entity shall disclose information about that metric in accordance with paragraph 50 of Appendix D.

Greenhouse gas emissions targets

Gross and net greenhouse gas emissions targets

B68 If an entity has a greenhouse gas emissions target, the entity is required to specify whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. Gross greenhouse gas emissions targets reflect the total changes in greenhouse gas emissions planned within the entity's value chain. Net greenhouse gas emissions targets are the entity's targeted gross greenhouse gas emissions minus any planned offsetting efforts (for example, the entity's planned use of carbon credits to offset its greenhouse gas emissions).

B69 Paragraph 36(c) specifies that if an entity has a net greenhouse gas emissions target it is required to also disclose a gross greenhouse gas emissions target. For the avoidance of doubt, if the entity discloses a net greenhouse gas emissions target, this target cannot obscure information about its gross greenhouse gas emissions targets.

Carbon credits

B70 Paragraph 36(e) requires an entity to describe its planned use of carbon credits—which are transferable or tradeable instruments—to offset emissions to achieve any net greenhouse gas emissions targets the entity has set, or any it is required to meet by law or regulation. Any information about the planned use of carbon credits shall clearly demonstrate the extent to which these carbon credits are relied on to achieve the net greenhouse gas emissions targets.

B71 In accordance with paragraph 36(e), an entity is required to disclose only its planned use of carbon credits. However, as part of this disclosure, the entity might also include information about carbon credits it has already purchased that the entity is planning to use to meet its net greenhouse gas emissions target, if the information enables users of general purpose financial reports to understand the entity's greenhouse gas emissions target.

Appendix C

Effective date and transition

This appendix is an integral part of AASB S2 and has the same authority as the other parts of the Standard.

Effective date

- C1 [Deleted by the AASB]
- AusC1.1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact.
- C2 For the purposes of applying paragraphs C3–C5, the date of initial application is the beginning of the annual reporting period in which an entity first applies this Standard.

Transition

- C3 An entity is not required to provide the disclosures specified in this Standard for any period before the date of initial application. Accordingly, an entity is not required to disclose comparative information in the first annual reporting period in which it applies this Standard.
- C4 In the first annual reporting period in which an entity applies this Standard, the entity is permitted to use one or both of these reliefs:
- (a) if, in the annual reporting period immediately preceding the date of initial application of this Standard, the entity used a method for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is permitted to continue using that other method; and
 - (b) an entity is not required to disclose its Scope 3 greenhouse gas emissions (see paragraph 29(a)) which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about its financed emissions (see paragraph 29(a)(vi)(2) and paragraphs B58–AusB63.1).
- C5 If an entity uses the relief in paragraph C4(a) or paragraph C4(b), the entity is permitted to continue to use that relief for the purposes of presenting that information as comparative information in subsequent reporting periods.

Appendix D

General requirements for disclosure of climate-related financial information

This appendix is an integral part of AASB S2 and has the same authority as the other parts of the Standard.

This appendix prescribes how an entity prepares and reports its climate-related financial disclosures. It sets out general requirements for the presentation of those disclosures, guidelines for their structure and requirements for their content.

The appendix contains paragraphs drawn from the voluntary Standard AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* ([Month] 2024). However, the requirements in this appendix apply only to climate-related financial information, and not to the broader sustainability-related financial information covered by AASB S1.

Entities are required to comply with all of the requirements in this appendix, as well as the other requirements of AASB S2, in order for an entity to be able to make an explicit and unreserved statement of compliance with AASB S2.

An entity applying AASB S2 is not required to apply AASB S1. Rather, an entity applying AASB S2 is required to comply only with AASB S2, including this appendix. The entity does not need to consider AASB S1 or the paragraphs of AASB S1 that are not included in this appendix. However, the entity may refer to AASB S1 for guidance in complying with the requirements in this appendix.

Applying both mandatory AASB S2 and voluntary AASB S1

To assist entities that elect to apply AASB S1 as well as AASB S2:

- the paragraph numbering in this appendix uses the numbering of AASB S1, including paragraphs from its Appendices B and D;
- paragraphs of AASB S1 that are not included in this appendix are noted; and
- the AASB clarified that the requirements set out in paragraphs 7 and 26 apply particularly if an entity elects to apply AASB S1 to disclose information about other sustainability-related risks and opportunities in addition to climate-related risks and opportunities (see paragraphs Aus7.1 and Aus26.1 in the body of AASB S2). The paragraphs require an entity to avoid unnecessary duplication of governance and risk management disclosures by providing integrated disclosures instead of separate disclosures for each sustainability-related risk and opportunity, if oversight of sustainability-related risks and opportunities is managed on an integrated basis.

All paragraph cross-references in this appendix are to paragraphs in this appendix.

The only changes to the text of the AASB S1 paragraphs as included in this appendix are to limit the scope to climate-related financial information (instead of sustainability-related financial information), to refer to Australian pronouncements and to remove cross-references to paragraphs that are not included in this appendix.

1–9 [Not included]

Conceptual foundations

- 10** For climate-related financial information to be useful, it must be relevant and faithfully represent what it purports to represent. These are fundamental qualitative characteristics of useful climate-related financial information. The usefulness of climate-related financial information is enhanced if the information is comparable, verifiable, timely and understandable. These are enhancing qualitative characteristics of useful climate-related financial information (see Appendix D).

Fair presentation

- 11** A complete set of climate-related financial disclosures shall present fairly all climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects.

