



**Australian Government**  
**Australian Accounting  
Standards Board**

---

Postal Address  
PO Box 204  
Collins Street West VIC 8007  
Telephone: (03) 9617 7600

---

GSSB Secretariat  
Global Sustainability Standards Board  
P O Box 10039  
1001 EA  
Amsterdam  
The Netherlands

29 February 2024

Dear Dr Adams

***GRI Topic Standard Project for Climate Change – Climate Change Exposure Draft***

The Australian Accounting Standards Board (AASB) is pleased to have the opportunity to provide comments on the GSSB’s GRI Topic Standard Project for Climate Change – Climate Change Exposure Draft (GRI ED), published in November 2023. While the application of GRI Standards remains voluntary for Australian entities, we are pleased to have the opportunity to contribute to the ongoing rigour of the GRI Standards, which seek to address the information needs of stakeholders beyond investors.

We have only responded to a selected number of questions posed in the GRI ED. The comments in this letter have been formulated based on AASB staff analysis and focus on where we have observed potential conflicts between the proposals in the GRI ED and the proposals in the AASB’s [Exposure Draft SR1 Australian Sustainability Reporting Standards—Disclosure of Climate-related Financial Information](#) (AASB ED SR1).<sup>1</sup>

The key points raised in our response relate to Question 2.6: CC-6 Carbon Credits and Question 2.7: Disclosures GH-1, GH-2, GH-3, GH-4. In particular, we recommend that GSSB consider:

- a. expanding the definition of carbon credit to include carbon credit units issued under jurisdictional schemes that may not necessarily be uniquely serialised (e.g. the non-Kyoto Australian carbon credit units (ACCU) issued under the Australian Carbon Credits Units Scheme). The proposed definition of carbon credits in the GRI ED includes only carbon credits that are uniquely serialised;

---

1 AASB ED SR 1 includes three draft Australian Sustainability Reporting Standards (ASRS Standards):  
(a) [draft] ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information*, developed using IFRS S1 as the baseline but with a scope limitation to climate-related financial disclosures;  
(b) [draft] ASRS 2 *Climate-related Financial Disclosures*, developed using IFRS S2 as the baseline; and  
(c) [draft] ASRS 101 *References in Australian Sustainability Reporting Standards*, developed as a service standard that would be updated periodically to list the relevant versions of any non-legislative documents published in Australia and foreign documents that are referenced in ASRS Standards.



- b. including additional examples for types of carbon credit projects to better support interoperability between the proposals in the GRI ED and the IFRS Sustainability Disclosure Standards (e.g. in Guidance to CC-6-a and Table 4, to better align with IFRS S2 and [draft] ASRS 2 (i.e. paragraph 36(e)(iii)); and
- c. allowing the use of global warming potential (GWP) values from the Intergovernmental Panel on Climate Change (IPCC) 5th assessment report (AR5) when reporting greenhouse gas emissions to reduce compliance costs for entities that currently have jurisdictional reporting obligations that align with AR5 (e.g. Australian National Greenhouse and Energy Reporting Scheme legislation will likely not make reference to the latest IPCC assessment report until the international climate-related agreements against which the Australian Government reports are updated).

We also continue to encourage collaboration and alignment with the International Sustainability Standards Board (ISSB) wherever practicable. We are of the view that interoperability between the GRI Standards and the IFRS Sustainability Disclosure Standards should be prioritised.

The Appendix to this letter includes the AASB staff's comments on some of the questions asked in the consultation document.

If you have any questions regarding this letter, please do not hesitate to contact me or Siobhan Hammond, Director, AASB Sustainability Reporting ([shammond@aab.gov.au](mailto:shammond@aab.gov.au)).

Yours sincerely

Dr Keith Kendall  
Chair, Australian Accounting Standards Board



## Appendix

### AASB responses to selected questions raised in the *GRI Topic Standard Project for Climate Change – Climate Change Exposure Draft*

#### Question 1

Do you agree that the draft adequately covers the most relevant information to increase transparency on climate change-related impacts, including on just transition and biodiversity? Are there any critical contents missing or is there any information your organization is currently reporting on that is not reflected in this exposure draft?

