



Project:	Climate-related Financial Disclosures	Meeting:	M209, September 2024
Topic:	Due process considerations	Agenda Item:	3.2
		Date:	13 September 2024
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		Decision-Making:	High
		Project Status:	Finalising ASRS Standards

Objective

- The purpose of this paper is to:
 - describe the due process conducted in relation to developing:
 - a voluntary Australian Sustainability Reporting Standard AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (AASB S1) that addresses sustainability-related financial disclosures; and
 - a mandatory Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* (AASB S2) that addresses climate-related financial disclosures; and
 - support the Board in deciding whether the due process conducted to date has met the steps set out in the [AASB Due Process Framework for Setting Australian Sustainability Reporting Standards](#) (October 2023) (the *Due Process Framework for SR*) before the Board considers whether to issue/make the above Standards.

Executive Summary

- Staff consider the AASB's due process conducted to date has met all mandatory due process requirements and either complied with or provided an explanation in respect of all other due process requirements.

Structure

- This paper is structured as follows:
 - [Section One](#): Background
 - [Section Two](#): Due Process Framework for SR
 - [Section Three](#): Impact Analysis
 - [Section Four](#): Review of the changes in response to stakeholder feedback
 - [Appendix A](#): Comparison to ED SR1.

Section One: Background

- 4 Key milestones in the development of AASB S1 and AASB S2 are summarised in the following table.

Date	Milestones
October 2021	AASB publishes Invitation to Comment ITC 46 AASB Agenda Consultation 2022–2026 (ITC 46) to gather views on the potential domestic projects, including whether the AASB should expand the scope of its activities to include sustainability reporting
February 2022	AASB formally adds the Sustainability Reporting project to its work plan as a high-priority project based on strong stakeholder support expressed in response to ITC 46
March 2022	ISSB publishes [Draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and [Draft] IFRS S2 <i>Climate-related Disclosures</i>
April 2022	AASB issues ED 321 Request for Comment on [Draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and [Draft] IFRS S2 <i>Climate-related Disclosures</i> (ED 321)
August – September 2022	AASB concludes that stakeholder feedback on ED 321 indicates the proposals in IFRS S1 and IFRS S2 would be an appropriate baseline on which to develop Australian climate-related financial disclosure requirements
February 2023	AASB decides to use the ISSB’s work as a foundation for developing Australian climate-related financial disclosure requirements and to initially develop requirements that can be applied independently of any broader sustainability reporting framework
June 2023	ISSB issues IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and IFRS S2 <i>Climate-related Disclosures</i>
October 2023	AASB issues Exposure Draft ED SR1 <i>Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information</i> (ED SR1)
November 2023 – February 2024	AASB conducts education and outreach activities, including virtual and in-person roundtables throughout Australia. AASB receives submissions on ED SR1 and survey responses from stakeholders.
May – September 2024	AASB redeliberates the ED SR1 proposals based on stakeholder feedback and legislative developments

- 5 ED SR1 posed 29 specific matters for comment and six general matters for comment. The AASB received:
- 117 comment letters;
 - 289 survey responses; and
 - feedback from 500 attendees at in-person and virtual roundtables.
- 6 Comment letters, survey responses and roundtable feedback have formed the foundation for the Board’s deliberations of ED SR1 proposals in May, June and July 2024, as well as for consideration of sweep issues and drafting in August and September 2024.
- 7 The Australian Government’s policy design proposals have also been a key consideration in the development of internationally aligned climate-related financial disclosure requirements by the AASB. The following table summarises the key events in the timeline for the policy and legislative environment relating to climate-related financial disclosure requirements.

Date	Events
December 2022	Treasury published a preliminary consultation paper seeking views on the key considerations for designing and implementing the Australian Government’s commitment to introducing climate-related disclosure requirements
June 2023	Treasury published a second consultation paper seeking views on proposed positions for the detailed implementation and sequencing of climate-related disclosure requirements. This paper provides details on the entities proposed to be the subject of the requirements, the anticipated phasing in of the requirements and the expected nature of the requirements and their assurance
January 2024	Treasury published Exposure Draft legislation and related materials to propose amendments to parts of the <i>Australian Securities and Investments Commission Act 2001</i> and the <i>Corporations Act 2001</i> to introduce mandatory climate-related disclosure requirements for large businesses and financial institutions and describe the Australian Government’s final policy design
March – September 2024	The Government introduced the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 to amend parts of the <i>Australian Securities and Investment Commission Act 2001</i> and the <i>Corporations Act 2001</i> to introduce mandatory climate-related disclosure requirements for certain entities—amendments were agreed upon in the process of obtaining passage through the Senate

- 8 When the AASB developed ED SR1, the most recent available information on the direction of government policy was Treasury’s Consultation Paper *Climate-related financial disclosure* (June 2023) (Treasury’s second consultation paper) and informal feedback from stakeholders, including the Treasury, the Australian Government Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Commonwealth Scientific and Industrial Research Organisation (CSIRO). At the time, the AASB contemplated whether to defer the publication of ED SR1 until it had the opportunity to consider the exposure draft of legislation and undertake targeted outreach to gauge stakeholders’ preliminary views on some of its proposals. However, the AASB decided it was important to publish ED SR1 in October 2023 to enable the timely issuance of the relevant Standards for implementation in annual periods beginning on or after 1 July 2024—the anticipated date for some companies to make mandatory climate-related financial disclosures.
- 9 When deciding to publish ED SR1 ahead of the exposure draft legislation and targeted stakeholder outreach the AASB acknowledged that it may need to reconsider some of its proposals considering the legislation and stakeholder feedback on ED SR1. In particular, the AASB noted that its proposed modifications to the requirements set out in IFRS S2 for measuring greenhouse gas emissions and temperature outcomes for scenario analysis would likely require further consideration.

Section Two: Due Process Framework for Sustainability Reporting

- 10 Appropriate consultation is a key principle underpinning the AASB’s due process obligations based on the [AASB Due Process Framework for Setting Australian Sustainability Reporting Standards](#) (the *Due Process Framework for SR*). Paragraph 18(b) of the *Due Process Framework for SR* states:

“Appropriate consultation – consulting in a genuine and timely way with interested and affected entities, professional bodies, community organisations and individuals, to achieve high-quality Standards. This includes consulting with other regulators to avoid creating cumulative or overlapping regulation. Consultation is typically conducted both formally, which involves the issue of draft documents for public comment, and informally, which involves targeted outreach with key stakeholders.”

- 11 Paragraphs 18(b)(i)-(ii) of the *Due Process Framework for SR* further explain that appropriate consultation consists of:

“Genuine consultation – the AASB seeks feedback from all the relevant stakeholders affected by sustainability reporting. While Australian Government policy on sustainability reporting is a key factor in identifying topics and issues for the AASB to address, and the Australian Government is itself a key stakeholder, the standard-setting outcomes are determined only after the AASB considers all the relevant input received.

Timely consultation – having an appropriate level of consultation will typically involve balancing competing objectives of achieving timely outcomes as set by the AASB and Australian Government policy, and providing opportunities for stakeholder input. At times, this balancing may result in shorter consultation periods than would otherwise be the ideal case.”

- 12 When developing new and amending Standards, the *Due Process Framework for SR* identifies both “mandatory” due process steps (paragraphs 26-28) and “comply or explain” due process steps (paragraph 29).
- 13 Depending on the AASB’s assessment of stakeholder feedback, the *Due Process Framework for SR* notes that additional public consultation on revised proposals may be required to finalise a pronouncement (paragraph 27). However, staff note that the Framework does not impose any mandatory obligation on the AASB to engage in additional consultation.
- 14 The following table summarises the due process steps and the actions taken by the AASB to date based on the “mandatory” and “comply or explain” due process steps.

Due Process Steps		AASB Actions
Exposure Draft – ideally, a minimum 120-day comment period [<i>paragraph 26</i>]	Mandatory	Achieved: ED SR1 published for a 130-day comment period (October 2023 – March 2024)
Consider feedback from stakeholders on EDs and other outreach in public [<i>paragraph 28</i>]	Mandatory	Achieved: Redeliberated proposals in public based on stakeholder feedback in AASB meetings in June, July and August 2024
Make summaries of stakeholder feedback publicly available [<i>paragraph 28</i>]	Mandatory	Achieved: Summaries of stakeholder feedback were made publicly available on the AASB website in Board papers for June, July and August 2024 Comment letters made publicly available on the AASB website
Discussion Paper, Consultation Paper, Invitation to Comment, research paper, agenda consultation [<i>paragraph 29(a)</i>]	Comply or explain	Complied: AASB issued initial ED 321 for a 120-day comment period (April 2022 – July 2022)
Other requests for information (e.g. agenda decisions) [<i>paragraph 29(a)</i>]	Comply or explain	Complied: AASB Agenda Consultation 2022-2026 revealed that almost all stakeholders supported adding a sustainability reporting project to the work program (Feedback Statement)
Establish a project advisory panel, implementation or transition resource group or other type of specialist advisory group, ensuring broad representation, with at least one Board member [<i>paragraph 29(b)</i>]	Comply or explain	Complied: The Sustainability Reporting (SR) Project Advisory Panel was established in 2022 as an informal consultative group of experts to assist with the direction of the AASB’s SR Project, offering early development guidance and helping to establish relationships with key stakeholders

