
ISSB meeting

Date	December 2022
Project	Climate-related Disclosures
Topic	Cover note and summary of redeliberations
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Objective

1. At this meeting, the ISSB will continue redeliberating the proposals in the Exposure Draft IFRS S2 *Climate-related Disclosures* ([draft] S2) including the proposed requirements for the disclosure of greenhouse gas (GHG) emissions and the industry-based materials which were set out in Appendix B. Specifically, this includes:
 - (a) the proposed requirement in paragraph 21(a) on GHG emissions, including disclosure of GHG emissions intensity, disclosure of GHG emissions by its constituent gases, disclosure of market-based and location-based Scope 2 GHG emissions and relief for the disclosure of Scope 3 GHG emissions;
 - (b) the proposed industry-based requirements in Appendix B of [draft] S2, including the scope of changes to the content in Appendix B as part of finalising [draft] S2 and the draft plan to further develop the content in Appendix B in the future; and
 - (c) the proposed requirements on financed and facilitated emissions, set out in Volumes 15 to 18 of Appendix B of [draft] S2, including the location and status of the requirements and the technical content of the requirements.
2. We will discuss the following papers:
 - (a) Agenda Paper 4A: Greenhouse gas emissions;
 - (b) Agenda Paper 4B: Scope 3 greenhouse gas emissions;
 - (c) Agenda Paper 4C: Appendix B; and
 - (d) Agenda Paper 4D: Financed and facilitated emissions.
3. At future meetings, the ISSB will continue redeliberating the project proposals.

Summary of redeliberations

4. The Appendix summarises the redeliberations for this project, including the ISSB's tentative decisions.

Appendix A—Tentative decisions by the ISSB

Topic and ref	Tentative decisions by the ISSB
<p>Scalability/ proportionality</p>	<p>The ISSB tentatively decided that mechanisms should be identified to enable disclosure requirements to be scalable, when relevant. In particular, the ISSB considered whether to:</p> <ul style="list-style-type: none"> (a) amend the proposed disclosure requirements so that an entity, based on specific criterion related to scalability, would not be required to provide a particular disclosure (or would be required to provide an alternative disclosure that is simpler to apply); (b) amend the proposed disclosure requirements so that an entity that meets a criterion of being unable to provide a disclosure is required to explain how it meets the criterion; (c) provide materials to assist preparers in the application of the standards, which include the ISSB providing guidance to support application; (d) provide materials to assist preparers in the application of the standards, which include referring to other sustainability-related protocols, frameworks and guidance as resources for further guidance, measurement methodologies and inputs to calculations to support application; and (e) amend the proposed disclosure requirements to differentiate the application by entities, by identifying requirements that are ‘basic’ and ‘advanced’ that could be utilised by a jurisdiction for a transition period. <p>The ISSB tentatively decided on factors to assess which scalability mechanisms are appropriate for responding to specific scalability challenges:</p> <ul style="list-style-type: none"> (a) whether the scalability challenges are temporary (in other words transitional) or more permanent (for example, due to data availability); (b) the extent to which the set of entities with a scalability challenge can be specifically identified; (c) the extent of available market guidance, methods, industry-practices and techniques; and (d) the maturity of the underlying methods and techniques that underpin the disclosure requirement.

Strategy and decision-making and targets

Proposal: [\[draft\] S2](#) paragraphs 13, 23

Feedback: [Sept 22 AP4A](#) questions 5, 10

In relation to emissions targets, the ISSB tentatively decided:

- (a) to confirm the proposed requirement to disclose the intended use of carbon credits but to clarify that an entity's net emissions target(s) and intended use of carbon credits should be disclosed separately from the entity's gross emission reduction target(s);
- (b) to use the term 'carbon credit' in draft S2 in the context of offsetting emissions in the transition plan;
- (c) to clarify the different types of targets—in particular, that, under the proposed requirements, a climate-related target is set by an entity to address aspects of its climate-related risks and opportunities (paragraph 13(a) of draft S2) and the role of emissions targets in transitioning to a low-carbon economy (paragraph 13(b) of draft S2); and
- (d) to clarify that an entity would be required to disclose any emissions targets it has set (both net emission targets and gross emissions reduction targets) and those it is required to meet by local legislation.

In relation to climate-related targets, the ISSB tentatively decided:

- (e) to confirm and clarify the proposed requirements in paragraphs 13 and 23 of draft S2 for an entity to disclose how climate-related risks and opportunities affect its strategy and decision-making, its plans to transition towards a lower-carbon economy, and its climate-related targets;
- (f) to require an entity to disclose the assumptions it makes and the dependencies it identifies in developing its transition plans;
- (g) not to introduce a requirement for an entity to disclose the implications for its transition plans if its assumptions are not met; and
- (h) to require an entity to disclose additional information about its climate-related targets, including:
 - (i) the scope of the entity's targets;
 - (ii) the greenhouse gases and the emission scopes that are covered by the entity's emission targets; and
 - (iii) which international agreement on climate change the entity is referencing when applying the requirements in paragraph 23 of draft S2.

