

## Sustainability reporting – Educational modules

### Key terms

<b>AASB</b>	Australian Accounting Standards Board
<b>AASB S2</b>	AASB S2 <i>Climate-related Disclosures</i> . AASB S2 is the sustainability standard made by the AASB under s336A of the Corporations Act Note: AASB S2 is based on IFRS S2, issued by the ISSB.
<b>acute physical risk</b>	Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency Note: This is the definition in Appendix A of AASB S2.
<b>adaptation</b>	The process of adjusting to actual or expected climate and its effects to moderate harm (see IPCC definition for adaptation in human systems)
<b>adaptation communications</b>	Publication under the Paris Agreement by Parties which includes information on the country's priorities, implementation and support needs, plans and action
<b>adaptive capacity</b>	The ability to adapt to climate change by reducing risks and the likely impacts faced
<b>annual rate of global emissions</b>	This determines how quickly the remaining carbon budget will be used up
<b>anthropogenic global warming</b>	The increase in average global temperatures due to emissions derived from human activities
<b>ASIC</b>	Australian Securities and Investments Commission
<b>AUASB</b>	Australian Auditing and Assurance Standards Board
<b>business model</b>	An entity's system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the entity's strategic purposes and create value for the entity and hence generate cash flows over the short, medium and long term
<b>carbon capture and storage or CCS</b>	Technologies to capture and store carbon dioxide underground
<b>carbon capture, utilisation and storage or CCUS</b>	Technologies to capture and store carbon dioxide, and reuse the captured carbon in new products

<b>carbon cycle</b>	The exchange of carbon between the atmosphere, the ocean, living matter and land
<b>carbon dioxide equivalent or CO<sub>2</sub> equivalent</b>	<p>The universal unit of measurement to indicate the global warming potential of each greenhouse gas, 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</p> <p>Note: This is the definition in Appendix A of AASB S2.</p>
<b>carbon sink</b>	Natural or human processes, activities or mechanisms that remove a greenhouse gas from the atmosphere
<b>Chapter 2M</b>	A chapter of the Corporations Act, in this example numbered 2M
<b>chronic physical risk</b>	Risks resulting from climate change from longer-term shifts in climatic patterns. Chronic physical risks include changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity
<b>climate adaptation</b>	Measures to adjust to climate impacts
<b>climate mitigation</b>	Measures such as those to reduce or avoid greenhouse gas emissions
<b>climate-related transition risk</b>	<p>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 an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology</p> <p>Note: This is the definition in Appendix A of AASB S2.</p>
<b>climate resilience</b>	<p>The capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage 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. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, development and uncertainties</p> <p>Note: This is the definition in Appendix A of AASB S2.</p>
<b>climate statements</b>	Has the meaning given in s9 and s296A and s296B of the Corporations Act
<b>climate-related financial disclosures or information</b>	Information about an entity's climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or

	long term, including information about the entity's governance, strategy and risk management in relation to those risks and opportunities, and related metrics and targets
<b>climate-related metrics</b>	<p>Cross-industry metrics in relation to greenhouse gases, climate-related transition risks, climate-related physical risks, climate-related opportunities, capital deployment, internal carbon prices and remuneration</p> <p>Note: AASB S2 is based on IFRS S2, issued by the ISSB.</p>
<b>climate-related opportunities</b>	<p>The potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity</p> <p>Note: This is the definition in Appendix A of AASB S2.</p>
<b>climate-related physical risks</b>	Risks arising from the physical impacts of climate change (such as extreme weather events or sea level rise)
<b>climate-related risk or climate change risk</b>	The potential negative effects of climate change on an entity. They include physical risks and transition risks
<b>climate-related scenario analysis</b>	A method for exploring the climate-related risks and opportunities facing an entity and analysing its climate resilience
<b>climate-related targets</b>	<p>The quantitative and qualitative climate-related targets a reporting entity has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets</p> <p>Note: See paragraph 33 of AASB S2.</p>
<b>climate resilience</b>	<p>The capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and operational resilience to climate-related changes, developments and uncertainties</p> <p>Note: This is the definition in Appendix A of AASB S2.</p>
<b>Conference of the Parties (COP)</b>	<p>The Conference of the Parties (COP) is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements</p> <p>Note: This is the definition from the UNFCCC.</p>
<b>Corporations Act</b>	Corporations Act 2001, including regulations made for the purposes of the Act

<b>decarbonisation</b>	The process of reducing or eliminating greenhouse gas emissions from human activities.
<b>directors</b>	Refers collectively to directors of: <ul style="list-style-type: none"> <li>• companies</li> <li>• responsible entities</li> <li>• retail CCIVs, and</li> <li>• RSE licensees</li> </ul>
<b>directors' declaration</b>	Has the meaning given in s296A(6), or s296A(6) as modified by s1707C (as applicable) of the Corporations Act
<b>emission factor</b>	A factor that allows greenhouse gas emissions to be estimated from a unit of available activity data
<b>emissions accounting</b>	The process of measuring and reporting an entity's greenhouse gas emissions
<b>emissions gap</b>	Difference between the greenhouse gas emissions reductions needed to limit global warming and the expected emissions reductions under each country's NDC
<b>emissions reporting boundary</b>	The emissions reporting boundary (also known as inventory boundary) determines what greenhouse gas emissions will be included in an entity's calculations
<b>enhanced transparency framework</b>	Guidelines on how Parties to the Convention should report their progress against the Paris Agreement
<b>financed emissions</b>	The portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty. These emissions are part of Scope 3 Category 15 (investments) as defined in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) Note: This is the definition in Appendix A of AASB S2.
<b>financial report</b>	The documents referred to in ss 292, 293, 294, 294A, 294B or 302 of the Corporations Act—that is, financial statements, notes to the financial statements and the directors' declaration about the statements and notes Note: This is reflected in the definition of 'financial report' in s9 of the Corporations Act.
<b>fossil fuels</b>	A source of energy, and include coal, oil and gas

<b>global carbon budget</b>	The total greenhouse gas emissions that can be emitted into the atmosphere to limit global warming to a given level, with a given probability. The global carbon budget takes into account CO <sub>2</sub> emissions and global warming attributed to non-CO <sub>2</sub> emissions
<b>global stocktake</b>	An assessment of global progress on climate action
<b>global warming potential</b>	A factor describing the radiative force (degree of harm to the atmosphere) of one unit of a given greenhouse gas relative to one unit of CO <sub>2</sub>  Note: This is the definition in Appendix A of AASB S2.
<b>greenhouse effect</b>	The effect of greenhouse gases acting as a blanket, trapping heat in the atmosphere and warming Earth's surface, providing the conditions for life
<b>greenhouse gas</b>	Gases that are released into the atmosphere through human activities and natural processes. There are seven key greenhouse gases: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride
<b>greenhouse gas emissions</b>	Refers to Scope 1 greenhouse gas emissions, Scope 2 greenhouse gas emissions and Scope 3 greenhouse gas emissions
<b>GHG Protocol Corporate Standard</b>	<i>Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard</i> (2004), issued by the Greenhouse Gas Protocol
<b>GHG Protocol Scope 3 Standard</b>	<i>Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard</i> (2011), issued by the Greenhouse Gas Protocol
<b>greenhouse gas sink</b>	Natural or human processes, activities or mechanisms that remove a greenhouse gas from the atmosphere
<b>IFRS S2</b>	<i>IFRS S2 Climate-related Disclosures</i> , issued by the ISSB
<b>indirect greenhouse gas emissions</b>	Emissions that are a consequence of the activities of an entity, but occur at sources owned or controlled by another entity  Note: This is the definition in Appendix A of AASB S2.
<b>inventory boundary</b>	The inventory boundary (also known as emissions reporting boundary) determines what greenhouse gas emissions will be included in an entity's calculations
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>ISSB</b>	International Sustainability Standards Board