Due Process Steps		AASB Actions
Holding roundtables and education sessions to solicit feedback [<i>paragraph 29(c)</i>]	Comply or explain	Complied: Held roundtables (in-person and virtual) and meetings with stakeholders on ED SR1 proposals, particularly in January and February 2024 prior to the ED SR1 comment date
Undertaking fieldwork [<i>paragraph 29(d)</i>]	Comply or explain	Explain: The AASB did not specifically seek to have entities test the proposals in ED SR1. The baseline requirements for AASB S2 (IFRS S2) nevertheless incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which are already widely used by large, listed entities in Australia ¹ . Furthermore, the impending legislative commencement date for mandatory climate-related financial disclosures (originally 1 July 2024; revised to 1 January 2025) served to make fieldwork impractical.

- 15 The analysis presented in the table above shows that the AASB has:
- conducted all mandatory due process requirements; and
 - either complied with or provided an explanation in respect of all other potential due process steps.
- 16 Overall, staff consider the due process conducted to date has met the steps set out in the *Due Process Framework for SR*, including that the process has:
- been appropriate, including genuine and timely; and
 - met all the mandatory and comply or explain steps.

Section Three: Impact Analysis

- 17 The AASB has been advised by the Office of Impact Analysis that the AASB does not need to undertake an Impact Analysis for the mandatory climate-related disclosure Standards on the basis that the regulatory impact has already been calculated and included in the Treasury's policy approval.²

Section Four: Review of changes made in response to stakeholder feedback

- 18 Staff have identified 19 items on which the Board has:
- changed its view from a proposal in ED SR1; and/or
 - not changed its view, but stakeholder feedback on a proposal in ED SR1 was mixed.
- 19 [Appendix A](#) provides a detailed overview of the 19 items identified by staff, including the Board's decisions and staff analysis.³
- 20 Appendix A shows that stronger alignment with the IFRS baseline was one of the key themes driving changes from ED SR1 proposals. Many stakeholders expressed strong support for greater international alignment to help ensure global reporting consistency and minimise duplicative reporting requirements. In general, closer alignment with the IFRS baseline has provided more flexibility relative to the proposals in ED SR1 by allowing entities to exercise judgement in applying the requirements to suit an entity's particular facts and circumstances.

1 For example, a [2023 KPMG report](#) found that 78% of the ASX 100 companies reported using the TCFD framework, which has become the most common reporting standard amongst these entities.