Please explain and provide the line number that your comment relates to.

The AASB observed that the requirements related to an entity's emissions of ozone-depleting substances (Disclosure 305-6) and Nitrogen oxides (NO<sub>x</sub>), sulfur oxides (SO<sub>x</sub>), and other significant air emissions (Disclosure 305-7), which are currently included in GRI 305: Emissions (2016), have been omitted from the GRI ED.

The AASB understands that most ozone-depleting substances have been phased out under the *Montreal Protocol on Substances that Deplete the Ozone Layer*, 1987. However, some ozone-depleting substances with a high ozone-depleting potential are still used in quarantine and safety applications as no suitable alternative exists.<sup>2</sup> The AASB is of the view that these requirements remain relevant for certain entities.

The AASB understands that non-GHG emissions disclosures will be incorporated into the GRI Pollution Standard. We are supportive of this approach and consider retaining them within the suite of GRI Standards would be beneficial.

#### Question 2.1: CC-1 Transition plan for climate change mitigation

*Under this disclosure, organizations report information and impacts that result from the implementation of the transition plan.*

Are the requirements and associated guidance clear? If not, please explain why, and suggest any wording revisions or guidance. Please provide the line number that your comment relates to.

The AASB support the proposal in GRI ED to require entities to describe how the transition plan is in line with the latest scientific evidence on the global effort needed to limit global warming to 1.5°C, which is compatible with the Intergovernmental Panel on Climate Change (IPCC). This proposal aligns with one of the modifications the AASB is proposing to the baseline of IFRS S1 and IFRS S2 in AASB ED SR1. [Draft] ASRS 2 *Climate-related Financial Disclosures*, paragraph Aus22.1 in AASB ED SR1 proposes that entities make resilience assessments against at least two possible future states, one of which must be consistent with the most ambitious global temperature goal set in the *Australian Climate Change Act 2022* (i.e. 1.5°C above pre-industrial levels).

Although IFRS Sustainability Disclosure Standards do not specify the number or temperature requirements for assessing the climate resilience of the entity, the AASB is of the view that by specifying the minimum number of scenarios and the lower-temperature scenario consistent with the Paris Agreement would assist users in assessing an entity's resilience to climate-related transition risk (see paragraph BC51-54 of ED SR1).

2 Australian Government Department of Climate-Change, Energy, the Environment and Water, 'Ozone depleting substances', available at: <https://www.dcceew.gov.au/environment/protection/ozone/ozone-science/ozone-depleting-substances>.



### Question 2.6: CC-6 Carbon credits

*This disclosure aims to increase transparency on the use of carbon credits to avoid greenwashing, the adherence to the relevant quality criteria and impacts associated with the implementation of carbon credits projects.*

Are the requirements and associated guidance clear? If not, please explain why, and suggest any wording revisions or guidance. Please provide the line number that your comment relates to.

AASB is of the view that the requirements and associated guidance are clear. However, we recommend that the GSSB consider:

- a. expanding the definition to include carbon credit units issued under jurisdictional schemes that may not be uniquely serialised.

The AASB observed that the proposed definition of carbon credits in the GRI ED aligns with the IFRS Sustainability Disclosure Standards, which state that credit credits are uniquely serialised. However, as noted in paragraphs BC90–BC92 of ED SR 1, non-Kyoto Australian carbon credit units (ACCU) are not uniquely serialised. The AASB, therefore, is proposing to modify the definition of carbon credit in AASB ED SR1 (i.e. [draft] ASRS 2) to specify that carbon credits issued under the Australian Carbon Credits Units Scheme meet the definition of carbon credit to ensure non-Kyoto ACCUs can also be recognised as carbon credits in the context of the [draft] Standard.

- b. including additional examples for types of carbon credit projects (e.g. whether the underlying offset will be nature-based or based on technological carbon removals) in Guidance to CC-6-a and Table 4.

