CITY SWITCH

Mandatory **climate reporting** guide

Understand, navigate and prepare for mandatory climate reporting under Australian Sustainability Reporting Standards

Contents

1. Key topics and themes

What you will find

- Introduction to climate reporting and an overview of the Australian Sustainability Reporting Standards (ASRS) and its requirements
- How the ASRS requirements for larger businesses are likely to impact smaller businesses
- How all businesses can start preparing early
- Recommendations for managing data collection and sharing data between suppliers
- How to upskill, project manage and resource climate reporting before unpacking assurance requirements
- Learn the differences between limited and reasonable assurance and how businesses can set themselves up for successful assurance engagements

Key takeaways

1. Mandatory climate reporting will have wide-reaching impacts

2. Climate reporting extends beyond GHG emissions data alone

3. Businesses will need to upskill and resource ASRS workstreams to meet their compliance obligations

4. Preparing for assurance early is paramount to ensuring high quality disclosures

In summary

The introduction of mandatory climate reporting in Australia demonstrates a significant evolution in corporate governance, raising the compliance bar for thousands of businesses. Climate reporting will be held to the same standard as financial reporting.

Ultimately, mandatory climate reporting in Australia will help to make climate-related financial risks more transparent and businesses more accountable. It will also help businesses better plan for the impacts of climate change – exposing how it affects their business model and value chain.

2. Introduction to climate reporting

Why climate reporting is important for your business

Climate reporting is the process of disclosing a business's climate-related risks, opportunities and performance to stakeholders. This includes information on greenhouse gas (GHG) emissions, climate goals and targets, strategies, risk management, governance processes and the financial impacts of climate change on a business.

Its benefits include:

1. building confidence and trust among investors, customers and suppliers

2. supporting resilience across supply chains and strategic partnerships

3. enhancing stakeholder engagement, both internally and externally

4. demonstrating competitive advantage over peers and wider industry

5. ensuring compliance with national and international climate disclosure regulations

Links between climate reporting and financial reporting

Climate reporting is increasingly seen as an important financial and governance matter – not just an environmental or social issue. Effective and accurate climate disclosure allows financial stakeholders, such as shareholders, lenders and investors, to better understand the financial risks and opportunities that may affect a business's long-term viability, financial performance, business model, value chain and market valuation.

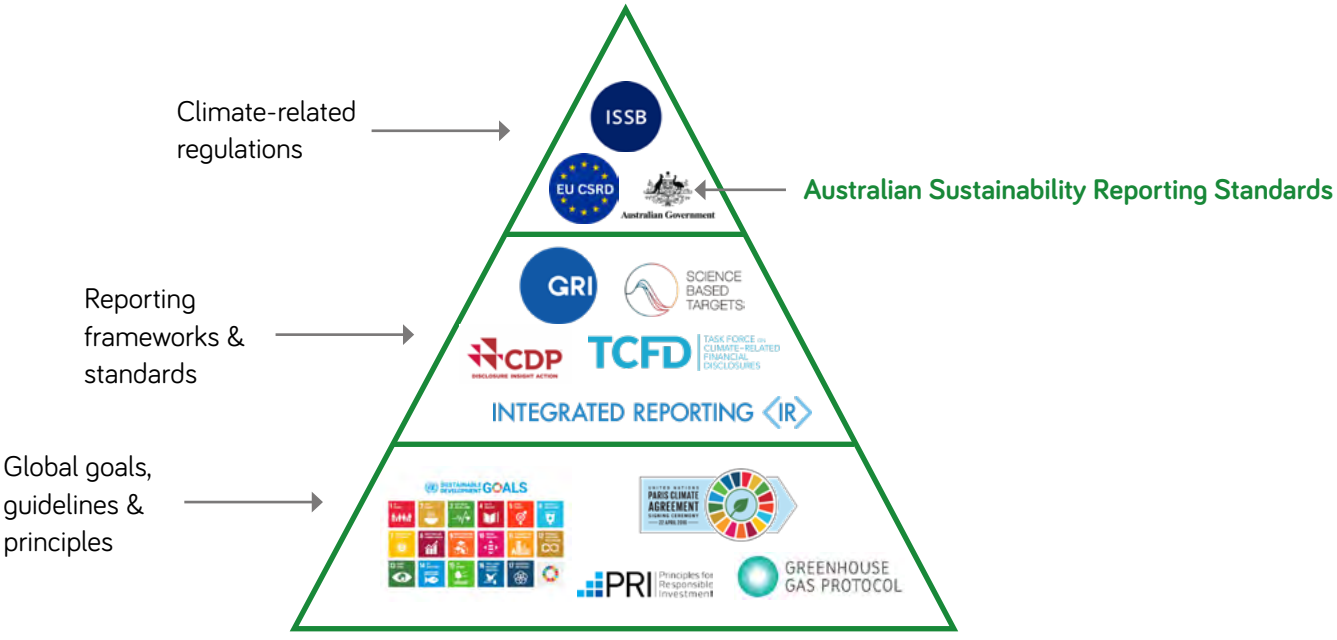
One key objective of publishing climate-related financial disclosures is to achieve comparability between businesses. This allows stakeholders to evaluate a company's climate risks, opportunities, strategies and performance when conducting due diligence, investing or lending capital, or informing acquisitions and divestments.