- 12 To identify climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects, an entity shall apply paragraphs B8–B10.
- 13 **Fair presentation requires disclosure of relevant information about climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects, and their faithful representation in accordance with the principles set out in this Standard. To achieve faithful representation, an entity shall provide a complete, neutral and accurate depiction of those climate-related risks and opportunities.**
- 14 Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates, in the context of the entity's climate-related financial disclosures.
- 15 Fair presentation also requires an entity:
- (a) to disclose information that is comparable, verifiable, timely and understandable; and
 - (b) to disclose additional information if compliance with the specifically applicable requirements in Australian Sustainability Reporting Standards is insufficient to enable users of general purpose financial reports to understand the effects of climate-related risks and opportunities on the entity's cash flows, its access to finance and cost of capital over the short, medium and long term.
- 16 Applying Australian Sustainability Reporting Standards, with additional information disclosed when necessary (see paragraph 15(b)), is presumed to result in climate-related financial disclosures that achieve fair presentation.

Materiality

- 17 **An entity shall disclose material information about the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.**
- 18 **In the context of climate-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and climate-related financial disclosures and which provide information about a specific reporting entity.**
- 19 To identify and disclose material information, an entity shall apply paragraphs B13–B19 and B21–B37.

Reporting entity

- 20 [Not included]
- Aus20.1 **An entity's climate-related financial disclosures shall be for the same reporting entity as the related financial statements, unless otherwise permitted by law (see paragraph AusB38.1).**

Connected information

- 21 **An entity shall provide information in a manner that enables users of general purpose financial reports to understand the following types of connections:**
- (a) **the connections between the items to which the information relates—such as connections between various climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects; and**
 - (b) **the connections between disclosures provided by the entity:**
 - (i) **within its climate-related financial disclosures—such as connections between disclosures on governance, strategy, risk management and metrics and targets; and**
 - (ii) **across its climate-related financial disclosures and other general purpose financial reports published by the entity—such as its related financial statements (see paragraphs B39–B44).**
- 22 **An entity shall identify the financial statements to which the climate-related financial disclosures relate.**
- 23 **Data and assumptions used in preparing the climate-related financial disclosures shall be consistent—to the extent possible considering the requirements of Australian Accounting Standards—with the corresponding data and assumptions used in preparing the related financial statements (see paragraph B42).**

- 24 **When currency is specified as the unit of measure in the climate-related financial disclosures, the entity shall use the presentation currency of its related financial statements.**

Core content

- 25–
27 [Not included]

Strategy

- 28–
30 [Not included]

- 31 Short-, medium- and long-term time horizons can vary between entities and depend on many factors, including industry-specific characteristics, such as cash flow, investment and business cycles, the planning horizons typically used in an entity's industry for strategic decision-making and capital allocation plans, and the time horizons over which users of general purpose financial reports conduct their assessments of entities in that industry.

- 32–
44 [Not included]

Metrics and targets

- 45–
48 [Not included]

- 49 If an entity discloses a metric taken from a source other than Australian Sustainability Reporting Standards, the entity shall identify the source and the metric taken.

- 50 If a metric has been developed by an entity, the entity shall disclose information about:

- (a) how the metric is defined, including whether it is derived by adjusting a metric taken from a source other than Australian Sustainability Reporting Standards and, if so, which source and how the metric disclosed by the entity differs from the metric specified in that source;
- (b) whether the metric is an absolute measure, a measure expressed in relation to another metric or a qualitative measure (such as a red, amber, green—or RAG—status);
- (c) whether the metric is validated by a third party and, if so, which party; and
- (d) the method used to calculate the metric and the inputs to the calculation, including the limitations of the method used and the significant assumptions made.

- 51 [Not included]

- 52 The definition and calculation of metrics, including metrics used to set the entity's targets and monitor progress towards reaching them, shall be consistent over time. If a metric is redefined or replaced, an entity shall apply paragraph B52.

- 53 An entity shall label and define metrics and targets using meaningful, clear and precise names and descriptions.

General requirements

- 54–
59 [Not included]

Location of disclosures

- 60 **An entity is required to provide disclosures required by Australian Sustainability Reporting Standards as part of its general purpose financial reports.**

- 61 [Not included]

- 62 An entity may disclose information required by an Australian Sustainability Reporting Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. The

entity shall ensure that the climate-related financial disclosures are clearly identifiable and not obscured by that additional information (see paragraph B27).

- 63 Information required by an Australian Sustainability Reporting Standard may be included in climate-related financial disclosures by cross-reference to another report published by the entity. If an entity includes information by cross-reference, the entity shall apply the requirements in paragraphs B45–B47.

Timing of reporting

- 64 **An entity shall report its climate-related financial disclosures at the same time as its related financial statements. The entity’s climate-related financial disclosures shall cover the same reporting period as the related financial statements.**

- 65 Normally, an entity prepares climate-related financial disclosures for a 12-month period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude that practice.

- 66 When an entity changes the end of its reporting period and provides climate-related financial disclosures for a period longer or shorter than 12 months, it shall disclose:

- (a) the period covered by the climate-related financial disclosures;
- (b) the reason for using a longer or shorter period; and
- (c) the fact that the amounts disclosed in the climate-related financial disclosures are not entirely comparable.

- 67 If, after the end of the reporting period but before the date on which the climate-related financial disclosures are authorised for issue, an entity receives information about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions in the light of the new information.

- 68 An entity shall disclose information about transactions, other events and conditions that occur after the end of the reporting period, but before the date on which the climate-related financial disclosures are authorised for issue, if non-disclosure of that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports.