2 The Treasury's assessment (OBPR22-02441) can be [accessed here](#).

3 Appendix A does not consider AASB S1 because the application of that Standard would be voluntary.

- 21 Appendix A also shows that increased clarity and certainty in the policy and legislative environment were factors influencing changes from ED SR1 proposals.
- 22 Out of the 19 items identified in Appendix A, alignment to the IFRS baseline on financed emission disclosures (SMC 20) is the only instance likely to result in increased disclosure requirements. The decision to require, rather than consider, the disaggregation of financed emission disclosures for entities involved in asset management, commercial banking, or insurance activities could be seen as having a significant impact.
- 23 Staff are of the view that there is no need to conduct further due process steps in relation to disaggregation of financed emission disclosures (SMC 20) because:
- (a) substantial feedback was received on this topic: 65 comment letters and 66 survey submissions responded to SMC 20. This included responses from entities involved in asset management, banking and insurance activities (including representative bodies) that would be subject to the financed emission disclosure requirements;
 - (b) there was support among many stakeholders, particularly users, who submitted comment letters in favour of requiring disaggregated information about financed emissions;
 - (c) there was general support among stakeholders for alignment with the IFRS baseline;
 - (d) further consultation is unlikely to generate new insights beyond those already offered by stakeholders in response to ED SR1;
 - (e) the general requirements for disaggregation to ensure material information is not obscured through aggregation would apply in any case (Appendix D paragraphs B29-B30 of AASB S2);⁴
 - (f) if the disaggregation was not a material factor it would not be needed (Appendix D paragraph B25 of AASB S2); and
 - (g) 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. While AASB S2 presumes that Scope 3 greenhouse gas emissions can be estimated reliably using secondary data and industry averages, an entity that determines it is impracticable to estimate its Scope 3 greenhouse gas emissions can disclose how it is managing its Scope 3 greenhouse gas emissions (paragraph B57 of AASB S2).
- 24 As noted earlier in the paper, the *Due Process Framework for SR* does not impose any mandatory obligations on the AASB to engage in additional consultation prior to the finalisation of a Standard. Staff observe that the AASB has already undertaken extensive public engagement and consultation on AASB S1 and AASB S2 to date and has taken this feedback into account, negating the need for further consultation. Further, any additional consultation introduces uncertainty about what the final requirements will be, delaying the timeline for entities who wish to start preparing for implementation ahead of the 1 January 2025 commencement date for certain entities.
- 25 If the Board agrees with the staff view that the AASB's due process conducted to date has met all mandatory due process requirements and either complied with or provided an explanation in respect of all other potential due process steps, the Board will be asked to vote to make the Standards at the earliest opportunity after the legislation requiring climate-related reporting has received Royal Assent.

Questions for Board members

<p>Q1 Do Board members agree that the due process conducted in developing AASB S1 and AASB S2 has met the criteria in the <i>Due Process Framework for SR</i>?</p>

⁴ This was also cited by the ISSB as a reason for requiring disaggregated financed emission disclosures [IFRS S1.BC128]

Appendix A: Comparison to ED SR1

Item	Staff analysis
<p>Presenting the core content of IFRS S1 in a scope-limited climate Standard (SMC 1)</p> <p>Issuing a voluntary AASB S1 addressing sustainability-related financial disclosures and formally making a mandatory AASB S2 addressing climate-related financial disclosures (which includes AASB S1 content needed to make AASB S2 function as a standalone Standard containing all of the climate-related disclosure requirements).</p> <p>This differs from the proposed mandatory AASB S1 and AASB S2 which would have addressed climate-related financial disclosures only.</p>	<p>Addressed at AASB Board Meeting (M206) in Agenda Item 4.1.1.</p> <p>No clear consensus among stakeholders on a single preferred presentation option.</p> <p>The Board’s change of presentation format is consistent with strong stakeholder support for:</p> <ul style="list-style-type: none"> • closer alignment to the IFRS baseline; and • having all the relevant requirements on climate-related disclosure in one (mandatory) pronouncement.
<p>Conceptual content (SMC 2)</p> <p>Reverted to the baseline and omitted the proposed cross-referencing to the AASB’s GPFR Conceptual Framework pronouncements that would have replaced the conceptual content of IFRS S1. Instead, the conceptual content was directly incorporated into an appendix of AASB S2 to allow the Standard to function as a standalone climate-only Standard.</p>	<p>Addressed at AASB Board Meeting (M206) in Agenda Item 4.1.2.</p> <p>Feedback indicated support for the proposal among respondents for the reasons cited by the Board because:</p> <ul style="list-style-type: none"> • the AASB’s statutory functions and powers refer to “develop conceptual frameworks, not having the force of standards”, which might imply that any conceptual content should not be mandatory; and • the <i>Framework for the Preparation and Presentation of Financial Statements</i> caters to not-for-profit (NFP) entities. <p>The basis for the Board changing its view was:</p> <ul style="list-style-type: none"> • strong stakeholder support for closer alignment to the IFRS baseline;