The outcome of linking financial reporting with climate disclosures helps businesses predict future impacts and make informed decisions about assets before the impacts are likely to be felt. The inclusion of climate factors in financial reporting aims to ensure companies are more resilient, while enhancing their ability to attract capital and succeed.

Essentially, climate reporting helps investors and stakeholders understand how environmental factors influence a company's financial health. This makes it a crucial part of modern corporate accountability.

The reason types of voluntary and mandatory reporting standards exist

There are many voluntary and mandatory climate reporting standards applied globally and some key standards and frameworks are relevant to Australian entities, detailed below.



<table>
<tr><th>Standard / Framework</th><th>Role of the Standard / Framework</th><th colspan="2">Relevant Climate Reporting Standards and Scope</th></tr>
<tr><td rowspan="2">International Sustainability Standards Board (ISSB)</td><td rowspan="2">The ISSB was established in 2021 by the International Financial Reporting Standards (IFRS) Foundation, which also oversees the International Accounting Standards Board (IASB). It was created to develop a comprehensive global baseline for sustainability-related financial disclosures, harmonising existing frameworks.</td><td>IFRS S1 – general requirements for disclosure of sustainability-related financial information.</td><td>IFRS S1 is a voluntary standard that provides general requirements for disclosing sustainability-related financial information across a broad range of topics. It is designed to help companies disclose the impacts of sustainability factors on their financial performance and position.</td></tr>
<tr><td>IFRS S2 – climate-related disclosures (incorporates and builds on the Task Force on Climate-related Financial Disclosures framework).</td><td>IFRS S2 is a mandatory standard specifically focused on climate-related risks and opportunities. It requires disclosures in areas such as governance, strategy, risk management, and metrics and targets. These disclosures are aligned with the Task Force on Climate-related Financial Disclosures (TCFD) and aim to help companies assess and report their exposure to climate-related financial risks.</td></tr>
<tr><td rowspan="2">Greenhouse Gas (GHG) Protocol</td><td rowspan="2">The GHG Protocol was launched in 1998 through a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). It sets out the carbon accounting standards businesses must follow when measuring and reporting their emissions across scope 1, scope 2 and scope 3 emissions.</td><td>Corporate Accounting and Reporting Standard</td><td rowspan="2">The GHG Protocol is often cited as the primary framework used globally as the basis for carbon accounting systems by corporations, governments, investors, non-governmental organisations (NGOs) and many other reporting and certification schemes – such as the Carbon Disclosure Project (CDP), Science Based Targets initiative (SBTi) and Climate Active. Importantly, the GHG Protocol must also be used as the methodology for calculating and disclosing emissions under the ASRS.</td></tr>
<tr><td>Corporate Value Chain (scope 3) Accounting and Reporting Standard</td></tr>
<tr><td>Taskforce on Climate-Related Financial Disclosures (TCFD)</td><td>TCFD is a framework developed by the Financial Stability Board (FSB) in 2015 to help improve and standardise how companies disclose climate-related financial information to inform investors and other stakeholders on the climate-related financial risks and opportunities, governance and performance.</td><td colspan="2">It focuses on disclosure in 4 key areas:
 

While developed as a voluntary framework, the use of TCFD-aligned disclosures has become mandatory in some regions.</td></tr>
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3. Overview of ASRS reporting requirements

The Australian Accounting Standards Board (AASB) has developed the ASRS to be aligned with and based on ISSB's IFRS S1 and S2 standards (see earlier summary) but tailored to fit Australia's legal and regulatory requirements.