- 69 This Standard does not mandate which entities would be required to provide interim climate-related financial disclosures, how frequently, or how soon after the end of an interim period. However, governments, securities regulators, stock exchanges and accountancy bodies may require entities whose debt or equity securities are publicly traded to publish interim general purpose financial reports. If an entity is required or elects to publish interim climate-related financial disclosures in accordance with Australian Sustainability Reporting Standards, the entity shall apply paragraph B48.

Comparative information

- 70 **Unless another Australian Sustainability Reporting Standard permits or requires otherwise, an entity shall disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period. If such information would be useful for an understanding of the climate-related financial disclosures for the reporting period, the entity shall also disclose comparative information for narrative and descriptive climate-related financial information (see paragraphs B49–B59).**

- 71 [Not included]

Statement of compliance

- 72 **An entity whose climate-related financial disclosures comply with all the requirements of this Australian Sustainability Reporting Standard shall make an explicit and unreserved statement of compliance. An entity shall not describe climate-related financial disclosures as complying with this Standard unless they comply with all the requirements of this Standard.**

- 73 This Standard relieves an entity from disclosing information otherwise required by an Australian Sustainability Reporting Standard if law or regulation prohibits the entity from disclosing that information (see paragraph B33). This Standard also relieves an entity from disclosing information about a climate-related opportunity otherwise required by an Australian Sustainability Reporting Standard if that information is commercially sensitive as described in this Standard (see paragraphs B34–B37). An entity using these exemptions is not prevented from asserting compliance with Australian Sustainability Reporting Standards.

Judgements, uncertainties and errors

Judgements

- 74 **An entity shall disclose information to enable users of general purpose financial reports to understand the judgements, apart from those involving estimations of amounts (see paragraph 77), that the entity has made in the process of preparing its climate-related financial disclosures and that have the most significant effect on the information included in those disclosures.**
- 75 In the process of preparing climate-related financial disclosures, an entity makes various judgements, apart from those involving estimations, that can significantly affect the information reported in the entity's climate-related financial disclosures. For example, an entity makes judgements in:
- (a) identifying climate-related risks and opportunities that could be reasonably expected to affect the entity's prospects;
 - (b) determining which sources of guidance to apply;
 - (c) identifying material information to include in the climate-related financial disclosures; and
 - (d) assessing whether an event or change in circumstances is significant and requires reassessment of the scope of all affected climate-related risks and opportunities throughout the entity's value chain.
- 76 [Not included]

Measurement uncertainty

- 77 **An entity shall disclose information to enable users of general purpose financial reports to understand the most significant uncertainties affecting the amounts reported in its climate-related financial disclosures.**
- 78 **An entity shall:**
- (a) **identify the amounts that it has disclosed that are subject to a high level of measurement uncertainty; and**
 - (b) **in relation to each amount identified in paragraph 78(a), disclose information about:**
 - (i) **the sources of measurement uncertainty—for example, the dependence of the amount on the outcome of a future event, on a measurement technique or on the availability and quality of data from the entity's value chain; and**
 - (ii) **the assumptions, approximations and judgements the entity has made in measuring the amount.**
- 79 When amounts reported in climate-related financial disclosures cannot be measured directly and can only be estimated, measurement uncertainty arises. In some cases, an estimate involves assumptions about possible future events with uncertain outcomes. The use of reasonable estimates is an essential part of preparing climate-related financial disclosures and does not undermine the usefulness of the information if the estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an estimate from providing useful information.
- 80 The requirement in paragraph 77 for an entity to disclose information about the uncertainties affecting the amounts reported in climate-related financial disclosures relates to the estimates that require the entity's most difficult, subjective or complex judgements. As the number of variables and assumptions increases, those judgements become more subjective and complex, and the uncertainty affecting the amounts reported in the climate-related financial disclosures increases accordingly.
- 81 The type and extent of the information an entity might need to disclose vary according to the nature of the amount reported in the climate-related financial disclosures—the sources of and the factors contributing to the uncertainty and other circumstances. Examples of the type of information an entity might need to disclose are:
- (a) the nature of the assumption or other source of measurement uncertainty;
 - (b) the sensitivity of the disclosed amount to the methods, assumptions and estimates underlying its calculation, including the reasons for the sensitivity;
 - (c) the expected resolution of an uncertainty and the range of reasonably possible outcomes for the disclosed amount; and

- (d) an explanation of changes made to past assumptions concerning the disclosed amount, if the uncertainty remains unresolved.

82 [Not included]

Errors

83 An entity shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is *impracticable* to do so.

84 Prior period errors are omissions from and misstatements in the entity’s climate-related financial disclosures for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that:

- (a) was available when the climate-related financial disclosures for that period(s) were authorised for issue; and
- (b) could reasonably be expected to have been obtained and considered in the preparation of those disclosures.

85 Corrections of errors are distinguished from changes in estimates. Estimates are approximations that an entity might need to revise as additional information becomes known.

86 If an entity identifies a material error in its prior period climate-related financial disclosures, it shall apply paragraphs B55–B59.

Application guidance (from AASB S1, Appendix B)

Climate-related risks and opportunities (paragraphs 11–12)

B1 This Standard requires an entity to disclose information about all climate-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term (referred to as ‘climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects’).

