Climate-related risks and opportunities

Consistent with Treasury's consultation paper, the Exposure Draft proposes that reporting will be **limited to climate-related risks and opportunities** (i.e. sustainability risks and opportunities as considered under IFRS S1 will not *yet* be implemented domestically).

Commencement

Consistent with Treasury's position, phased implementation **from 1 July 2024** for entities required to report under Chapter 2M of the Corporations Act, depending on certain monetary and employee thresholds (and relevant thresholds under the *National Greenhouse and Energy Reporting Act 2007*).

Consolidated entities

The Exposure Draft expects entities that prepare financial reports on a consolidated basis to similarly **prepare their climate-related financial disclosures on a consolidated basis**. There is no settled position on whether consolidated entities with separate reporting obligations under Chapter 2M must prepare standalone disclosures under ASRS.

Not-for-profits

Not-for-profits that are Chapter 2M reporting entities and that meet the relevant thresholds are expected to report in accordance with the Exposure Draft which includes specific paragraphs to address differences in proposed application between for-profit and not-for-profit entities

Format and location of disclosures

The Exposure Draft acknowledges that there are various possible locations in general purpose financial reports in which to disclose climate-related financial information, and **specifically allows for cross-referencing where certain conditions are met.**

Industry-based metrics optional

Contrary to the ISSB Standards and Treasury's consultation paper, it is proposed reporting entities will **not be required to report against any industry-based guidance or apply the SASB Standards** to its disclosures but can still elect to make disclosures against "well-established and understood industry-based" metrics if they choose to.

Scope 1 and 2 emissions

Scope 1 emissions for the reporting period will be required to be disclosed from commencement. The Exposure Draft **extends Scope 2 reporting**, requiring both location-based Scope 2 emissions (from commencement), and also market-based Scope 2 emissions (phased in after three years).

Scope 3 emissions

While IFRS S2 requires reporting entities to categorise the sources of its Scope 3 GHG emissions based on 15 distinct categories (e.g. capital goods, business travel, employee commuting), the Exposure Draft only lists these as **example categories that an entity could consider when disclosing its Scope 3 emissions**.

Financed emissions

The Exposure Draft **softens the requirement to disclose financed emissions** (as is required under IFRS S2), and only proposes participants in financial activities to "consider the applicability of those disclosures related to its financed emissions".

Scenario analysis

Climate resilience assessments are proposed to be disclosed against **at least two possible future states, one of which must be against a temperature increase to 1.5°C above pre-industrial levels** (rather than any scenario within the range of 1.5°C - 2°C). It is expected that reporting entities will still be required to undertake qualitative scenario analysis from commencement, but the expectations of quantitative disclosures remain unsettled.

Identifying disclosures

The Exposure Draft simply proposes that an entity should "**apply judgement in providing information in a manner than enables users to locate its climate-related financial disclosures**", which is less burdensome than Treasury's proposed index table within the annual report with a correlating disclosure section and page number.

No interim reporting

The Exposure Draft **removes any notion of 'interim reporting'** and instead proposes that the reporting period for climate-related information is the same as it is for financial information (although the AASB has retained the exception for Scope 3 emissions - where data for the immediately preceding reporting period can be used).