<b>Kyoto Protocol</b>	Adopted at the 3rd Conference of the Parties, it is a binding set of greenhouse gas emission reductions targets
<b>National Adaptation Plan</b>	The National Adaptation Plan is a framework for adapting to the physical climate risks that are nationally significant
<b>Nationally Determined Contributions or NDCs</b>	Targets and actions that a country sets for reducing greenhouse gas emissions and adapting to climate change under the Paris Agreement
<b>net zero carbon dioxide emissions</b>	When carbon dioxide emissions to Earth's atmosphere from human activities are balanced by carbon dioxide removals from Earth's atmosphere from human activities over a specified period
<b>operational boundary</b>	<p>The boundaries that determine the direct and indirect emissions associated with operations owned or controlled by the reporting company. This assessment allows a company to establish which operations and sources cause direct and indirect emissions, and to decide which indirect emissions to include that are a consequence of its operations</p> <p>Note: This is the definition from the GHG Protocol Corporate Standard</p>
<b>organisational boundary</b>	<p>The boundaries that determine the operations owned or controlled by the reporting company, depending on the consolidation approach taken (equity or control approach)</p> <p>Note: This is the definition from the GHG Protocol Corporate Standard</p>
<b>Paris Agreement</b>	An international treaty adopted in 2015 under the UNFCCC, aimed at strengthening the global response to climate change. It commits signatory countries to take action to limit the increase in global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit warming to 1.5°C
<b>ratchet mechanism</b>	The requirement for each nationally determined contribution round to include higher levels of ambition than the previous round
<b>remaining carbon budget</b>	<p>the total net amount of carbon dioxide that can still be emitted by human activities while limiting global warming to a specified level (e.g., 1.5°C above pre-industrial levels)</p> <p>Note: This is the definition from the IPCC.</p>
<b>reporting entity</b>	<p>An entity that is required to prepare a sustainability report under s292A</p> <p>Note: Where a registered scheme is required to prepare a sustainability report under 292A, the responsible entity of the registered scheme is responsible for the performance of those obligations: s285(3). Where an RSE is required to prepare a</p>

	sustainability report under s292A, the RSE licensee is responsible for the performance of those obligations: s285(3A) and s345AAA
<b>RG 280 (for example)</b>	An ASIC regulatory guide numbered 280, in this example named <i>Sustainability reporting</i>
<b>risk transmission</b>	How a climate related risk in one part of the world can ripple through international value changes and impact entities elsewhere, even if those entities are not directly exposed to the original climate hazard
<b>S292A (for example)</b>	A section of the Corporations Act (in this example numbered 292A), unless otherwise specified
<b>scenario analysis</b>	A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty
<b>Scope 1 greenhouse gas emissions</b>	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity Note: This is the definition in Appendix A of AASB S2.
<b>Scope 2 greenhouse gas emissions</b>	Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity.  Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated Note: This is the definition in Appendix A of AASB S2.
<b>Scope 3 categories</b>	Scope 3 greenhouse gas emissions are categorised into these 15 categories—as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011): (1) purchased goods and services (2) capital goods (3) fuel- and energy-related activities not included in Scope 1 or Scope 2 greenhouse gas emissions (4) upstream transportation and distribution (5) waste generated in operations (6) business travel (7) employee commuting (8) upstream leased assets (9) downstream transportation and distribution (10) processing of sold products (11) use of sold products (12) end-of-life treatment of sold products (13) downstream leased assets (14) franchises, and

	(15) investments Note: This is the definition in Appendix A of AASB S2.
<b>Scope 3 greenhouse gas emissions</b>	Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) Note: This is the definition in Appendix A of AASB S2.
<b>sustainability report</b>	An annual sustainability report required under s292A of the Corporations Act. Note: This is the definition in s9 of the Corporations Act.
<b>sustainability reporting thresholds</b>	The thresholds set out in ss292A(3), 292A(5) and 292A(6) of the Corporations Act
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>value chain</b>	The full range of interactions, resources and relationships related to a reporting entity's business model and the environment in which it operates Note: This is the definition in Appendix A of AASB S2.