B2 An entity’s climate-related risks and opportunities arise out of the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity’s value chain. These interactions—which can be direct and indirect—result from operating an entity’s business model in pursuit of the entity’s strategic purposes and from the external environment in which the entity operates. These interactions take place within an interdependent system in which an entity both depends on resources and relationships throughout its value chain to generate cash flows and affects those resources and relationships through its activities and outputs—contributing to the preservation, regeneration and development of those resources and relationships or to their degradation and depletion. These dependencies and impacts might give rise to climate-related risks and opportunities that could reasonably be expected to affect an entity’s cash flows, its access to finance and cost of capital over the short, medium and long term.

B3–

B7 [Not included]

Reasonable and supportable information

B8 Reasonable and supportable information used by an entity in preparing its climate-related financial disclosures shall cover factors that are specific to the entity as well as general conditions in the external environment. In some cases—such as in identifying climate-related risks and opportunities that could reasonably be expected to affect an entity’s prospects—reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions. Other Australian Sustainability Reporting Standards may specify what is reasonable and supportable information in specific cases.

B9 An entity may use various sources of data that may be both internal and external. Possible data sources include the entity’s risk management processes; industry and peer group experience; and external ratings, reports and statistics. Information that is used by the entity in preparing its financial statements, operating its business model, setting its strategy and managing its risks and opportunities is considered to be available to the entity without undue cost or effort.

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

B10 An entity need not undertake an exhaustive search for information to identify climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. The assessment of what constitutes undue cost or effort depends on the entity's specific circumstances and requires a balanced consideration of the costs and efforts for the entity and the benefits of the resulting information for primary users. That assessment can change over time as circumstances change.

B11–

B12 [Not included]

Materiality (paragraphs 17–19)

B13 Paragraph 17 requires an entity to disclose material information about the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Materiality of information is judged in relation to whether omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users of general purpose financial reports, which provide information about a specific reporting entity.

B14 The decisions of primary users relate to providing resources to the entity and involve decisions about:

- (a) buying, selling or holding equity and debt instruments;
- (b) providing or selling loans and other forms of credit; or
- (c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources.

AusB14.1 In respect of not-for-profit entities, the following are examples of decisions of primary users relating to providing resources to an entity:

- (a) parliaments deciding on behalf of constituents whether to fund particular programmes for delivery by an entity;
- (b) taxpayers deciding who should represent them in government;
- (c) donors deciding whether to donate resources to an entity; and
- (d) recipients of goods and services deciding whether they can continue to rely on the provision of goods and services from the entity or whether to seek alternative suppliers.

B15 The decisions described in paragraph B14 depend on primary users' expectations about returns, for example, dividends, principal and interest payments or market price increases. Those expectations depend on primary users' assessment of the amount, timing and uncertainty of future net cash inflows to the entity and on their assessment of stewardship of the entity's economic resources by the entity's management and its governing body(s) or individual(s).

AusB15.1 In respect of not-for-profit entities, the decisions described in paragraph AusB14.1 depend on primary users' expectations about returns and a not-for-profit entity's ability to continue providing goods or services. Those expectations depend on primary users' assessment of the amount, timing and uncertainty of future net cash inflows to the entity and on their assessment of stewardship of the entity's economic resources by the entity's management and its governing body(s) or individual(s).

B16 Assessing whether information could reasonably be expected to influence the decisions made by primary users requires consideration of the characteristics of those users and of the entity's own circumstances.

B17 Climate-related financial disclosures are prepared for primary users who have reasonable knowledge of business and economic activities and who review and analyse information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand climate-related financial information.

B18 Individual primary users may have different, and sometimes even conflicting, information needs and desires. Information needs of primary users may also evolve over time. Climate-related financial disclosures are intended to meet common information needs of primary users.

Identifying material information

B19 Materiality judgements are specific to an entity. Consequently, this Standard does not specify any thresholds for materiality or predetermine what would be material in a particular situation.

B20 [Not included]

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

- B21 An entity shall assess whether information, either individually or in combination with other information, is material in the context of the entity’s climate-related financial disclosures taken as a whole. In assessing whether information is material, an entity shall consider both quantitative and qualitative factors. For example, an entity might consider the magnitude and the nature of the effect of a climate-related risk or opportunity on the entity.
- B22 In some cases, Australian Sustainability Reporting Standards require the disclosure of information about possible future events with uncertain outcomes. In judging whether information about such possible future events is material, an entity shall consider:
- (a) the potential effects of the events on the amount, timing and uncertainty of the entity’s future cash flows over the short, medium and long term (referred to as ‘the possible outcome’); and
 - (b) the range of possible outcomes and the likelihood of the possible outcomes within that range.
- B23 When considering possible outcomes, an entity shall consider all pertinent facts and circumstances. Information about a possible future event is more likely to be judged as being material if the potential effects are significant and the event is likely to occur. However, an entity shall also consider whether information about low-probability and high-impact outcomes might be material either individually or in combination with information about other low-probability and high-impact outcomes. For example, an entity might be exposed to several climate-related risks, each of which could cause the same type of disruption—such as disruption to the entity’s supply chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk—the risk of supply chain disruption from all sources—might be material.
- B24 If a possible future event is expected to affect an entity’s cash flows, but only many years in the future, information about that event is usually less likely to be judged material than information about a possible future event with similar effects that are expected to occur sooner. However, in some circumstances, an item of information could reasonably be expected to influence primary users’ decisions regardless of the magnitude of the potential effects of the future event or the timing of that event. For example, this might happen if information about a particular climate-related risk or opportunity is highly scrutinised by primary users of an entity’s general purpose financial reports.
- B25 An entity need not disclose information otherwise required by an Australian Sustainability Reporting Standard if the information is not material. This is the case even if the Australian Sustainability Reporting Standard contains a list of specific requirements or describes them as minimum requirements.
- B26 An entity shall disclose additional information when compliance with the specifically applicable requirements in an Australian Sustainability Reporting Standard is insufficient to enable users of general purpose financial reports to understand the effects of climate-related risks and opportunities on the entity’s cash flows, its access to finance and cost of capital over the short, medium and long term.
- B27 An entity shall identify its climate-related financial disclosures clearly and distinguish them from other information provided by the entity (see paragraph 62). An entity shall not obscure material information. Information is obscured if it is communicated in a way that would have a similar effect for primary users to omitting or misstating that information. Examples of circumstances that might result in material information being obscured include:
- (a) material information is not clearly distinguished from additional information that is not material;
 - (b) material information is disclosed in the climate-related financial disclosures, but the language used is vague or unclear;
 - (c) material information about a climate-related risk or opportunity is scattered throughout the climate-related financial disclosures;
 - (d) items of information that are dissimilar are inappropriately aggregated;
 - (e) items of information that are similar are inappropriately disaggregated; and
 - (f) the understandability of the climate-related financial disclosures is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.
- B28 An entity shall reassess its materiality judgements at each reporting date to take account of changed circumstances and assumptions. Because of changes in the entity’s individual circumstances, or in the external environment, some types of information included in an entity’s climate-related financial disclosures for prior periods might no longer be material. Conversely, some types of information not previously disclosed might become material.