Item	Staff analysis
	<ul style="list-style-type: none"> • a reassessment of earlier concerns about having conceptual content in a mandatory Standard as: <ul style="list-style-type: none"> ○ conceptual content from IFRS S1 serves a different purpose and function from “evaluating ... proposed sustainability standards and international sustainability standards”; ○ IFRS S1 (and now Appendix D to AASB S2) includes reference to the GPFR Conceptual Framework pronouncements in any case, which is in addition to the conceptual content located directly in the Standards; ○ including the relevant conceptual content in AASB S2 makes the Standard easier to use; ○ IFRS S1 conceptual content is adapted from the IASB’s Conceptual Framework and is intended to ensure that information in GPFR is useful to users of those reports and to assist an entity in the preparation of disclosures; and ○ content of a type such as the relevant IFRS S1 conceptual content is already located in some Accounting Standards (e.g. AASB 18, AASB 101 and AASB 108).
<p>No material climate disclosures (SMC 3)</p> <p>Reverted to the baseline and omitted proposed Aus paragraphs that would have required an entity that assessed it has no material climate-related risks and opportunities to disclose that fact and explain how it came to this conclusion.</p>	<p>Addressed at AASB Board Meeting (M206) in Agenda Item 4.1.3.</p> <p>Stakeholders supported the proposal, however, a range of factors indicated to the Board that the proposed requirement was not appropriate:</p> <ul style="list-style-type: none"> • it would constitute a departure from the IFRS baseline; • a substantially similar requirement—unavailable when ED SR1 was published—was incorporated into the exposure draft legislation; • the prospective legislative requirement and the proposal in SMC 3 might involve interactions beyond the remit of the AASB; and • existing baseline requirements allow entities to voluntarily make a statement consistent with the proposal in SMC 3.

Item	Staff analysis
<p>Australian and New Zealand Standard Industrial Classification (ANZSIC) (SMC 5)</p> <p>Reverted to the baseline and omitted proposed Aus paragraphs that would have required an entity to refer to the ANZSIC as the basis for identifying industries when voluntarily making industry-based disclosures.</p>	<p>Addressed at AASB Board Meeting (M206) in Agenda Item 4.1.4.</p> <p>Stakeholder views on the proposal were mixed. The following feedback influenced the Board’s decision to omit the proposal:</p> <ul style="list-style-type: none"> • strong stakeholder support for closer alignment to the IFRS baseline; • lack of publicly available data that challenged the practicality of the proposal; and • industry-classification categories may not provide useful information as they were designed for a different (i.e. economic) purpose.
<p>Voluntary disclosure under other frameworks (SMC 6)</p> <p>Reverted to the baseline and omitted the proposed Aus paragraph that would have expressly permitted an entity to provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards).</p>	<p>Addressed at AASB Board Meeting (M206) in Agenda Item 4.1.5.</p> <p>Stakeholders generally supported the proposal, however, the Board considered the following factors mitigated that support:</p> <ul style="list-style-type: none"> • some support was ostensibly dependent on the proposal for SMC 5, which was omitted for the reasons noted above; • the IFRS baseline establishes minimum disclosure requirements and objectives, and permits additional, voluntary disclosure provided required information is not obscured; and • the voluntary AASB S1 will include references for additional disclosures (e.g. SASB Standards).
<p>Location (SMC 7)</p> <p>Reverted to the baseline and omitted the proposed Aus paragraph that would have required an entity to provide information in a manner that enables users of GPFR to locate the disclosures prepared according to AASB S1/S2.</p>	<p>Addressed at AASB Board Meeting (M206) in Agenda Item 4.1.6.</p> <p>Stakeholders generally supported the proposal because it offered flexibility. The Board decided not to amend the IFRS baseline because the:</p> <ul style="list-style-type: none"> • existing baseline requirements permit flexibility and judgement; and • proposed paragraph was not seen as adding tangible benefits.