<p>Financial position, financial performance and cash flows</p> <p>Proposal: : [draft] S2 paragraphs 12, 13</p> <p>Feedback: Sept 22 AP4A questions 4, 6</p>	<p>In relation to the proposed requirements in draft S2 about current effects, the ISSB tentatively decided to confirm:</p> <ul style="list-style-type: none"> (a) that paragraph 14 of draft S2 would require an entity to disclose information about the effects of climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period (ie the current effects); (b) that separate disclosures are not required for physical risks, transition risks and climate-related opportunities, except as set out in paragraph 21(b)–(d) of draft S2; and (c) the requirement for separate disclosures about assets subject to physical risks, transition risks and climate-related opportunities, in the form of metrics as specified in paragraph 21(b)–(d) of draft S2.
<p>Climate resilience</p> <p>Proposal: [draft] S2 paragraph 15</p> <p>Feedback: Sept 22 AP4A question 7</p>	<p>In relation to climate resilience, the ISSB tentatively decided:</p> <ul style="list-style-type: none"> (a) to confirm paragraph 15(a) of draft S2, requiring an entity to disclose the results of its analysis of climate resilience and the particular information set out in that paragraph; (b) to confirm paragraph 15(b) of draft S2, requiring an entity to describe how its climate resilience analysis has been conducted; (c) to confirm paragraph 15(b)(i)(4) of draft S2, requiring an entity to disclose whether it has used, among its scenarios, a scenario aligned with the latest international agreement on climate change, thus also confirming: that the language on the latest international agreement on climate change (ie the Paris Agreement) is not ‘hard coded’ into the requirements; and that entities are not required to use a specific scenario related to the latest international agreement on climate change or a 1.5C° scenario; and (d) to require an entity to disclose how it uses climate-related scenario analysis to inform its identification of climate-related risks and opportunities. <p>Building on these decisions, the ISSB tentatively decided:</p> <ul style="list-style-type: none"> (a) to require an entity to assess its climate resilience using a method of climate-related scenario analysis commensurate with the entity’s circumstances. The ISSB will do further work to clarify the criteria for an entity to select a method of analysis. (b) to remove references to ‘alternative methods’ of assessing resilience from paragraph 15.

	<ul style="list-style-type: none"> (c) to develop application guidance for paragraph 15 based on guidance from the Task Force on Climate-Related Financial Disclosures. (d) to amend the definition of ‘climate resilience’ in Appendix A to draft S2 to clarify that, in relation to uncertainties associated with climate change, an entity’s climate resilience includes its strategic and operational resilience. (e) to clarify that an entity would be required to disclose annually the information on climate resilience described in paragraph 15—even if the entity does not use scenario analysis annually. (f) to amend the terminology in paragraph 15 to clarify that ‘analysis’ describes the tool (scenario analysis) that an entity is required to use in order to assess its climate resilience; and also to clarify that ‘assessment’ in that paragraph describes the entity’s objective when it uses scenario analysis to assess its climate resilience. (g) to explore developing guidance based on third-party materials to help an entity choose relevant scenarios for assessing and preparing disclosures on climate resilience.
<p>GHG emissions</p> <p>Proposal: [draft] S2 paragraph 21a</p> <p>Feedback: Sept 22 AP4A question 9(c)-(f)</p>	<p>In relation to Scope 1 and 2 GHG emissions, the ISSB tentatively decided to proceed with the proposed requirement for an entity to disclose:</p> <ul style="list-style-type: none"> (a) its absolute gross GHG emissions generated during the reporting period, expressed as metric tonnes of CO2 equivalent, for its Scope 1 and Scope 2 GHG emissions; (b) the approach it used to include its Scope 1 and Scope 2 GHG emissions for the unconsolidated investees (ie associates, joint ventures, unconsolidated subsidiaries or affiliates not included in paragraph 21(a)(iii)(1) of draft S2); and (c) the reason, or reasons, for the entity’s choice of approach required by paragraph 21(a)(iv) of draft S2, and how that relates to the disclosure objective in paragraph 19 of draft S2. (d) Furthermore, the ISSB tentatively decided to proceed with, but clarify, the proposed requirements for an entity to disclose its Scope 1 and Scope 2 GHG emissions disaggregated separately for: <ul style="list-style-type: none"> (i) the consolidated accounting group (ie the entity’s parent and its subsidiaries); and (ii) the unconsolidated investees. <p>In relation to Scope 3 greenhouse gas emissions, the ISSB tentatively decided:</p>

	<p>(a) to proceed with its proposal to require an entity to disclose its Scope 3 GHG emissions, subject to relief that would address the data availability and data quality challenges raised by respondents in the consultation; and</p> <p>(b) to confirm that such a disclosure would include information about which of the 15 Scope 3 GHG emissions categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard are included within the entity's measure of Scope 3 emissions.</p> <p>In relation to greenhouse gas emissions measurement methods, the ISSB tentatively decided:</p> <p>(a) to amend its proposals so that an entity would be required to apply the GHG Protocol Standards subject to relief in specific circumstances; and</p> <p>(b) to specify that an entity is required to apply the version of the GHG Protocol Standards in force on the date that draft S2 was exposed for comment (31 March 2022). For the GHG Protocol Corporate Standard this is, therefore, the 2004 version, and for the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard this is the 2011 version.</p>
<p>Industry-based requirements: Appendix B</p> <p>Proposal: [draft] S2 Appendix B</p> <p>Feedback: Sept 22 AP4A question 11</p>	<p>In relation to the industry-based requirements set out in Appendix B to draft S2, the ISSB tentatively agreed to:</p> <p>(a) maintain the requirement that entities provide industry-specific disclosures; and</p> <p>(b) classify the content in Appendix B as illustrative examples, while stating its intention to make Appendix B mandatory in the future, subject to further consultation.</p>
<p>Financed and facilitated emissions</p> <p>Proposal: [draft] S2 Appendix B</p>	<p>Initial redeliberation began September 2022; no decisions made by the ISSB yet.</p>

Feedback: Sept 22 AP4A question 11(d)-(i)	
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