Aggregation and disaggregation

- B29 When an entity applies Australian Sustainability Reporting Standards, it shall consider all facts and circumstances and decide how to aggregate and disaggregate information in its climate-related financial disclosures. The entity shall not reduce the understandability of its climate-related financial disclosures by obscuring material information with immaterial information or by aggregating material items of information that are dissimilar to each other.
- B30 An entity shall not aggregate information if doing so would obscure information that is material. Information shall be aggregated if items of information have shared characteristics and shall not be aggregated if they do not have shared characteristics. The entity might need to disaggregate information about climate-related risks and opportunities, for example, by geographical location or in consideration of the geopolitical environment. For example, to ensure that material information is not obscured, an entity might need to disaggregate information about its use of water to distinguish between water drawn from abundant sources and water drawn from water-stressed areas.

Interaction with law or regulation

- B31 Law or regulation might specify requirements for an entity to disclose climate-related information in its general purpose financial reports. In such circumstances, the entity is permitted to include in its climate-related financial disclosures information to meet legal or regulatory requirements, even if that information is not material. However, such information shall not obscure material information.
- B32 An entity shall disclose material climate-related financial information, even if law or regulation permits the entity not to disclose such information.
- B33 An entity need not disclose information otherwise required by an Australian Sustainability Reporting Standard if law or regulation prohibits the entity from disclosing that information. If an entity omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction.

Commercially sensitive information

- B34 If an entity determines that information about a climate-related opportunity is commercially sensitive in the limited circumstances described in paragraph B35, the entity is permitted to omit that information from its climate-related financial disclosures. Such an omission is permitted even if information is otherwise required by an Australian Sustainability Reporting Standard and the information is material.
- B35 An entity qualifies for the exemption specified in paragraph B34 if, and only if:
- (a) information about the climate-related opportunity is not already publicly available;
 - (b) disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity; and
 - (c) the entity has determined that it is impossible to disclose that information in a manner—for example, at an aggregated level—that would enable the entity to meet the objectives of the disclosure requirements without prejudicing seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity.
- B36 If an entity elects to use the exemption specified in paragraph B34, the entity shall, for each item of information omitted:
- (a) disclose the fact that it has used the exemption; and
 - (b) reassess, at each reporting date, whether the information qualifies for the exemption.
- B37 An entity is prohibited from using the exemption specified in paragraph B34 in relation to a climate-related risk or as a basis for broad non-disclosure of climate-related financial information.

Reporting entity (paragraph 20)

- B38 [Not included]
- AusB38.1 Unless otherwise permitted by law, paragraph Aus20.1 requires that climate-related financial disclosures shall be for the same reporting entity as the related financial statements. For example, consolidated financial statements prepared in accordance with Australian Accounting Standards provide information about the parent and its subsidiaries as a single reporting entity. Consequently,

that entity's climate-related financial disclosures shall enable users of general purpose financial reports to understand the effects of the climate-related risks and opportunities on the cash flows, access to finance and cost of capital over the short, medium and long term for the parent and its subsidiaries.

Connected information (paragraphs 21–24)