The 2 key ASRS standards include:

- **AASB S1 – general requirements for disclosure of sustainability-related financial information**
- **AASB S2 – climate-related disclosures.**

AASB S1 is a **voluntary** standard (for now) that covers a broader range of sustainability topics and provides general requirements for disclosing sustainability-related financial information.

AASB S2 is a **mandatory** standard focused specifically on climate-related risks and opportunities. It addresses areas such as governance, strategy, risk management, and metrics and targets (similar to the TCFD framework). From 2025, the largest businesses captured under the legislation – based on criteria such as number of employees, annual revenue and asset value – are required to comply with its provisions under the Corporations Act.

Entities affected by the ASRS

In one of the biggest changes in a generation, businesses will now have to report on the risks and opportunities they face as the world focuses on decarbonisation and building climate resilience in the global economy. **While large businesses and financial institutions will be the first to report, impacts will also be felt by small and medium-sized businesses.**

Companies meeting at least 2 of these criteria must report:

	Group 1 January 2025	Group 2 July 2026	Group 3 July 2027
# of Employees	500+	250+	100+
Assets	$1B	$500M	$25M
Annual Revenue	$500M	$200M	$50M

Timeline – when the requirements come into effect

The start date for reporting is listed above for each of the 3 phased-in groups. As an example, Group 1 entities with a 1 July to 30 June reporting cycle will need to report on their FY2025/26 as their first year (that is, their first reports due to be published in 2026). And the first year for Group 3 entities will be FY2027/28 (disclosures published in 2028).

Businesses will now need to report on climate-related **risks** and **opportunities**.

Data and information to be disclosed under the ASRS

Under the ASRS, companies will be required to disclose a range of climate-related information, including:

Core content pillars	Summary of disclosure requirement	Why it is important	Who will need to be involved
Governance	**Oversight by governance bodies** and **management's role** in executing climate strategies and risks.	Improve accountability, management, and internal governance processes related to climate risks and opportunities.	Board, Board committees (such as Audit and Risk Committees), and internal sustainability working groups.
Strategy	Climate **risks and opportunities and their impact** on the business model, value chain, strategy, and financial planning.	Understand risks and opportunities that could impact on a business's financial performance and overall climate resilience.	Sustainability, finance, and risk teams with support from external subject matter experts if needed.
Risk Management	Processes used for **identifying, assessing, prioritising, and monitoring** climate-related risks.	Ensure robust risk management systems are in place and treated with the same importance as other types of risk.	Sustainability, finance, and risk teams with support from external subject matter experts if needed.
Metrics and Targets	**Scope 1, 2 and 3 emissions**, climate-related **financial metrics**, any **climate targets**, and any use of **carbon credits**.	Assess climate-related performance of the business, prioritise decarbonisation, and allow for comparability between time periods.	Sustainability, finance, procurement, and other operations teams.

Materiality defined

Materiality can refer to different aspects of climate reporting (there is a difference between material risks and opportunities versus material information).

The ASRS requires companies to disclose:

- All material financial risks and financial opportunities relating to climate
- material information as a whole.

The different between financial & double materiality:

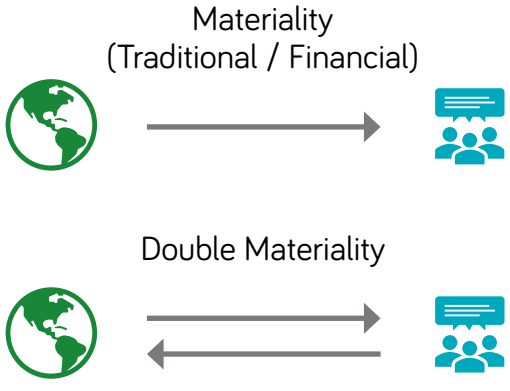
- Financial materiality (outside in)

  Considers the impact of external issues on the financial performance or future profitability of the organisation. It refers to any financial information that could influence the decisions of investors, shareholders, or other financial stakeholders.