Item	Staff analysis
<p>Interim reporting (SMC 8)</p> <p>Reverted to the baseline by reinstating guidance for circumstances where an entity provides interim-period climate-related financial disclosures.</p>	<p>Addressed at AASB Board Meeting (M206) in Agenda Item 4.1.7.</p> <p>Stakeholders generally supported the proposal, however, much of that support was predicated on a view that climate-related financial disclosure should not apply to interim financial reports (whereas identifying the periods to which the Standards would apply was never a matter within the AASB’s functions and powers).</p> <p>The Board noted the IFRS baseline paragraphs do not imply that interim financial reports should include climate-related disclosure—they are intended as guidance in the event an entity chooses (or is otherwise compelled) to report climate-related disclosure for interim periods.</p> <p>The Board was also persuaded by the fact that the IFRS baseline is consistent with the approach taken in Accounting Standards to interim reporting. That is, AASB 134 can be applied by entities that are compelled to prepare interim-period GPFS by legislation or that voluntarily prepare them – but the Standard itself does not mandate interim reporting.</p>
<p>Scope of AASB S2 (SMC 9)</p> <p>Reverted to the baseline and omitted proposed Aus paragraphs that limited the scope of AASB S2 to climate-related risks and opportunities related to climate change only (i.e. only GHG-related emissions).</p>	<p>Addressed at AASB Board Meeting (M204) in Agenda Item 5.2.</p> <p>Fewer than half of respondents to ED SR1 indicated a view on SMC 9. Of those who expressed a view, a small majority supported the proposal, but few provided reasons.</p> <p>Those disagreeing with the proposal indicated the clarification was unnecessary, may be perceived as a difference from IFRS S2, and/or has the potential to cause confusion.</p> <p>Based on general stakeholder support for adhering to the IFRS baseline to the extent feasible, the Board decided paragraph Aus3.1 was not crucial and, if retained, might imply a difference from IFRS S2. Consequently, paragraph 3 of IFRS S2 has been included in AASB S2.</p>

Item	Staff analysis
<p>Climate-related scenario analysis (SMC 10)</p> <p>Reverted to the baseline and omitted Aus paragraphs that proposed (a) requiring an entity to assess climate resilience against at least two relevant possible future states, including one consistent with the most ambitious global temperature goal set out in the <i>Climate Change Act 2022</i>, and (b) clarifying the disclosure requirements.</p>	<p>Addressed at AASB Board Meeting (M205) in Agenda Item 4.1.</p> <p>Most stakeholders supported the proposal. However, many indicated that each entity would be best placed to identify the scenarios most relevant to their facts and circumstances.</p> <p>The Board weighed the advantages and disadvantages of prescribing scenarios and ultimately settled on consistency with the IFRS baseline due to:</p> <ul style="list-style-type: none"> • strong stakeholder support for adhering to the baseline; and • increased certainty in the Australian legislative context—unavailable when ED SR1 was published—concerning the prescription of temperature outcomes in the Bill.
<p>Cross-industry remuneration metrics (SMC 13)</p> <p>Reverted to the baseline and omitted the Aus paragraph that proposed referring to the “key management personnel” (KMP) and “compensation” definitions in AASB 124 <i>Related Party Disclosures</i>.</p>	<p>Addressed at AASB Board Meeting (M205) in Agenda Item 4.2.</p> <p>Most stakeholders supported the proposal, including the clarity of identifying KMP and consistency with GPFR disclosures about KMP.</p> <p>The Board identified potential unintended consequences from being more directive than the IFRS baseline, particularly if international practice were to develop along lines different from the proposal.</p>
<p>Converting GHG into a CO₂ equivalent value (SMC 15)</p> <p>Reverted to the baseline and omitted Aus paragraphs that proposed requiring entities applying NGER Scheme legislation to convert using GWP values in the IPCC 5th assessment report, rather than the IFRS S2 requirement to use GWP values in the IPCC 6th assessment report.</p>	<p>Addressed at AASB Board Meeting (M204) in Agenda Item 5.6.</p> <p>Most of the comment letters responding to SMC 15 disagreed with the proposal and indicated support for adhering to the IFRS baseline. Most of the survey responses responding to SMC 15 agreed with the proposal. Many respondents that were opposed to the proposals considered omitting the Aus paragraphs would enable entities to better align with current practices and reduce the regulatory and reporting burden for both NGER and non-NGER reporters.</p> <p>The Board also observed that the lagging reference to the relevant version of IPCC assessment reports in the NGER Scheme legislation is beyond the AASB’s control.</p> <p>On redeliberating the proposal, the Board focused on enabling alignment with much of current practice, and the practice expected to develop under IFRS S2, and decided to omit the proposed</p>

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	<p>paragraphs AusB22.1 and AusB22.2 of ED SR1 regarding global warming potential values to remove barriers to that development.</p>
<p>Market-based Scope 2 GHG emissions (SMC 16)</p> <p>Reverted to the baseline and omitted Aus paragraphs that proposed requiring an entity applying the <i>Corporations Act 2001</i> to prepare climate-related financial disclosures to disclose its market-based Scope 2 GHG emissions in addition to its location-based Scope 2 GHG emissions, except for the first three annual reporting periods in which such an entity applied AASB S2.</p>	<p>Addressed at AASB Board Meeting (M204) in Agenda Item 5.7.</p> <p>Two matters were analysed:</p> <ul style="list-style-type: none"> • whether an entity should disclose market-based Scope 2 GHG emissions in addition to location-based Scope 2 GHG emissions; and • three years of relief from disclosing market-based Scope 2 emissions <p>Most stakeholders responding to SMC 16 agreed with the proposals.</p> <p>Those disagreeing generally argued for adhering to the IFRS baseline. Some also noted that ‘dual’ reporting would be unnecessary in many cases to meet user needs and, therefore, the proposals could prove more onerous than the baseline.</p> <p>On redeliberating the proposal, the Board focused on a view that AASB S2 should not go beyond the requirements of IFRS S2 and decided to omit paragraph Aus31.1(f), noting that therefore paragraph AusC4.2 of ED SR1 (the three-year transition relief) would not be needed.</p>
<p>GHG emission measurement methodologies (SMC 17)</p> <p>Reverted to the baseline and omitted Aus paragraphs that proposed specifying:</p> <p>(a) measurement of Scope 1 GHG emissions, location-based Scope 2 GHG emissions, market-based Scope 2 GHG emissions and Scope 3 GHG emissions be considered separately;</p> <p>(b) applying methodologies set out in NGER Scheme legislation, using Australian-specific data sources and factors for estimating GHG</p>	<p>Addressed at AASB Board Meeting (M204) in Agenda Item 5.4.</p> <p>Most stakeholders responding to SMC 15 agreed with the proposals either specifically or in principle.</p> <p>However, a large minority disagreed with the proposals, indicating support for adhering to the IFRS baseline. Many of those opposing the proposals considered they would add to the regulatory burden.</p> <p>The Board also observed that the lagging reference to the relevant version of IPCC assessment reports in the NGER Scheme legislation is beyond the AASB’s control.</p> <p>On redeliberating the proposal, the Board was focused on the view that AASB S2 should not restrict entities to applying NGER methodologies (where they are practicable) but instead should</p>

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<p>emissions, to the extent practicable; and (c) principles for identifying a methodology when using NGER Scheme legislation is not practicable.</p>	<p>allow them to apply methodologies that provide the most useful information for the least regulatory burden, and decided to omit the proposed Aus31.1(b) and AusB25.1 paragraphs.</p>
<p>Scope 3 GHG emissions (SMC 18) Reverted to the baseline and omitted the Aus paragraph that proposed permitting an entity to measure and disclose its Scope 3 GHG emissions using data for the immediately preceding reporting period if reasonable and supportable data related to the current reporting period is unavailable.</p>	<p>Addressed at AASB Board Meeting (M205) in Agenda Item 4.3. Most stakeholders supported the proposal. However, many indicated that it could compromise comparability, and others suggested phasing in the requirements to address data issues. The Board noted that the IFRS baseline allows entities to use information from a reporting period that is different from the entity's reporting period. The Board was also cognisant of the overall strong stakeholder support for adhering to the IFRS baseline.</p>
<p>Scope 3 GHG emission categories (SMC 19) Reverted to the baseline and omitted the Aus paragraph that would have treated Scope 3 GHG emission categories in IFRS S2 as examples of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, rather than requiring an entity to use those categories.</p>	<p>Addressed at AASB Board Meeting (M204) in Agenda Item 5.8. Most of the comment letters opposed the proposal while most of the survey responses supported it. Those disagreeing with the proposal supported adopting the IFRS baseline and noted that the 15 categories are widely used and accepted globally. Many indicated that the proposed flexibility could lead to a lack of comparability, pose a 'greenwashing' risk, and give the impression that Australia has a less-than-rigorous reporting regime. On redeliberating the proposal, the Board was keen to avoid the possible impression that AASB S2 has less stringent requirements than IFRS S2 and to help ensure comparability among entities across the categories disclosed, and decided to omit the proposed Aus paragraphs.</p>
<p>Financed emissions (SMC 20) Reverted to the baseline to <u>require</u> the more detailed disclosure (including by industry and asset class) of financed emissions for entities participating in financial activities of asset management, commercial banking or insurance,</p>	<p>Addressed at AASB Board Meeting (M205) in Agenda Item 4.5. Most of the comment letters opposed the proposal while most of the survey responses supported the proposal. Close analysis of the responses was required because there was also evidence of different views on what the proposal meant, including that the disclosure was either voluntary or a reminder for entities to apply judgement when preparing the relevant disclosures.</p>

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<p>rather than the proposal that these entities only <u>consider</u> their applicability.</p>	<p>The main reasons provided against requiring the more detailed disclosures were:</p> <ul style="list-style-type: none"> • the challenge of calculating and disclosing financed emissions accurately and costs for entities due to data limitations; and • the immature state of models and methodologies that could be used to gather and analyse the data and present the outcomes. <p>Key reasons for the Board deciding to revert to the IFRS S2 baseline were:</p> <ul style="list-style-type: none"> • support among many stakeholders, particularly users, who submitted comment letters in favour of requiring the disaggregated information about financed emissions [IFRS S2.B61–B63]; • strong stakeholder support for closer alignment to the IFRS baseline; • the requirement in IFRS S1 paragraph B30 (included in Appendix D of AASB S2) prohibiting information from being aggregated if doing so would obscure information that is material, and the view that this could compel the more detailed disclosure about financed emissions in any case. This was also cited by the ISSB as a reason for requiring disaggregated financed emission disclosures [IFRS S1.BC128]; • emerging methodologies for different asset classes, such as those developed by the Partnership for Carbon Accounting Financials, which is among the reasons cited by the ISSB for requiring the disaggregated financed emission disclosures [IFRS S1.BC125]; and • the general principle in AASB S2 that entities are required to use (no more than) 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 GHG emissions [AASB S2.B39].
<p>Superannuation entities (SMC 21) Maintained alignment with the baseline as circumstances specific to superannuation entities did not pose unique challenges.</p>	<p>Addressed at AASB Board Meeting (M205) in Agenda Item 4.4.</p> <p>Feedback from non-superannuation entities was commonly supportive of having the same requirements apply to all types of asset managers. Feedback from superannuation entities and related industry bodies was mixed.</p>

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	<p>The Board decided not to include any special concessions for superannuation entities because:</p> <ul style="list-style-type: none"> • asset management for a superannuation entity has the same goal as for other asset management entities (i.e. maximising returns with appropriate risk); • although the users of superannuation entity GPFR may be different from the users of other asset managers' GPFR, they are regarded as having common information needs with respect to climate-related disclosure; and • the largest superannuation entities are included in "Group 2" under the legislative amendments, which gives the entities a longer transition period to prepare for the disclosure requirements.
<p>Carbon Credits (SMC 22) Reverted to the baseline and omitted the proposed Australian-specific definition of "carbon credit", which included any credits recognised under the Australian Carbon Credit Unit Scheme rather than just those uniquely serialised, issued, tracked and cancelled by means of an electronic registry.</p>	<p>Addressed at AASB Board Meeting (M205) in Agenda Item 4.6.</p> <p>Most respondents agreed with the proposal, but most did not provide their reasons. Those disagreeing with the proposal supported adopting the IFRS baseline for a range of reasons, including:</p> <ul style="list-style-type: none"> • global comparability and concerns about the potentially adverse perception about Australia's climate reporting from having a wider 'carbon credit' definition; and • a view that only serialised, trackable or validated carbon credits should be permitted to be recognised and reported. <p>On redeliberating the proposal, the Board was keen to avoid the possible impression that AASB S2 has more 'generous' requirements than IFRS S2, and to help ensure greater comparability among entities, and decided to omit the Australian-specific definition.</p>
<p>Objective for NFP entities (SMC 23) Reverted to the baseline by omitting proposed Aus paragraphs that referred to an NFP entity disclosing information about climate-related risks and opportunities that could reasonably be expected to affect "the entity's cash flows, access to finance or cost of capital, and its ability to</p>	<p>Addressed at AASB Board Meeting (M206) in Agenda Item 4.2.1.</p> <p>Most respondents either agreed or partially agreed with the proposal, many for consistency with the way the objective of GPFR for NFP entities is couched in the <i>Framework for the Preparation and Presentation of Financial Statements</i>.</p>

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further its objectives, over the short, medium or long term”.	<p>Those disagreeing with the proposal considered that it implied NFP entities would need to provide far more detailed and rigorous disclosures than their for-profit counterparts.</p> <p>On redeliberating the proposal, the AASB noted it did not intend to require more information from NFP entities and concluded that the IFRS S2 wording of the objective is appropriate for all types of entities.</p>