- B39 Paragraph 21 requires an entity to provide information in a manner that enables users of general purpose financial reports to understand connections both between the items to which the information relates and between disclosures provided by the entity in its general purpose financial reports.
- B40 Connected information provides insight into connections between the items to which the information relates. For example:
- (a) if an entity pursued a particular climate-related opportunity and that resulted in an increase in the entity's revenue, connected information will depict that relationship between the entity's strategy and its financial performance;
 - (b) if an entity identified a trade-off between two climate-related risks it is exposed to and took action on the basis of its assessment of that trade-off, connected information will depict the relationship between those risks and the entity's strategy; and
 - (c) if an entity committed to a particular climate-related target, but that commitment has not yet affected the entity's financial position or financial performance because the applicable recognition criteria have not been met, connected information will depict that relationship.
- B41 Connected information includes:
- (a) connections between various types of information about a particular climate-related risk or opportunity, such as:
 - (i) between disclosures on governance, strategy and risk management; and
 - (ii) between narrative information and quantitative information (including related metrics and targets and information in the related financial statements).
 - (b) connections between disclosures about various climate-related risks and opportunities. For example, if an entity integrates its oversight of climate-related risks and opportunities, the entity shall integrate the disclosures on governance instead of providing separate disclosures on governance for each climate-related risk and opportunity.
- B42 Drawing connections between disclosures involves, but is not limited to, providing necessary explanations and cross-references and using consistent data, assumptions, and units of measure. In providing connected information, an entity shall:
- (a) explain connections between disclosures in a clear and concise manner;
 - (b) avoid unnecessary duplication if Australian Sustainability Reporting Standards require the disclosure of common items of information; and
 - (c) disclose information about significant differences between the data and assumptions used in preparing the entity's climate-related financial disclosures and the data and assumptions used in preparing the related financial statements.
- B43 For example, in providing connected information an entity might need to explain the effect or likely effect of its strategy on its financial statements and financial planning, or explain how that strategy relates to the metrics the entity uses to measure progress against targets. Another entity might need to explain how its use of natural resources or changes within its supply chain could amplify or, in contrast, reduce its climate-related risks and opportunities. The entity might need to link the information about its use of natural resources or changes within its supply chain to information about current or anticipated financial effects on the entity's production costs, its strategic response to mitigate those risks and its related investment in new assets. The entity might need to link narrative information to the related metrics and targets and to information in the related financial statements.
- B44 Other examples of connected information include:
- (a) an explanation of the combined effects of the entity's climate-related risks and opportunities and its strategy on its financial position, financial performance and cash flows over the short, medium and long term. For example, an entity might face decreasing demand for its products because of consumer preferences for lower-carbon alternatives. The entity might need to explain how its

strategic response, such as closing a major factory, could affect its workforce and local communities, and the effect of such a closure on the useful lives of its assets and on impairment assessments.

- (b) a description of the alternatives that an entity evaluated in setting its strategy in response to its climate-related risks and opportunities, including a description of the trade-offs between those risks and opportunities that the entity considered. For example, an entity might need to explain the potential effects of its decision to restructure its operations in response to a climate-related risk on the future size and composition of the entity's workforce.

Information included by cross-reference (paragraph 63)

- B45 Information required by an Australian Sustainability Reporting Standard might be available in another report published by the entity. For example, the required information could be disclosed in the related financial statements. Material information can be included in an entity's climate-related financial disclosures by cross-reference, provided that:
- (a) the cross-referenced information is available on the same terms and at the same time as the climate-related financial disclosures; and
- (b) the complete set of climate-related financial disclosures is not made less understandable by including information by cross-reference.
- B46 Information included by cross-reference becomes part of the complete set of climate-related financial disclosures and shall comply with the requirements of Australian Sustainability Reporting Standards. For example, it needs to be relevant, representationally faithful, comparable, verifiable, timely and understandable. The body(s) or individual(s) that authorises the general purpose financial reports takes the same responsibility for the information included by cross-reference as it does for the information included directly.
- B47 If information required by an Australian Sustainability Reporting Standard is included by cross-reference:
- (a) the climate-related financial disclosures shall clearly identify the report within which that information is located and explain how to access that report; and
- (b) the cross-reference shall be to a precisely specified part of that report.

Interim reporting (paragraph 69)

- B48 In the interest of timeliness and cost considerations, and to avoid repetition of information previously reported, an entity may be required or choose to provide less information at interim dates than it provides in its annual climate-related financial disclosures. Interim climate-related financial disclosures are intended to provide an update on the latest complete set of annual disclosures of climate-related financial information. These disclosures focus on new information, events and circumstances and do not duplicate information previously reported. Although the information provided in interim climate-related financial disclosures may be more condensed than in annual climate-related financial disclosures, an entity is not prohibited or discouraged from publishing a complete set of climate-related financial disclosures as specified in this Standard as part of its interim general purpose financial report.

Comparative information (paragraphs 52, 70 and 83–86)

- B49 Paragraph 70 requires an entity to disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period.

Metrics

- B50 In some cases, the amount disclosed for a metric is an estimate. Except as specified in paragraph B51, if an entity identifies new information in relation to the estimated amount disclosed in the preceding period and the new information provides evidence of circumstances that existed in that period, the entity shall:
- (a) disclose a revised comparative amount that reflects that new information;
- (b) disclose the difference between the amount disclosed in the preceding period and the revised comparative amount; and

- (c) explain the reasons for revising the comparative amount.
- B51 In applying the requirement in paragraph B50, an entity need not disclose a revised comparative amount:
- (a) if it is impracticable to do so (see paragraph B54).
 - (b) if the metric is forward-looking. Forward-looking metrics relate to possible future transactions, events and other conditions. The entity is permitted to revise a comparative amount for a forward-looking metric if doing so does not involve the use of hindsight.
- B52 If an entity redefines or replaces a metric in the reporting period, the entity shall:
- (a) disclose a revised comparative amount, unless it is impracticable to do so;
 - (b) explain the changes; and
 - (c) explain the reasons for those changes, including why the redefined or replacement metric provides more useful information.
- B53 If an entity introduces a new metric in the reporting period, it shall disclose a comparative amount for that metric unless it is impracticable to do so.
- B54 Sometimes, it is impracticable to revise a comparative amount to achieve comparability with the reporting period. For example, data might not have been collected in the preceding period in a way that allows retrospective application of a new definition of a metric, and it might be impracticable to recreate the data. If it is impracticable to revise a comparative amount for the preceding period, an entity shall disclose that fact.

Errors

- B55 Paragraph 83 requires an entity to correct material prior period errors.
- B56 Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics or targets, oversights or misinterpretations of facts, and fraud.
- B57 Potential reporting period errors discovered in that period are corrected before the climate-related financial disclosures are authorised for issue. However, material errors are sometimes not discovered until a subsequent period.
- B58 If an entity identifies a material error in its prior period(s) climate-related financial disclosures, it shall disclose:
- (a) the nature of the prior period error;
 - (b) the correction, to the extent practicable, for each prior period disclosed; and
 - (c) if correction of the error is impracticable, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.
- B59 When it is impracticable to determine the effect of an error on all prior periods presented, the entity shall restate the comparative information to correct the error from the earliest date practicable.

Qualitative characteristics of useful climate-related financial information (from AASB S1, Appendix D)

Introduction

- D1 The *Conceptual Framework for Financial Reporting* (as amended to December 2021) and the *Framework for the Preparation and Presentation of Financial Statements* (as amended to March 2020) (the Conceptual Frameworks) were issued by the AASB. They describe the objective of, and the concepts that apply to, general purpose financial reports. One purpose of the Conceptual Frameworks is to assist the AASB to develop Australian Accounting Standards for preparing financial statements based on consistent concepts.
- D2 Climate-related financial disclosures are part of general purpose financial reports. The qualitative characteristics in the Conceptual Frameworks, therefore, apply to climate-related financial information. However, the nature of some of the information required to meet the objective of this Standard differs in some respects from the information provided in financial statements.
- D3 Climate-related financial information is useful if it is relevant and faithfully represents what it purports to represent. Relevance and faithful representation are fundamental qualitative characteristics of useful climate-

related financial information. The usefulness of climate-related financial information is enhanced if the information is comparable, verifiable, timely and understandable. Comparability, verifiability, timeliness and understandability are enhancing characteristics of useful climate-related financial information.

Fundamental qualitative characteristics of useful climate-related financial information

Relevance

- D4 Relevant climate-related financial information is capable of making a difference in the decisions made by primary users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Climate-related financial information is capable of making a difference in decisions made by users if it has predictive value, confirmatory value or both.
- D5 Climate-related financial information has predictive value if it can be used as an input to processes employed by primary users to predict future outcomes. Climate-related financial information need not be a prediction or forecast to have predictive value. Climate-related financial information with predictive value is employed by primary users in making their own predictions. For example, information about water quality, which can include information about the water being polluted, could inform the expectations of users about the ability of an entity to meet local water-quality requirements.
- D6 Climate-related financial information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.
- D7 The predictive value and confirmatory value of climate-related financial information are interrelated. Information that has predictive value often also has confirmatory value. For example, information for the current year about greenhouse gas emissions, which can be used as the basis for predicting greenhouse gas emissions in future years, can also be compared with predictions about greenhouse gas emissions for the current year that were made in past years. The results of those comparisons can help a user to correct and improve the processes that were used to make those previous predictions.

Materiality

- D8 Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance. The materiality of information is assessed in the context of an entity's climate-related financial disclosures and is based on the nature or magnitude of the item to which the information relates, or both.

Faithful representation

- D9 Climate-related financial information represents phenomena in words and numbers. To be useful, the information must not only represent relevant phenomena, it must also faithfully represent the substance of the phenomena that it purports to represent.
- D10 To be a faithful representation, a depiction would be complete, neutral and accurate. The objective of general purpose financial reports is to maximise those qualities to the extent possible.
- D11 A complete depiction of a climate-related risk or opportunity includes all material information necessary for primary users to understand that risk or opportunity.
- D12 Climate-related financial information shall be neutral. A neutral depiction is one without bias in the selection or disclosure of information. Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that primary users will receive that information favourably or unfavourably. Neutral information is not information without purpose or without influence on behaviour. On the contrary, relevant information is, by definition, capable of making a difference in users' decisions.
- D13 Some climate-related financial information—for example, targets or plans—is aspirational. A neutral discussion of such matters covers both aspirations and the factors that could prevent an entity from achieving these aspirations.
- D14 Neutrality is supported by the exercise of prudence. Prudence is the exercise of caution when making judgements under conditions of uncertainty. The exercise of prudence means that opportunities are not

- overstated and risks are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of risks.
- D15 Climate-related financial information shall be accurate. Information can be accurate without being perfectly precise in all respects. The precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the matters to which it relates. For example, accuracy requires that:
- (a) factual information is free from material error;
 - (b) descriptions are precise;
 - (c) estimates, approximations and forecasts are clearly identified as such;
 - (d) no material errors are made in selecting and applying an appropriate process for developing an estimate, approximation or forecast;
 - (e) assertions and inputs used in developing estimates are reasonable and based on information of sufficient quality and quantity; and
 - (f) information on judgements about the future faithfully reflects both those judgements and the information on which they are based.

Enhancing qualitative characteristics of useful climate-related financial information

- D16 The usefulness of climate-related financial information is enhanced if it is comparable, verifiable, timely and understandable.