- Impact materiality (inside out)

  Considers the impact of the organisation's operations on environment and social issues. It refers to how a company's actions affect the environment and society, and in turn, how these environmental and social issues can impact the company.

Double materiality therefore considers both the financial and impact materiality perspectives.



Determining materiality thresholds

When determining materiality thresholds for climate risks and opportunities:

- evaluate financial risks in the scenario analysis by considering potential impacts, risks, and opportunities on metrics such as profit margins or the sale of physical goods
- evaluate risks via their severity (scale, scope, irremediability) and their likelihood (a clear process)
- align climate risk with any standard existing financial risk models within the business.

Materiality considerations when determining relevant information:

- develop a clear criteria for determining material information such as relevance criteria based on the 'significance' of the information and its 'decision-usefulness'. This can inform the rationale for why something has been included or omitted from the report.

How the ASRS requirements impact smaller businesses

While smaller businesses may not be covered under the ASRS now, they could experience indirect impacts. For example, through supply chain requirements and scope 3 emissions reporting by larger entities. The scope 1 and scope 2 emissions of suppliers form the scope 3 emissions of their customers. Businesses required to report on their scope 3 data may start to request the scope 1 and 2 data from their suppliers. To improve the accuracy of their scope 3 data, Tier 1 companies in particular are moving away from using spend-based industry average data towards more accurate supplier-specific data.

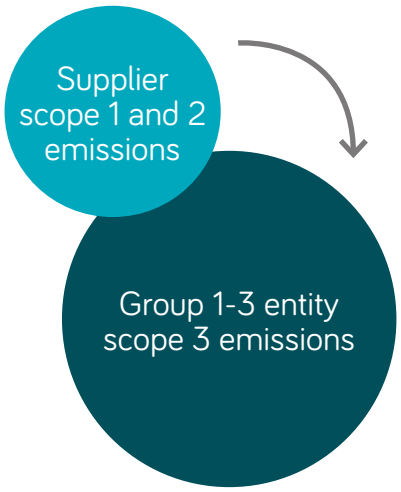
Service-based suppliers may need to report their scope 1 and 2 emissions data through either:

a) an average intensity metric (tCO2-e per/$ revenue) – so their customers can multiply their annual spend with the supplier by the intensity metric provided

b) calculating the total tCO2-e attributed to each customer – performing the calculation before sharing the data externally.

When sharing climate data between businesses, it will often be possible for those with access to the intensity metric to reverse-calculate the total revenue of the supplier. For example, when the intensity metric is shared alongside their gross scope 1 and 2 emissions as demonstrated in the worked example to the right.

As a result, you may need to consider extra risk protocols when sharing data, such as non-disclosure requirements. Consider how public you want your gross scope 1 and 2 emissions to be. Many people may need to embrace transparency and get comfortable with sharing financial information under these new circumstances.



Metric	Equation (worked example)
Supplier revenue	$2,000,000 AUD
Supplier gross scope 1 and 2 emissions	2,000 tCO2-e
Supplier intensity (scope 1 and 2)	$2,000,000 / 2,000 tCO2-e = 0.001 tCO2-e/$ revenue
Supplier scope 3 emissions (if customer spends $20k with the supplier)	0.001 tCO2-e x $20,000 = 20 tCO2-e
Calculating supplier revenue from emissions data	
The customer can backwards engineer to calculate supplier revenue	2,000 tCO2-e / 0.001 tCO2-e = $2,000,000
The customer only has access to their attributable data and the supplier's scope 1 and 2 emissions	(2,000 tCO2-e / 20 tCO2-e) x $20,000

If you sell physical goods, you'll need to focus on conducting life cycle assessments (LCAs) of your products (cradle-to-gate) and report this as the tCO2-e/unit of goods sold (most accurate) or the tCO2-e/$ of goods sold.

