



Project:	Climate-related Financial Disclosures	Meeting:	M209, September 2024
Topic:	Consider ballot draft Standards	Agenda Item:	3.0
		Date of this agenda paper:	13 September 2024
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		Decision-Making:	High
		Project Status:	Finalising ASRS Standards

Objective

- For the purposes of issuing the voluntary Australian Sustainability Reporting Standard AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and making the mandatory Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures*, the objectives of this agenda item are for the Board to:
 - decide** whether Board members agree with the staff's analysis that staff have not identified any inconsistencies that warrant further action by the Board between the ballot version of AASB S2 and the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* (Agenda Paper 3.1);
 - decide** whether the due process conducted has met the steps set out in the [AASB Due Process Framework for Setting Australian Sustainability Reporting Standards](#) (Agenda Paper 3.2);
 - consider** the ballot draft version of AASB S1, and if appropriate, vote to issue that Standard as a voluntary Standard (Agenda Paper 3.3); and
 - consider** the ballot draft version of AASB S2 and the staff's proposed Basis for Conclusions to AASB S2, and if appropriate, vote to make that Standard a mandatory Standard under section 336A of the *Corporations Act 2001* (Agenda Papers 3.4A and 3.4B).
- Agenda Paper 3.4A is the ballot draft of AASB S2 without the Basis for Conclusions. The staff's proposed Basis for Conclusions to AASB S2 is presented as Agenda Paper 3.4B, which is a Board-only paper.

Papers for this agenda item

- In addition to this Cover Memo, there are five papers in the combined pack:

Agenda Paper 3.1	Legislation – Consideration of recent changes and related matters
Agenda Paper 3.2	Due process considerations

Agenda Paper 3.3	Ballot draft of Standard AASB S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i>
Agenda Paper 3.4A	Ballot draft of Standard AASB S2 <i>Climate-related Disclosures</i> , excluding the Basis for Conclusions
Agenda Paper 3.4B	Proposed Basis for Conclusions to AASB S2 (Board only)
4	There are also four papers in the supplementary folder for Board members' reference. Two of these papers are Board-only papers that contain marked-up text showing changes made in the ballot draft Standards from the pre-ballot draft versions provided to the Board out of session on 30 August 2024.
Agenda Paper 3.5	Marked-up file: Changes made to IFRS S1 text in the ballot draft AASB S1
Agenda Paper 3.6	Marked-up file: Changes made to IFRS S2 text in the ballot draft AASB S2
Agenda Paper 3.7	Marked-up file: Changes made to the pre-ballot draft version in the ballot draft AASB S1 (Board only)
Agenda Paper 3.8	Marked-up file: Changes made to the pre-ballot draft version in the ballot draft AASB S2 (Board only)

The AASB's decisions on 26 August 2024

- 5 At its meeting on 26 August 2024, the Board discussed working drafts of AASB S1 and AASB S2, presented as Agenda Papers 3.1.2 and 3.2.4 for that meeting. The Board was largely satisfied with the drafting of the working draft Standards but asked staff to address the following matters.
- (a) Add paragraph AusA1 to Appendix A of AASB S1 to refer to the definitions of “general purpose financial reports” and “primary users of general purpose financial reports” specified in the *Framework for the Preparation and Presentation of Financial Statements*.
 - (b) Revise the drafting of paragraphs Aus7.1 and Aus 26.1 of AASB S2 regarding avoiding unnecessary duplication of disclosures to clarify the requirements.
 - (c) When specifying the relevant version of external documents referenced in AASB S2, ensure there will be no ambiguity as to which version is referenced.
 - (d) Update the draft Basis for Conclusions included in the working draft of AASB S2 for the following matters:
 - (i) note that the Board would update AASB S2 as soon as practicable when required to refer to later versions of external documents referenced in AASB S2;
 - (ii) specify the intended timing for finalising mandatory requirements for industry-based disclosures by 2030 – the timing indicated in the Treasury Policy Statement *Mandatory climate-related financial disclosures* (January 2024);
 - (iii) note that an entity is required to use emission factors that best represent the activity that is generating the greenhouse gas (GHG) emissions, irrespective of the jurisdiction in which the entity is listed;
 - (iv) note that the *Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard* (2011) states that any material Scope 3 GHG emissions not captured by the 15 categories in that Standard may be reported separately;

- (v) outline the minimum requirements set out in the legislation regarding scenario analysis, which require assessment of both a high-warming scenario and a low-warming scenario (1.5°C above pre-industrial levels); and
- (vi) record the Board's view that when reporting net GHG emission targets, an entity could include the effects of any material carbon credits, carbon offsets and GHG removals.