Comparability

- D17 The decisions made by the primary users of general purpose financial reports involve choosing between alternatives; for example, selling or holding an investment, or investing in one reporting entity or another. Comparability is the characteristic that enables users to identify and understand similarities in, and differences among, items. Unlike the other qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items. Information is more useful to users if it is also comparable, that is, if it can be compared with:
- (a) information provided by the entity in previous periods; and
 - (b) information provided by other entities, in particular those with similar activities or operating within the same industry.
- D18 Climate-related financial disclosures shall be provided in a way that enhances comparability.
- D19 Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for providing disclosures about the same climate-related risks and opportunities, from period to period, both by a reporting entity and other entities. Comparability is the goal; consistency helps to achieve that goal.
- D20 Comparability is not uniformity. For information to be comparable, like things shall look alike and different things shall look different. Comparability of climate-related financial information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

Verifiability

- D21 Verifiability helps to give users confidence that information is complete, neutral and accurate. Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiable information is more useful to primary users than information that is not verifiable.
- D22 Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities could also be verified.
- D23 Climate-related financial information shall be provided in a way that enhances its verifiability. Verifiability can be enhanced by, for example:

Agenda Paper 3.4A

AASB Meeting 20 September 2024 (M209)

Ballot Draft of AASB S2 – for voting by AASB members

- (a) including information that can be corroborated by comparing it with other information available to primary users about an entity's business, about other businesses or about the external environment in which the entity operates;
 - (b) providing information about inputs and methods of calculation used to produce estimates or approximations; and
 - (c) providing information reviewed and agreed by the entity's board, board committees or equivalent bodies.
- D24 Some climate-related financial information will be presented as explanations or forward-looking information. That information can be supportable, for example by faithfully representing fact-based strategies, plans and risk analyses. To help primary users decide whether to use such information, an entity shall describe the underlying assumptions and methods of producing the information, as well as other factors that provide evidence that the information reflects the actual plans or decisions made by the entity.

Timeliness

- D25 Timeliness means having information available to decision-makers in time to be capable of influencing their decisions. Generally, the older information is, the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.

Understandability

- D26 Climate-related financial information shall be clear and concise. For climate-related financial disclosures to be concise, they need:
- (a) to avoid generic information, sometimes called 'boilerplate', that is not specific to the entity;
 - (b) to avoid duplication of information in the general purpose financial reports, including unnecessary duplication of information also provided in the related financial statements; and
 - (c) to use clear language and clearly structured sentences and paragraphs.
- D27 The clearest form a disclosure can take will depend on the nature of the information and might include tables, graphs or diagrams in addition to narrative text. If graphs or diagrams are used, additional text or tables might be necessary to avoid obscuring material detail.
- D28 Clarity might be enhanced by distinguishing information about developments in the reporting period from 'standing' information that remains unchanged, or changes little, from one period to the next—for example, by separately describing features of an entity's climate-related governance and risk management processes that have changed since the previous reporting period.
- D29 Disclosures are concise if they include only material information. Any immaterial information included shall be provided in a way that avoids obscuring material information.
- D30 Some climate-related risks and opportunities are inherently complex and might be difficult to present in a manner that is easy to understand. An entity shall present such information as clearly as possible. However, complex information about these risks and opportunities shall not be excluded from general purpose financial reports to make those reports easier to understand. Excluding such information would render those reports incomplete and, therefore, possibly misleading.
- D31 The completeness, clarity and comparability of climate-related financial information all rely on information being presented as a coherent whole. For climate-related financial information to be coherent, it shall be presented in a way that explains the context and the connections between the related items of information.
- D32 If climate-related risks and opportunities located in one part of an entity's general purpose financial reports have implications for information disclosed in other parts, the entity shall include the information necessary for users to assess those implications.
- D33 Coherence also requires an entity to provide information in a way that allows users to relate information about its climate-related risks and opportunities to information in the entity's financial statements.

Deleted IFRS S2 text

Deleted IFRS S2 text is not part of AASB S2.

- 12 In identifying the climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects, the entity shall refer to and consider the applicability of the industry-based *disclosure topics* defined in the *Industry-based Guidance on Implementing IFRS S2*.
- 23 In preparing disclosures to meet the requirements in paragraphs 13–22, an entity shall refer to and consider the applicability of cross-industry metric categories, as described in paragraph 29, and industry-based metrics associated with disclosure topics defined in the *Industry-based Guidance on Implementing IFRS S2* as described in paragraph 32.
- 28 To achieve this objective, an entity shall disclose:
- ...
- (b) industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry (see paragraph 32);
- 32 An entity shall disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the entity discloses, the entity shall refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the *Industry-based Guidance on Implementing IFRS S2*.
- 37 In identifying and disclosing the metrics used to set and monitor progress towards reaching a target described in paragraphs 33–34, an entity shall refer to and consider the applicability of cross-industry metrics (see paragraph 29) and industry-based metrics (see paragraph 32), including those described in an applicable IFRS Sustainability Disclosure Standard, or metrics that otherwise satisfy the requirements in IFRS S1.
- Appendix A – the definition of 'disclosure topic'
- A specific sustainability-related risk or opportunity based on the activities conducted by entities within a particular industry as set out in an IFRS Sustainability Disclosure Standard or a SASB Standard.
- B65 In preparing disclosures to fulfil the requirements in paragraph 29(b)–(g), an entity shall:
- ...
- (d) consider whether industry-based metrics, as described in paragraph 32—including those defined in an applicable IFRS Sustainability Disclosure Standard or those that otherwise satisfy the requirements in IFRS S1—could be used to satisfy the requirements in whole or in part.
- B67 In identifying and disclosing the metric used to set a climate-related target and measure progress, an entity shall consider the cross-industry metrics and industry-based metrics. If the metric has been developed by the entity to measure progress towards a target, the entity shall disclose information about that metric in accordance with paragraph 50 of IFRS S1.
- C1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact and apply IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* at the same time.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB S2.

[To be inserted]