For more information on LCAs and how climate-related data of physical goods and products relates to a customer's scope 3 emissions, refer to the GHG Protocol's scope 3 category #2 and category #3 guidance:

- GHG Protocol Scope 3 Technical Guidance – Category 1: Purchased Goods and Services
- GHG Protocol Scope 3 Technical Guidance – Category 2: Capital Goods

While it may take some time for the flow-on demand for climate data to be felt by small and medium-sized businesses, if you sell to larger entities captured under Groups 1 to 3, start preparing early. Understand the requirements of the ASRS and then understand your own emissions profile.

How you can prepare

Preparing for the roll-out and flow-on effects of the ASRS will not only support ASRS-related workstreams and resourcing requirements but it will also build confidence among stakeholders. Find a summary of how to prepare below.

Not required to report (yet)

Examine your business's climate impacts and start tracking GHG emissions (in alignment with the GHG Protocol) if not already doing so. Stay current with evolving regulations and decide how you want to start integrating climate resilience into your business model.

Reporting now / soon (Groups 1-3)

Understand your current governance, climate risk, data management and policy/process gaps to give your business time to upskill, resource appropriately and improve on current practices before year 1 reporting. Consider support systems you will need to streamline processes and create a roadmap and gap analysis to determine what needs to be done by when.

4. Upskilling, project management and resourcing

Key upskilling requirements that your business needs

Internal sustainability champions, finance teams and accountants, procurement personnel, senior management – all stakeholders are likely to require some form of further training as the AASB S2 standard comes into force.

An example of different responsibilities and capabilities required for various roles is summarised below. Building knowledge and capabilities in these key areas will be a critical step to meet ASRS compliance with confidence.

Senior leadership responsibilities

Board

- Understand climate science and risk fundamentals.
- Oversee governance and control frameworks.
- Understand director's liabilities.
- Sign off on disclosures.

Board committees

- Update board charters.
- Put recommendations to the board.
- Oversee key aspects of the disclosures, such as executive remuneration.

C-suite

- Lead stakeholder communication.
- Oversee delegation of responsibilities and resourcing.
- Oversee quality assurance of climate disclosures.

Responsibilities of operational teams

Finance teams

- Integrate climate risks into financial planning.
- Work with sustainability teams to perform scenario analysis.
- Manage data management protocols and assurance.

Sustainability teams

- Build knowledge of finance concepts to link climate with financial metrics.
- Work with finance teams to perform scenario analysis.
- Manage climate strategies (transition plans and targets).

All employees

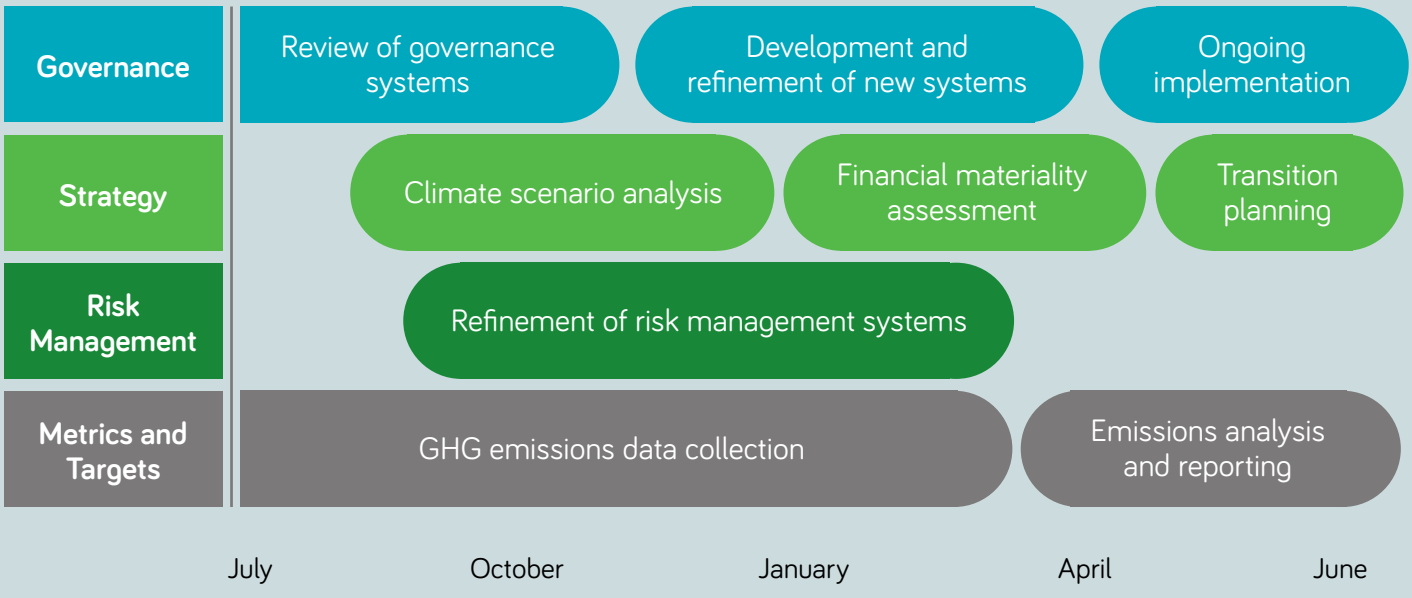
- Support data collection, internal communications activities, emissions reduction projects and policies.
- Foster culture of sustainability awareness.