Pre-ballot draft Standards considered by AASB members out of session

- 6 On 30 August 2024, staff circulated pre-ballot draft versions of the Standards for Board members' consideration out of session. In the pre-ballot drafts, staff revised the drafting to respond to the decisions of the Board at the 26 August meeting, including:
- (a) adding paragraph AusA1 to AASB S1 Appendix A;
 - (b) revising paragraphs Aus7.1 and Aus26.1 in AASB S2 to refer to the disclosure of information about other sustainability-related risks and opportunities "in addition to climate-related risks and opportunities";
 - (c) adding paragraphs AusB22.1 and AusB63.1 to AASB S2 to avoid any ambiguity about the relevant versions of external documents; and
 - (d) revising the relevant sections of the draft Basis for Conclusions to AASB S2.
- 7 Feedback from Board members on the pre-ballot drafts indicated that they were generally satisfied with the drafting of AASB S1 and AASB S2, except for the drafting of paragraphs Aus7.1 and Aus26.1 in AASB S2 and a few paragraphs in the draft Basis for Conclusions to AASB S2. Some Board members also had editorial comments regarding text in the Preface, the Comparison with IFRS S2 and the introduction to Appendix D.
- 8 Following further consideration, staff considered that the text of IFRS S2 paragraphs 7 and 26 should be reinserted in AASB S2 as stated in IFRS S2 (except for changing the cross-reference from IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* to Appendix D), to reinstate the general requirements to avoid unnecessary duplication of governance and risk management disclosures. Consequently, paragraphs Aus7.1 and Aus26.1 were then revised to clarify that the requirement to avoid unnecessary duplication applies "particularly" (rather than "only") 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.

The AASB's decisions on 6 September 2024

- 9 At its meeting on 6 September 2024, to facilitate the finalisation of the ballot draft of AASB S2 for voting, the Board appointed a sub-committee to review staff's proposed revisions from the pre-ballot draft of AASB S2 relating to the following matters:
- (a) staff's proposed BC text to clarify that derivatives are not required to be included when calculating financed emissions; and
 - (b) staff's proposed BC text on converting greenhouse gases (GHG) into a CO₂ equivalent value.
- 10 Subsequent to the meeting, staff asked the sub-committee to also review the staff's proposed reinstatement of paragraphs 7 and 26 and the revision of paragraphs Aus7.1 and Aus26.1.

Sub-committee review of final changes

- 11 Sub-committee members were satisfied that the staff-proposed changes for paragraphs 7, Aus7.1, 26 and Aus26.1 and the BC paragraph addressing derivatives (now paragraph BC58) were appropriate. Accordingly, the revised paragraphs are included in the proposed Basis for Conclusions to AASB S2 (Agenda Paper 3.4B).
- 12 In respect to the BC paragraphs on converting GHG into CO₂ equivalent values, staff presented several options to the sub-committee members for their consideration. In response, the members noted that the ISSB's Transition Implementation Group (TIG) will discuss whether, for the purposes of IFRS S2 paragraph 29(a)(i), an entity applying the jurisdictional relief provided in IFRS S2 paragraph 29(a)(ii) is permitted to apply jurisdictional global warming potential values to convert GHG emissions measured using the direct measurement method into a CO₂ equivalent value.¹ Overall, sub-committee members were of the view that the AASB should not express a view on this matter until it has considered any ISSB decisions relating to this matter. Accordingly, staff have reflected the sub-committee's comments in drafting paragraphs BC42–BC44 of the ballot draft AASB S2.

Ballot drafts and accompanying papers

- 13 Staff have prepared the ballot draft versions of AASB S1 and AASB S2 for Board members' consideration and voting.
- 14 Agenda Paper 3.4A, the ballot draft of AASB S2, does not include the Basis for Conclusions. Subsequent to the sub-committee's review, some Board members requested additional information to be documented in the Basis for Conclusions to AASB S2. Staff have proposed additional text and changes to the Basis for Conclusions to AASB S2 in Agenda Paper 3.4B, for Board members' consideration.
- 15 To assist Board members' consideration of the ballot draft Standards, staff have prepared:
 - (a) Agenda Paper 3.1, which considers the amendments agreed by the Senate and the House of Representatives to the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* affecting climate-related disclosure requirements and concludes that there are no inconsistencies identified by staff between the Bill and the forthcoming mandatory AASB S2 that would need to be addressed by the Board;
 - (b) Agenda Paper 3.2, which documents the due process conducted in developing AASB S1 and AASB S2 and concludes that the due process conducted to date has satisfied the steps set out in the *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* for the Board to take before it votes whether to issue a Standard; and
 - (c) Agenda Papers 3.5–3.8, which include marked-up text showing changes made in the ballot draft versions of AASB S1 and AASB S2 from the text of IFRS S1 and IFRS S2 and from the pre-ballot draft versions considered by Board members out of session.
- 16 If Board members vote in favour of issuing AASB S1 and making AASB S2, the drafts will be updated with the month and date where indicated. To ensure the mandatory status of AASB S2, that Standard would then be registered on the Federal Register of Legislation. Both Standards would be published on the AASB website.

1 As discussed in this [TIG paper](#).

Questions for Board members

- Q1** Do Board members vote in favour of issuing AASB S1 based on the ballot draft version (Agenda Paper 3.3)? If not, what amendments are necessary?
- Q2** Do Board members vote in favour of making AASB S2 based on the ballot draft version (Agenda Paper 3.4A, including the Basis for Conclusions as set out in Agenda Paper 3.4B)? If not, what amendments are necessary?