The proposed Guidance to CC-6-a and Table 4 in the GRI ED require an entity to provide a breakdown of the total carbon credits cancelled in the reporting period by type of project (i.e., whether the carbon credits were from GHG emissions reduction or removal activities), whereas IFRS S2 and [draft] ASRS 2 (i.e. paragraph 36(e)(iii)) would require the type of carbon credit and whether the underlying offset will be nature-based or based on technological carbon removals to be disclosed.

The AASB also observed that the GRI ED is proposing to focus only on carbon credits that have been cancelled during the reporting period, while IFRS S2 and [draft] ASRS 2 (i.e. paragraph 36(e)) require an entity to disclose only their planned use of carbon credits. While it does not raise a direct conflict, we question the focus on only cancelled carbon credits given that the use of carbon credits remains an important tool entities use when transitioning to a lower carbon economy. Such a scope difference in reporting could also lead to additional compliance costs for entities wanting to apply both GRI Standards and ASRS/IFRS Sustainability Disclosure Standards.



### Question 2.7: Disclosures GH-1, GH-2, GH-3, GH-4

*Disclosures on GHG emissions have been updated to ensure reporting requirements cover the latest insights of the ongoing revision process of the GHG Protocol Standards.*

Are the requirements and associated guidance in each of these disclosures clear? If not, please explain why, and suggest any wording revisions or guidance. Please provide the specific disclosure and line number that your comment relates to.

The GRI ED proposal requires organisations to convert GHG emissions into a CO<sub>2</sub> equivalent value using global warming potential (GWP) values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change (IPCC) assessment available at the reporting date.

The IPCC undertook its 6th assessment in 2023. Therefore, if an entity is preparing disclosures applying the proposals in the GRI ED, the entity would be required to convert GHG emissions using the GWP values in the IPCC 6th assessment report (AR6).

A key Australian stakeholder has informed the AASB that the reporting obligations for parties to the Paris Agreement require converting GHG emissions using the GWP values in the IPCC 5th assessment report (AR5).<sup>3</sup> The stakeholder commented that it is unlikely that the Paris Agreement reporting requirements would be amended in the near future to require the use of the GWP values in AR6. As such, the regulatory burden would increase for entities that currently have jurisdictional reporting obligations aligned with the Paris Agreement (e.g. Australian entities report under National Greenhouse and Energy Reporting (NGER) Scheme legislation<sup>4</sup>) to convert GHG emissions using the GWP values in AR5 when GRI Standards and IFRS Sustainability Standards require an entity to convert GHG emissions using the GWP values in AR6.

To avoid regulatory burden for Australian entities, the AASB is proposing adding paragraphs AusB22.1 and AusB22.2 to [draft] ASRS 2 to require an entity to convert GHG emissions using the GWP values in the IPCC assessment report identified in AR5 rather than AR6. In future, if the Paris Agreement and NGER Scheme legislation are updated to require the use of the GWP values in a different IPCC assessment report, only then will the AASB amend ASRS Standards to update that reference.

The AASB recommends that the GSSB consider allowing the use of AR5 GWP values when reporting GHG emissions to reduce compliance costs for entities that have reporting obligations to international agreements that align with AR5 but also wish to apply GRI Standards. Such an approach would also better support interoperability between GRI Standards and ASRS Standards.

3 See paragraph BC 70-72 of [ED SR 1](#).

4 NGER Scheme legislation includes:

- (a) the *National Greenhouse and Energy Reporting Act 2007*;
- (b) the *National Greenhouse and Energy Reporting Regulations 2008*; and
- (c) the *National Greenhouse and Energy Reporting (Measurement) Determination 2008*.



**Question 4**

*The exposure draft of the GRI Climate Change Standard includes informative tables to support organizations to report and disclose the information required.*

Are the tables clear? If not, please provide the table number, explain why and provide a proposal.

Overall, the AASB is of the view the tables included in the GRI ED are clear and would enhance comparability. As mentioned in the response to question 2.6 above, the AASB recommends the GSSB consider expanding Table 4 to include examples of additional types of carbon credit projects (e.g. whether the underlying offset will be nature-based or based on technological carbon removals).