What best practice ASRS project management looks like

In most circumstances, multiple climate-related tasks will need to be worked on concurrently through the year to meet reporting deadlines. For example, undertaking climate scenario analyses while also tracking emissions data.

The timeframes for managing emissions data will be different for each business. But most businesses will face similar challenges in finalising data before the end of a reporting period. You will often need to allow sufficient time to align with financial auditing and reporting timeframes.

This may require you to forecast Q4 data, rather than calculating it in arrears at the end of the reporting period. You will need to get comfortable with balancing data quality and integrity with data uncertainties. And you will need to make informed decisions based on the best available information at the time of reporting.



Resourcing requirements

Meeting reporting requirements will involve a collective team effort. Dividing responsibilities between internal resources will be key to achieving a manageable workload across reporting entities and meeting deadlines on time and on budget.

Internal stakeholder / resource	Indicative quantity of personnel involved in climate reporting
Board	All (minimum of 1 member upskilled on climate disclosures)
Board committees	All (minimum of 1 member upskilled on climate disclosures)
C-suite / Senior leadership team	1–2 (often the CFO)
Finance teams	3–4 (1–2 managing data collation and analysis, 1–2 managing internal reviews of data quality, completeness, accuracy and relevance)
Sustainability / Risk / Procurement / Operations teams	2–3 (various responsibilities from managing or supporting data collection processes, supplier and employee engagement, scenario analysis, transition planning, target-setting and implementation of reduction projects)
Employees / Operational staff	3–5 (support with data collection and the implementation of emissions reduction projects)

Indicative resourcing structure for Group 1–3 reporting entities.

Climate reporting involves a **collective team effort** and **collaboration with stakeholders.**

5. Ensuring disclosure and assurance-readiness

Best practices for reporting and finalising disclosures

Group 1–3 reporting entities should consider the following practices when preparing and finalising disclosures:

- ✓ Allow sufficient time for **internal reviews** and amendments.
- ✓ Ensure **directors** are equipped with knowledge on the **types of questions they should be asking** to ensure confidence.
- ✓ Engaging with **auditors early-on** in the process.
- ✓ Define **materiality thresholds early-on** – for both material risks, opportunities and information.
- ✓ Conduct a **compliance screening** to ensure all disclosures have been met (include an **index table mapping** relevant information in the report with the AASB S2 requirements).
- ✓ Conduct a **greenwashing risk review** of all terminology used and claims made.

Data assurance

Receiving assurance of climate disclosures is critical to ensuring the credibility and accountability of the disclosures, internal systems and emissions data. Assurance ensures that climate disclosures are held in the same regard as financial disclosures and managed with the same degree of rigour and scrutiny.

Ensuring climate disclosures, internal systems and GHG emissions data are fit-for-assurance is one of the most challenging areas for many businesses. But it doesn't need to be this way if teams are well informed and start working with auditors early – before your first year of mandatory reporting.

