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# Exposure Draft

IFRS<sup>®</sup> Sustainability Disclosure Standard

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## **[Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements**

Volume B61—Airlines

Comments to be received by 29 July 2022



This industry from Appendix B Industry-based disclosure requirements accompanies the Exposure Draft ED/2022/S2 *Climate-related Disclosures* (published March 2022; see separate booklet). It is published by the International Sustainability Standards Board (ISSB) for comment only. Comments need to be received by 29 July 2022 and should be submitted by email to [commentletters@ifrs.org](mailto:commentletters@ifrs.org) or online at <https://www.ifrs.org/projects/open-for-comment/>.

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## Introduction

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*This volume is part of Appendix B of [draft] IFRS S2 Climate-related Disclosures and is an integral part of that [draft] Standard. It has the same authority as the other parts of that [draft] Standard.*

This volume sets out the requirements for identifying, measuring and disclosing information related to an entity's significant climate-related risks and opportunities that are associated with specific business models, economic activities and other common features that characterise participation in this industry.

The industry-based disclosure requirements are derived from SASB Standards (see paragraphs B10–B12 of [Draft] IFRS S2 *Climate-related Disclosures*). Amendments to the SASB Standards, described in paragraph B11, are marked up for ease of reference. New text is underlined and deleted text is struck through. The metric codes used in SASB Standards have also been included, where applicable, for ease of reference. For additional context regarding the industry-based disclosure requirements contained in this volume, including structure and terminology, application and illustrative examples, refer to Appendix B paragraphs B3–B17.

## Airlines

### Industry Description

The Airlines industry is comprised of companies that provide air transportation globally to passengers for both leisure and business purposes. This includes commercial full-service, low-cost, and regional airlines. Full-service carriers typically use a hub-and-spoke model to design their routes within countries and internationally. Low-cost carriers usually offer a smaller number of routes as well as no-frills service to their customers. Regional carriers typically operate under contract to full-service carriers, expanding the network of the larger carriers. Many airline companies also have a cargo segment in their operations from which they generate additional revenue. It is common within the industry for companies to form partnerships or join alliances in order to increase network size. Operating as an alliance allows airlines to offer customers access to international or otherwise underserved itineraries on multiple airlines under one ticket. At the same time, airlines share some overhead costs and increase their competitive position in the global market without having to operate outside their home country.

### Sustainability Disclosure Topics & Metrics

**Table 1. Sustainability Disclosure Topics & Metrics**

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO <sub>2</sub> -e	TR-AL-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	TR-AL-110a.2
	(1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable	Quantitative	Gigajoules (GJ), Percentage (%)	TR-AL-110a.3

**Table 2. Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Available seat kilometers (ASK) <sup>112</sup>	Quantitative	ASK	TR-AL-000.A
Passenger load factor <sup>113</sup>	Quantitative	Rate	TR-AL-000.B
Revenue passenger kilometers (RPK) <sup>114</sup>	Quantitative	RPK	TR-AL-000.C

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<sup>112</sup> Note to TR-AL-000.A – Available seat kilometers (ASK) is defined as the maximum potential cumulative kilometers traveled by passengers (i.e., kilometers traveled by occupied and unoccupied seats).

<sup>113</sup> Note to TR-AL-000.B – Load factor is a measure of capacity utilization and is calculated as passenger kilometers traveled divided by available seat kilometers.

<sup>114</sup> Note to TR-AL-000.C – Revenue passenger kilometers (RPK) is defined as the cumulative total kilometers traveled by revenue passengers. A revenue passenger is passenger for whose transportation an air carrier receives commercial remuneration.

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ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Revenue ton kilometers (RTK) <sup>115</sup>	Quantitative	RTK	TR-AL-000.D
Number of departures	Quantitative	Number	TR-AL-000.E
Average age of fleet	Quantitative	Years	TR-AL-000.F

<sup>115</sup> Note to TR-AL-000.D – Revenue ton kilometers (RTK) is defined as one metric ton of revenue traffic transported one kilometer. RTK is computed by multiplying the aircraft kilometers flown on each flight stage by the number of metric tons of revenue traffic carried on that flight stage (e.g., passengers, baggage, freight, and mail).

## Greenhouse Gas Emissions

### Topic Summary

As a result of its heavy reliance on hydrocarbon fuels, the Airlines industry generates a significant amount of emissions, over 99 percent of which are in the form of carbon dioxide (CO<sub>2</sub>). The industry is thus subject to compliance costs and risks associated with climate change mitigation policies. The main sources of greenhouse gas (GHG) emissions for airlines companies are aircraft fuel use and emissions, ground equipment, and facility electricity. Aircraft fuel use is the largest contributor to total emissions from the industry, and fuel management is a critical part of reducing emissions. Management of the environmental impacts of fuel usage includes increasing fuel efficiency through fleet upgrades, retrofits, and optimization of flight speed and route design as well as and incorporating alternative and sustainable fuels. These initiatives require capital expenditures, but in the long-run can reduce fuel costs and decrease a company's exposure to the risks of GHG emissions programs and regulations.