Key areas of uncertainty around assurance of climate disclosures relate to:

- the overarching level of information and documents to be audited
- what key principles businesses should adopt to ensure high quality data and processes that can be easily audited
- what the key differences are between limited and reasonable assurance.

Key assurance principles

There are 5 key principles behind characteristics of sustainability information, including emissions data, you should consider when preparing for sustainability assurance:

1. Relevance
2. Completeness
3. Reliability
4. Neutrality
5. Understandability

You can use these characteristics as a guide when developing climate data management plans and protocols and when making decisions about the quality of your emissions data and disclosures. Using these characteristics as part of an internal verification of climate data and wider disclosures can be a valuable practice for you to adopt as a screening step before your appointed auditors begin formal assurance procedures.

Understanding the differences between limited and reasonable assurance

While there are similarities between limited and reasonable assurance, they provide different conclusions based on the disclosures and information underpinning them. While there are different levels of data testing and investigations between the 2 assurance types, the key differences are that limited assurance will result in a negative conclusion while reasonable assurance will result in a positive one, shown in these examples below.

Key assurance takeaways

When you're evaluating if systems and data are ready for assurance you should ensure all methods are well documented. Auditors will also be looking for risks in continuity of processes, a mindset many auditors will encourage. As a result, you should always consider if an approach can be easily picked-up and carried-on by a new team member without substantial hand-over or commentary.

Key differences between limited and reasonable assurance		
Assurance level	Limited Assurance (similar to a financial review)	Reasonable Assurance (similar to a financial audit)
Goal	Reduce engagement risk to a level that is acceptable in the engagement circumstances, but where that risk is greater than for a reasonable assurance engagement, as a basis for expressing a limited assurance conclusion.	Reduce engagement risk to an acceptably low level in the circumstances of the engagement as the basis for expressing a reasonable assurance conclusion.

Source: Adapted from ISSA 5000 Implementation Guide – Sustainability Assurance

Businesses must ensure all methodologies are **clearly documented.**

When assurance is required

Assurance will be phased in, commencing with limited assurance on select disclosures in year 1, working up to reasonable assurance across all disclosures in year 4.

Years commencing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy - risks and opportunities	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate resilience / scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 & 2 emissions	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related metrics and targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

Source: Adapted from ASSA 5010 Australian Standard on Sustainability - Timeline for Audits and Reviews of Information in Sustainability Reports underthe Corporations Act 2001.

6. Tools and resources

Where to look for further guidance and inspiration

While mandatory climate reporting is a new practice in many jurisdictions, there are some places you can look for best practice examples.

IFRS guidance	The first IFRS S2 aligned reports are expected to be released in 2025 covering reporting periods beginning on or after 1 January 2024. Example IFRS S2 disclosures will be a helpful guide for those reporting under the ASRS, given the near-identical scope of the 2 standards.
TCFD precedents	Look at local, voluntary **TCFD reporting** – particularly from ASX listed companies such as superannuation funds and other financial services businesses. Many have published voluntary TCFD-aligned reports for several years.
New Zealand's CRD legislation	Look to **New Zealand's Climate-related Disclosures (CRD)** legislation, noting that the scope of these disclosures differs to the ASRS. NZ's CRD is based on the TCFD while the ASRS is based on the IFRS S2 standard.
Emerging CSRD reports	Look to climate disclosures within reports under the Corporate Sustainability Reporting Directive (CSRD) – noting more streamlined EU sustainability reporting requirements are likely to be finalised in 2025.

Helpful third-party guides and resources

Organisation / Body	Role and relevance for mandatory climate reporting
Australian Accounting Standards Board (AASB)	The AASB is responsible for developing and maintaining accounting standards for all sectors of the Australian economy. It has developed the ASRS, of which the first 2 standards are AASB S1 and AASB S2.
Australian Auditing and Assurance Standards Board (AUASB)	The AUASB is responsible for developing, issuing and maintaining auditing and assurance standards in Australia. It has developed 2 standards on sustainability assurance, mirroring the IAASB's ISSA 5000 standard.
International Auditing and Assurance Standards Board (IAASB)	The IAASB is the global body for the accountancy profession, that sets high-quality international standards for auditing, assurance, related services and quality management. It has created the International Standard on Sustainability Assurance – ISSA 5000 – which Australia's ASSA 5000 standard is based on.
Australian Securities and Investments Commission (ASIC)	Treasury provides advice to the Australian Government and implements policies and programs to achieve sustainable economic and fiscal outcomes. Treasury conducted a policy impact analysis on climate-related disclosures in 2023 and ran a public consultation process from 2022–2023.
Australian Competition and Consumer Commission (ACCC)	The ACCC is a national law enforcement agency that protects the rights of consumers and businesses in Australia. Its primary function is to promote competition and fair trading in the marketplace, benefiting consumers, businesses, and the community.
The Treasury (Australian Government)	Treasury provides advice to the Australian Government and implements policies and programs to achieve sustainable economic and fiscal outcomes. Treasury conducted a policy impact analysis on climate-related disclosures in 2023 and ran a public consultation process from 2022–2023.
Australian Institute of Company Directors (AICD)	The AICD is the peak organisation representing the interests of company directors in Australia. It offers comprehensive guidance for directors on climate governance and preparing for mandatory climate reporting. It has developed comprehensive reports, fact sheets, guides and online training courses to upskill directors on climate governance, risk, strategy, metrics and targets.
Australian Council of Superannuation Investors (ACSI)	The ACSI is an investor association that advocates for responsible investment practices, particularly related to environmental social and governance (ESG) issues, and supports members in exercising their ownership rights. It has examined corporate climate disclosures in the ASX200 looking at how companies disclose their climate-related risks and opportunities.

Glossary of key ASRS and climate reporting terminology

Key term	Definition
Carbon credit	An emissions unit issued by a carbon crediting program that represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.
Climate resilience	The capacity of a business to adjust to climate-related changes, developments or uncertainties. Climate resilience involves managing climate-related risks and benefits from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. A business's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties.
Climate-related physical risks	Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk).
Climate-related risks and opportunities	Climate-related risks refer to the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks. Climate-related opportunities refer to the potential positive effects arising from climate change for a business.
Climate-related transition plan	An aspect of a business's overall strategy that lays out the business's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its GHG emissions.
Climate-related transition risks	Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for a business, such as increased operating costs or asset impairment due to new or amended climate-related regulations.
CO_2 equivalent	The universal unit of measurement to indicate the global warming potential of each GHG, expressed in terms of the global warming potential of one unit of carbon dioxide. This unit is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.
Greenhouse gases	The 7 greenhouse gases listed in the Kyoto Protocol – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF_3), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).
Indirect greenhouse gas emissions	Emissions that are a consequence of the activities of a business but occur at sources owned or controlled by another business.

Internal carbon price	Price used by a business to assess the financial implications of changes to investment, production and consumption patterns, and of potential technological progress and future emissions-abatement costs. A business can use internal carbon prices for a range of business applications.
Latest international agreement on climate change	An agreement by states, as members of the United Nations Framework Convention on Climate Change, to combat climate change (Paris Agreement, December 2015).
Scope 1 greenhouse gas emissions	Direct greenhouse gas emissions that occur from sources that are owned or controlled by a business.
Scope 2 greenhouse gas emissions	Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by a business. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.
Scope 3 greenhouse gas emissions	Indirect greenhouse gas emissions that occur in the value chain of a business, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the 15 scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard (2011).
Business model	A business's system of transforming inputs through its activities into outputs and outcomes that aim to fulfil the business's strategic purposes and create value for the business and hence generate cash flows over the short, medium and long term.
General purpose financial reports	Reports that provide financial information about a reporting business that are useful to primary users in making decisions relating to providing resources to the business. General purpose financial reports include – but are not restricted to – a business's general purpose financial statements and sustainability-related financial disclosures.
Value chain	The full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life. This includes interactions, resources and relationships in the entity's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.

Source: Adapted from the AASB's AASB S2 Appendix A - Defined Terms.

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If you have any questions, email us at – cityswitch@cityofsydney.nsw.gov.au