### Metrics

#### *TR-AL-110a.1. Gross global Scope 1 emissions*

- 1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>).
  - 1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalent (CO<sub>2</sub>-e), and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (2014).
  - 1.2 Gross emissions are GHGs emitted into the atmosphere before accounting for offsets, credits, or other similar mechanisms that have reduced or compensated for emissions.
- 2 Scope 1 emissions are defined and shall be calculated according to the methodology contained in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (GHG Protocol), Revised Edition, March 2004, published by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD).
  - 2.1 Acceptable calculation methodologies include those that conform to the GHG Protocol as the base reference, but provide additional guidance, such as industry- or region-specific guidance. Examples include, but are not limited to:
    - 2.1.1 *GHG Reporting Guidance for the Aerospace Industry* published by International Aerospace Environmental Group (IAEG)

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- 2.1.2 Greenhouse Gas Inventory Guidance: Direct Emissions from Stationary Combustion Sources published by the U.S. Environmental Protection Agency (EPA)
- 2.1.3 India GHG Inventory Program
- 2.1.4 ISO 14064-1
- 2.1.5 Petroleum Industry Guidelines for reporting GHG emissions, 2nd edition, 2011, published by IPIECA
- 2.1.6 Protocol for the quantification of greenhouse gas emissions from waste management activities published by Entreprises pour l'Environnement (EpE)
- 2.2 GHG emissions data shall be consolidated and disclosed according to the approach with which the entity consolidates its financial reporting data, which is generally aligned with the “financial control” approach defined by the GHG Protocol, and the approach published by the Climate Disclosure Standards Board (CDSB) described in REQ-07, “Organisational boundary,” of the *CDSB Framework for reporting environmental information, natural capital and associated business impacts* (April 2018).
- 3 The entity may discuss any change in its emissions from the previous reporting period, including whether the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.
- 4 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the entity may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.
- 5 The entity may discuss the calculation methodology for its emissions disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, or mass balance calculations.

### *TR-AL-110a.2. Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets*

- 1 The entity shall discuss its long-term and short-term strategy or plan to manage its Scope 1 greenhouse gas (GHG) emissions.
  - 1.1 Scope 1 emissions are defined according to *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (GHG Protocol), Revised Edition, March 2004, published by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD).
  - 1.2 The scope of GHG emissions includes the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>).

- 2 The entity shall discuss its emission reduction target(s) and analyze its performance against the target(s), including the following, where relevant:
  - 2.1 The scope of the emission reduction target (e.g., the percentage of total emissions to which the target is applicable);
  - 2.2 Whether the target is absolute- or intensity-based, and the metric denominator, if it is an intensity-based target;
  - 2.3 The percentage reduction against the base year, with the base year representing the first year against which emissions are evaluated toward the achievement of the target;
  - 2.4 The timelines for the reduction activity, including the start year, the target year, and the base year;
  - 2.5 The mechanism(s) for achieving the target; and
  - 2.6 Any circumstances in which the target or base year emissions have been, or may be, recalculated retrospectively or the target or base year has been reset.
- 3 The entity shall discuss the activities and investments required to achieve the plans and/or targets, and any risks or limiting factors that might affect achievement of the plans and/or targets.
  - 3.1 Relevant activities and investments may include, but are not limited to, fuel optimization efforts such as the use of ground power and pre-conditioned air rather than auxiliary power units (APU) when parked at gate, adjusting flight speed to optimize fuel efficiency, route design (e.g., NextGen), use of winglets, reduction in aircraft weight, and upgrading of the fleet with new aircraft.
- 4 The entity shall discuss the scope of its strategies, plans, and/or reduction targets, such as how they relate to different business units, geographies, or emissions sources.
- 5 The entity shall discuss whether its strategies, plans, and/or reduction targets are related to, or associated with, emissions limiting and/or emissions reporting-based programs or regulations (e.g., the EU Emissions Trading Scheme, Quebec Cap-and-Trade System, California Cap-and-Trade Program), including regional, national, international, or sectoral programs.
- 6 Disclosure of strategies, plans, and/or reduction targets shall be limited to activities that were ongoing (active) or reached completion during the reporting period.

*TR-AL-110a.3. (1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable*

- 1 The entity shall disclose (1) the total amount of fuel consumed from all sources as an aggregate figure, in gigajoules (GJ).
  - 1.1 The calculation methodology for fuel consumed shall be based on actual fuel consumed as opposed to design parameters.

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- 1.2 Acceptable calculation methodologies for fuel consumed include, but are not limited to, methodologies based on:
  - 1.2.1 Adding fuel purchases made during the reporting period to beginning inventory at the start of the reporting period, less any fuel inventory at the end of the reporting period
  - 1.2.2 Tracking fuel consumed by vehicles
  - 1.2.3 Tracking fuel expenses
- 2 The entity shall disclose (2) the percentage of fuel consumption that is alternative fuel.
  - 2.1 Alternative fuel is defined by the International Civil Aviation Organization (ICAO) as fuel from sources other than petroleum that has the potential to generate lower carbon emissions than petroleum-based fuel on a life cycle basis.
  - 2.2 The percentage shall be calculated as the amount of alternative fuel consumed (in GJ) divided by the total amount of fuel consumed (in GJ).
- 3 The entity shall disclose (3) the percentage of fuel consumed that is sustainable fuel.
  - 3.1 Sustainable fuel is defined as a subset of alternative fuel that meets all of the following criteria described by ICAO:
    - 3.1.1 Achieves net greenhouse gas (GHG) emissions reduction on a life cycle basis;
    - 3.1.2 Avoids competition with food and water through utilization of marginal or unviable land; and
    - 3.1.3 Contributes to local social and economic development, such as through expanded employment and revitalized infrastructure.
  - 3.2 The percentage shall be calculated as the amount of sustainable fuel consumed (in GJ) divided by the total amount of fuel consumed (in GJ).
- 4 The scope of disclosure is limited to fuel directly consumed by the entity. In calculating energy consumption from fuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change, the U.S. Department of Energy, or the U.S. Energy Information Agency.
- 5 The entity shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels).