Responsible Investment Association Australasia

Submission – EDSR1 – AASB Sustainability Reporting Exposure Draft

1 March 2024

Overview

The Responsible Investment Association Australasia (RIAA) thanks the Australian Accounting Standards Board (AASB) for the opportunity to comment on the Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information, comprising three draft Australian Sustainability Reporting Standards (Draft Standards or, when finalised, ASRS):

a) [draft] ASRS 1 General Requirements for Disclosure of Climate-related Financial Information;
b) [draft] ASRS 2 Climate-related Financial Disclosures; and
c) [draft] ASRS 101 References in Australian Sustainability Reporting Standards.

RIAA commends the AASB in bringing together the first Australian sustainability standards, as it does the Australian Government in embarking on this path. RIAA and its members acknowledge the significance of the AASB's task, operating under an expanded remit with tight deadlines due to legislative requirements. RIAA was an early supporter of the AASB assuming the role of standard-setter in the area of sustainability disclosures alongside its responsibility as accounting standard-setter. We will continue to advocate for a well-funded, properly resourced AASB to develop and implement the new standards.

We stress the importance of globally aligned, robust disclosure standards to positioning Australia's economy in the current global climate. Existing and potential investors, lenders and other creditors need high-quality, comprehensive, comparable information about companies to make decisions about where to direct capital to align with both financial and sustainability objectives. Internationally, company sustainability reporting is developing rapidly. Climate disclosures, provided they are harmonised with leading global developments and cover an appropriate range of entities, will play a key part in supporting Australian markets in the transition to a net zero economy. They will send a strong signal that Australia is one of a growing number of countries that acknowledge the significance of accurate and useable sustainability information in markets through the climate transition. This will in turn attract capital to Australia. This disclosure regime is critical for the competitiveness of key Australian industries into the future.

It is in this context that, taking the Draft Standards as is, RIAA does not support the proposals as a whole. Fundamentally, we are concerned about the extent to which the Draft Standards:

a) depart from the global baseline set by the International Sustainability Standards Board (ISSB), which threatens the international alignment and interoperability of the disclosure; and
b) narrow the application to climate only, when a number of significant markets are fast developing sustainability reporting outside of climate.

RIAA will continue to work closely with the Australian Government and AASB to ensure that the mandatory climate-related financial disclosure regime, underpinned by the Australian Sustainability Reporting Standards, is a success both at home and overseas.

RIAA draws the AASB's attention to the following, related RIAA policy submissions:

- Submission – Climate-related financial disclosure: exposure draft legislation (February 2024)
- 20230719-RIAA-submission-Climate-Disclosures-2.pdf (June 2023)
- RIAA-submission-to-the-ISSB.pdf (responsibleinvestment.org)
- Submission: International Sustainability Standards Board (September 2023)
- 20220715-RIAA-comments-ED-321-ISSB-Standards.pdf (responsibleinvestment.org)
- Submission: Climate-related financial disclosure (February 2023)

About RIAA

The Responsible Investment Association Australasia champions responsible investing and a sustainable financial system in Australia and Aotearoa New Zealand. It is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

RIAA has more than 500 members and represents US$29 trillion in assets under management (AUM) globally, making it by far the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Our membership includes super funds, KiwiSaver providers, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals. RIAA's membership makes up 75% of all managed funds in Australia.

RIAA achieves its mission through:

a) providing a strong voice for responsible investors in the region, including influencing policy and regulation to support long-term responsible investment and sustainable capital markets;
b) delivering tools for investors and consumers to better understand and navigate responsible investment products and advice, including running the world's first and longest-running fund certification program and the online consumer tool Responsible Returns;
c) supporting continuous improvement in responsible investment practice among members and the broader industry through education, benchmarking and promotion of best practice and innovation;
d) acting as a hub for our members, the industry and stakeholders to build capacity, knowledge and collective impact; and
e) being a trusted source of information about responsible investment.

RIAA's key positions

International alignment and interoperability are fundamental

RIAA has been a strong advocate of international alignment through the adoption of the global baseline framework established by the ISSB. RIAA was an early supporter of mandatory climate-related disclosure and of the ISSB.

We have significant concerns in relation to the Draft Standards and the compromise to international alignment as a result of the changes made to IFRS S1 Sustainability Disclosure Standard: *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 Sustainability Disclosure Standard: *Industry-based Guidance on implementing Climate-related Disclosures* (IFRS S2) (together, ISSB Standards). In particular, we encourage the AASB to review the Draft Standards and take an additive approach to the ISSB Standards, in lieu of removing certain standards. The ISSB has encouraged a 'building blocks' approach to national implementation of the

ISSB baseline,[1] which allows Australia to mandate more practical and effective requirements which are consistent with, but go over and above, the baseline.

The Draft Standards should account for all sustainability factors, akin to IFRS S1

The regulatory framework established for climate disclosures must be able to incorporate other sustainability disclosures standards in future. This would ensure Australia's regulatory framework continues to provide alignment with the likely direction of the ISSB and key overseas markets, and better equip investors to understand companies' broader sustainability risks and commitments, as well as make it easier for companies and investors to comply.

The broader sustainability risks of companies, and the extent of their commitment to the Sustainable Development Goals (SDGs), are increasingly linked to company performance. For example, the Taskforce on Nature-related Financial Disclosure (TNFD) is already starting to lift investors' and companies' understanding of the critical nature of biodiversity risks and opportunities for a range of industries. More stark examples are the Juukan Gorge and Rana Plaza disasters, which demonstrated that a company's impact on communities, and breaches of human rights, pose significant risks to investors and are intrinsically linked to the company's value.

IFRS S1 is necessarily applicable to a broad range of sustainability topics to allow for further additional standards within this disclosure framework. This appears to be broadly following the direction of the EU, where European Sustainability Reporting Standards are being phased in and will cover an array of sustainability topics beyond climate change.

Specific matters for comment

Presenting the core content of IFRS S1 in [draft] ASRS Standards

1) *In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer Option 1, 2, 3 or a different approach?*
   - *Option 1 – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2.*
   - *Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards.*
   - *Option 3 – two ASRS Standards, by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1 (which is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in this Exposure Draft).*

RIAA does not support the options provided by in the Draft Standards, all of which, to a different degree:

- move away from the global baseline set by the ISSB Standards;
- risk Australian investors not being able to compete on equal footing with global markets; and
- overly narrow the application of the standards to climate, noting that sustainability naturally includes climate.

[1] issb-webinar-presentation-april-2022.pdf (ifrs.org)

RIAA recommends that (similar to Option 2) the AASB adopts IFRS S1 and IFRS S2 in separate standards where (unlike Option 2) the first standard is not limited to only climate. Any changes made to account for the Australian context should be additive and appropriately reflect the ambition expressed by the Australian Government in its Sustainable Finance Strategy to be a leader in sustainability.[2]

While the Australian Government is focused on first implementing mandatory reporting for climate-related financial disclosure, it is inadvisable to develop sustainability reporting standards that are so rigid as to only apply to climate, as currently drafted in the ASRS 1. Proper alignment with global standards must be maintained for investors who are likely to be reporting in multiple jurisdictions as well as avoiding unnecessary additional reporting burden for investors who are looking to invest in Australia's transition to a net-zero economy.

RIAA agrees that Option 1 is undesirable as it would require renewed due process for each additional sustainability-related reporting topic but submits that this issue also manifests for the proposed Option 2 and Option 3 which limit IFRS S1 to climate. It is widely accepted that other sustainability factors will need to be included in the future with issues such as nature-related reporting currently progressing faster than the early days of climate reporting.[3] Globally, markets are incorporating and building out reporting frameworks for issues beyond climate.[4] Domestically, Australia already has mandatory reporting on non-climate sustainability factors – for example, the *Modern Slavery Act 2015* and *Workplace Gender Equality Act 2012*. Further, it is important to recognise both the urgency of the climate crisis and the interrelated nature of all sustainability factors,[5] to ensure that reporting frameworks introduced for climate are sufficiently flexible to expediently account for the known expansion of non-climate sustainability reporting obligations in the future. Where new sustainability topics are incorporated into the mandatory disclosure obligations, substantive changes will need to be made to the standards as they are currently drafted.

Overly restrictive drafting, as per the current draft, is unnecessary for the operation of the standards within the new proposed disclosure obligations. This is because sustainability is sufficiently broad to capture 'climate' and allows for the Australian reporting requirements to be 'climate first' but not 'climate only', as articulated in the Australian Government Draft Sustainable Finance Strategy.[6] This can be achieved through incorporating relevant climate-related content from ASRS 1 to ASRS 2, retaining the voluntary nature of ASRS 1 and mandatory nature of ASRS 2.

Finally, we accept that it is preferable to not have unnecessary duplication in authorised publications such as standards. However, there are times where seeking to avoid repetition further complicates and confuses the ultimate goal. RIAA submits that avoiding duplication should not be the primary goal and that, with an area as complex as sustainability, repeated sections may make it easier to follow, particularly for those who are preparing sustainability reports and engaging with the accounting standards for the first time.

Conceptual frameworks

2) *Do you agree with the AASB's approach to make references to its* Conceptual Framework for Financial Reporting *(in respect to for-profit entities) and the* Framework for the Preparation and Presentation of Financial Statements *(in respect to not-for-profit entities) instead of duplicating definitions and contents of those Frameworks in [draft] ASRS 1 and [draft] ASRS 2?*

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[2] Page 7, Draft Sustainable Finance Strategy, Australian Government
[3] Getting started with adoption of the TNFD recommendations The Taskforce on Nature-related Financial Disclosures https://tnfd.global › uploads › 2023/09 › Getting...
[4] E.g. Global Reporting Initiative (GRI) Standards; European Sustainability Reporting Standards (ESRS)
[5] Page 10, RIAA's submission on the Draft Sustainable Finance Strategy
[6] Draft Sustainable Finance Strategy, Australian Government

RIAA agrees with this proposal with the exception of the definition of ‘users’ in paragraph Aus1.2 (see below regarding superannuation entities). Additionally, noting that staff who are preparing sustainability reports may not be familiar with the accounting standards, we recommend making it clear that the ASRS refers to the AASB Conceptual Framework for Financial Reporting (as both the AASB framework and the IFRS framework have the same name).

Entities with no material climate risks and opportunities.

3) Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2?

RIAA agrees with the proposed additional requirements included by AASB to require entities claiming to have no material climate risks to explain how it came to that conclusion. We consider that it is highly unlikely for any entity caught by the mandatory climate-related financial disclosure requirements to have no material climate risks and opportunities. To avoid inadequate explanations, it may be beneficial to provide guidance in relation to minimum considerations or principles for a rationale, including what evidence would be appropriate for such a conclusion.

RIAA recommends the Draft Standards clarify the level to which ‘materiality’ is to be considered. In our view, it is vital that the standards are sufficiently flexible to allow for a double materiality approach to sustainability disclosures to be taken from commencement. RIAA notes the ISSB’s definition of materiality is wider than a standard single materiality approach.[7] The ISSB definition incorporates how enterprise value can be affected by events, which include things like the environmental impact that company is having or is likely to have. Understanding external views – particularly those of investors when pricing shares or debt – is important in calculating enterprise value. Climate issues can therefore affect the likelihood, timing and amounts of potential cash inflows and outflows resulting from a company’s activities over the short, medium and long term. For many sustainability issues, the impacts of the company externally generally lead to impacts on the company in the longer-term. RIAA notes that the ISSB Standards should act as a baseline, and that this leaves open the opportunity to adopt an even more fulsome approach to materiality in the future.

Sources of guidance and references to Sustainability Accounting Standards Board (SASB)

4) Do you agree with the AASB’s views noted in paragraph BC39-BC41?

RIAA disagrees with the view that references and guidance related to SASB Standards must be explicitly removed from the Draft Standards.

RIAA recommends that the language follows the ISSB Standards to ensure international alignment with necessary additions for the Australian context (e.g. other kinds of classifications which may be considered).

As currently drafted, IFRS S1 and S2 do not require the use of SASB Standards. Instead, in recognition of the usefulness of the industry metrics provided by SASB Standards, the ISSB Standards ask preparers to consider the applicability of SASB Standards when:

- identifying sustainability-related risks and opportunities;
- identifying applicable disclosure requirements; and
- disclosing information about sources of guidance (such as the disclosure topics set out in the SASB).

[7] IFRS S1: issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf

Common baselines, including at the industry level, are important for consistency and comparability across disclosures, which is in turn important for good investment decision-making. Adopting the industry-based requirements from the international standard in Australia will improve the comparability of disclosures. RIAA notes that the SASB Standards are increasingly used in Australia and that the ISSB has recently amended the SASB Standards to enhance its international applicability.[8] While the AASB is yet to finalise its review of the updated SASB Standards, RIAA submits that it is preferable to keep the language in the ISSB Standards so that preparers can decide whether SASB Standards apply to them. This will provide greater flexibility and less regulatory burden for those entities who already report, either voluntarily in Australia or by obligation in other jurisdictions.

5) *Do you agree with the AASB's view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC?*

6) *Do you consider that ASRS Standards should expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards)? Entities are able to provide additional disclosures provided that they do not obscure or conflict with required disclosures.*

RIAA disagrees with the Draft Standards requiring the use of ANZSIC industry classifications for the purpose of making industry-based disclosures, as these are inconsistent with some global classification standards. Referring to our submissions above in relation to building flexibility into the standards to support non-climate sustainability topics, the ASRS should not overly restrict entities from adopting well-established global disclosure frameworks as necessary for their industry.

RIAA agrees that industry-based disclosures should be mandatory, as such metrics allow for transparency and comparability – vital for climate reporting to be used by the market for proper, informed decision making. However, it is fundamental that the ASRS are drafted in such a way that does not preclude preparers from using well-established and understood metrics in relation to sustainability reporting. Restricting the industry classification to ANZSIC risks confusion where there may exist a number of other industry classification systems which may be used. We note that the purpose of ANZSIC is for collecting, analysing and disseminating economic data on an industry basis,[9] not in relation to sustainability or climate.

RIAA recommends that the AASB closely align with the requirement within IFRS S1 and provide guiding principles for determining an appropriate classification, such as well-established metrics, type of industry and geographic location. Without such guidance, companies may be required to provide the same information in different forms and institutional investors who have investments in multiple jurisdictions may have to reconcile disclosure made under different standards. This is likely to incur additional regulatory cost and burden for little to no gain as well as increase the risk of asymmetrical information going to market.

RIAA draws attention to the distinction between:

a) voluntary disclosure of reporting content under the ASRS, using a different framework or pronouncement (such as SASB Standards). Flexibility to allow this would not be necessary if the ASRS did not restrict the classification system to ANZSIC (see above); and
b) voluntary disclosure of topics outside of that which is mandated by the ASRS, such as those under the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), the Global Reporting Initiative (GRI) Standards, and the European Sustainability Reporting Standards (ESRS). We submit this should be supported as it reflects the interrelatedness of

[8] IFRS - International Applicability of the SASB Standards
[9] Introduction | Australian Bureau of Statistics (abs.gov.au)

sustainability factors and the progress being made globally in reporting non-climate sustainability topics.

Location of disclosures

7) *Do you agree with the requirement for an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures (Aus60.1 to [draft] ASRS 1) instead of requiring a detailed index table to be included in the general purpose financial reports?*

RIAA suggests that ease of navigation of climate-related financial disclosure be supported. The useability of the disclosures is important for the success of the regime.

Noting that "feedback to [Treasury's second consultation] indicated that there was overall support for such an index table and that it would provide useful information to users" and the AASB agreeing that it would "assist in avoiding material information about a climate-related risk or opportunity being obscured by relevant information being scattered throughout the climate-related financial disclosures or other reports published by the entity", RIAA recommends:

- allowing entities to apply judgment in how information is provided in the sustainability report; but
- with a requirement to provide a streamlined index table that highlights the key areas of disclosure.

Interim reporting

8) *Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48?*

RIAA disagrees with this proposal. The paragraphs in IFRS S1 allow governments and other relevant authorities to determine the entities that are required to report on an interim basis, following the IFRS disclosure standards where this occurred. Interim reporting can be a useful feature of a mandated reporting regime, allowing updated information to supplement that which is disclosed annually, working in conjunction with existing continuous disclosure laws.

We submit that it is preferable to retain the paragraphs relating to interim reporting and address any confusion in guidance, such as clarifying:

- which entities (if any) are required to provide interim disclosure; and
- allowing voluntary interim updates which follow the replicated requirements of IFRS S1 paragraph B48.

Scope of [draft] ASRS 2

9) *Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] Standard?*

RIAA agrees with the proposal to clarify the scope of the draft ASRS 2; however, RIAA considers that such clarification is better suited to guidance or explanatory material. This would avoid undue amendments to the sustainability standards, lessening the departure from the global baseline.

RIAA reiterates its submissions above in relation to ASRS 1 being realigned to IFRS S1 to be applicable to broader sustainability. It is our view that separating climate from other sustainability factors can be artificial and unhelpful, particularly when considering potential outcomes and impacts on risk-based decision-making.

Climate resilience

10) Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1?

11) Do you agree with the AASB's view that it should not specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis?

RIAA commends the AASB for including the more ambitious global temperature goal of 1.5°C as one of the required scenarios under the ASRS.

RIAA recommends adding a higher limit scenario, i.e. a total of 3. As outlined in our previous submissions to Treasury,[10] we submit that there should be at least one other defined scenario that will account for a much bigger temperature increase, drawn from and based on international efforts. In this regard, RIAA agrees with the Investor group on Climate Change's (IGCC) submission to this consultation and recommends that the provisions for scenario analysis are extended to include three future states, adding a 3°C or higher scenario. This would allow reporting entities to disclose against an ambitious best-case scenario, a hot-house scenario[11] as well as one which is material to the individual business. Providing the additional future state would also bring Australia's provisions on use of scenario analysis in line with New Zealand.[12] RIAA is also supportive of the submission to this consultation by the United Nations Principles of Responsible Investment (UNPRI) which delineates the scenarios into three types: measured, orderly transition; sudden, disorderly transition; and 'no transition'.

Cross-industry metric disclosures

12) *Do you consider the cross-industry metric disclosures set out in paragraphs 29(b)–29(g) of IFRS S2 (and [draft] ASRS 2) would provide useful information to users about an entity's performance in relation to its climate-related risks and opportunities?*

RIAA supports the inclusion of the cross-industry metric disclosures set out in IFRS S2 in the Australian standards. This will provide useful information across industry, enhancing consistency and comparability.

Cross-industry remuneration disclosures

13) *Do you agree with the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1?*

RIAA supports the AASB retaining the paragraphs from IFRS S2 relating to executive remuneration. We support measures which operate to ensure that decision-makers of an entity are appropriately incentivised to make sustainability-conscious decisions when discharging their roles. This is particularly true in the context of Australia's corporate governance framework, which includes avenues of shareholder access and participation and the ability to vote on board remuneration (2-strikes rule).

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[10] RIAA Submission to the exposure draft of the mandatory climate-related financial disclosure legislation: (February 2024): 20240209-RIAA-Submission-Climate-related-financial-disclosures-Exposure-draft-legislation.pdf (responsibleinvestment.org); RIAA Submission to the second Treasury consultation on mandating climate-related disclosures (July 2023): 20230719-RIAA-submission-Climate-Disclosures-2.pdf (responsibleinvestment.org)

[11] "Hot house" world scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise: NGFS Scenarios Portal

[12] The Aotearoa New Zealand Climate Standard 1 *Climate-related Disclosures* (NZ CS 1) requires a reporting entity to describe the scenario analysis under, at a minimum, a 1.5°C, a 3°C or greater climate-related scenario, and a third climate-related scenario (paragraph 13). This requirement avoids entities not exploring challenging physical risk scenarios, and to improve scenario diversity (BC38): https://www.xrb.govt.nz/dmsdocument/4770

Definition of greenhouse gases

14) Do you agree with the AASB's proposal to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification?

RIAA supports the AASB on this proposal to adopt the seven greenhouse gases in the Kyoto Protocol without modification, consistent with IFRS S2. Noting that the standards should be kept as closely aligned as possible to the global baseline, we consider that any clarifications on technicality can and should be made in guidance or explanatory material.

Converting gas into CO2 equivalent

15) Do you agree with the AASB's view that an Australian entity should be required to convert greenhouse gases using GWP values in line with the reporting requirements under NGER Scheme legislation?

RIAA disagrees with the requirement to use domestic legislation to convert greenhouse gases and reiterates its previous submissions in relation to ensuring that the ISSB Standards are adopted as closely as possible. The current narrowness of the drafting does not allow any flexibility for entities which a) may be reporting in other jurisdictions using other commonly accepted measures, such as the GHG Protocol Standards or b) are not reporting entities under the NGER Scheme (and therefore would have to become compliant with the requirements of the NGER Scheme in addition to other comparable reporting).

There are also limitations to application of the NGER Scheme, such as:

- it does not include Scope 3 emissions;
- it may not capture entities which would otherwise be required to report (e.g. Australian entities with overseas emissions); and
- entities reporting under the NGER Scheme are only mandated to look at operational and activity-based controls which doesn't benefit businesses to which financial control or equity-based emissions calculation are more appropriate;

RIAA recommends that the ASRS allows for disclosure against the latest GWP values (being the IPCC Assessment Report 6) which will improve the quality of the information provided. Consistent with previous submissions, we suggest maintaining the international standards but adding on necessary allowances for those who are already reporting under the NGER Scheme.

Market-based scope 2 GHG emissions

16) Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2?

RIAA supports the proposal put forward by AASB to disclose both market-based Scope 2 emissions well as location-based Scope 2 emissions. This is additive to the standard set by the ISSB and will improve the quality of the information provided to the market.

GHG emission measurement methodologies

17) Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1?

RIAA disagrees with the rigid application of the NGER Scheme as an appropriate methodology (see above). We refer to the UN PRI's submission to this consultation and the recommendation for GHG emissions to be calculated in line with the GHG Protocol methodology.

Scope 3 relief

18) Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2?

RIAA supports the proposal by AASB to allow for entities to disclose in the current reporting period their Scope 3 greenhouse gas emissions with that of the previous reporting period where data is unreasonable or unsupportable.

This measure takes into account the practicalities and sequencing which is necessary for Scope 3 reporting. Investors must be able to have reliable, comparable, audited information for their own Scope 3 reporting.

Scope 3 emissions categories

19) Do you agree with the AASB's approach in [draft] ASRS 2 paragraph AusB33.1 to include the Scope 3 GHG emission categories in IFRS S2 as examples of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, rather than requiring an entity to categorise the sources of emissions in accordance with the categories of the GHG Protocol Standards?

RIAA disagrees with the approach to list the examples of categories which an entity can consider, instead of referring to the categories of the GHG Protocol Standards, thus narrowing Draft Standards from the global baseline. In our view, the changes proposed compromise consistency and comparability; this is particularly important for Scope 3 emissions.

RIAA recommends adopting the categories in the ISSB Standards and, if changes are necessary, to make additions.

Financed emissions

20) Do you agree with the AASB's proposal to require an entity to consider the applicability of those disclosures related to its financed emissions, as set out in [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1, instead of explicitly requiring an entity to disclose that information?

RIAA disagrees with the proposal to only require a reporting entity to consider the applicability of disclosing information about financed emissions. This is a departure from the IFRS S2 requirements which requires disclosure of this information. As submitted, RIAA encourages minimal departure from ISSB Standards.

For financial institutions, financed emissions will be the most material source of Scope 3 emissions. Leaving it open to individual entities whether or not they provide disclosure on this will result in an already complex Scope 3 emissions disclosure being further complicated by uneven and unequal industry practice, leading to potentially unusable disclosure.

RIAA recommends that, at a minimum, financial institutions are required to disclosed on financed emissions and further guidance is provided on the applicability to specific sectors (including asset owners/superannuation).

Superannuation entities

21) *In your opinion, are there circumstances specific to superannuation entities that would cause challenges for superannuation entities to comply with the proposed requirements in [draft] ASRS 1 and [draft] ASRS 2?*

Yes. As asset owners are not issuers of capital, it is important to recognise that the ISSB Standards were not created with these entities in mind and the ISSB guidance project does not include guidance on asset owners. In particular, RIAA considers that the definition of 'users' needs to be revised to include superannuation fund members – i.e. not necessarily the primary users of a superannuation fund's general-purpose financial reporting disclosure. RIAA agrees with the Australian Council of Superannuation Investors (ACSI) in its submission that an additional definition of "user" specific to superannuation funds be incorporated in the Draft Standards, e.g. incorporate the definition of users of reporting included in the AASB 1056 *Superannuation Entities* Standard, which refers to beneficiaries. Again, timely guidance drawing on industry experience will be critical to the success of superannuation entities disclosing under this regime.

RIAA supports the submission by ACSI to this consultation in relation to superannuation funds (including unlisted) and the Appendix B to that submission.

Converting gas into CO2 equivalent

22) *Do you agree with the AASB's proposal to modify the definition of carbon credit in [draft] ASRS 2?*

RIAA agrees with this proposal. Non-Kyoto ACCUs should be captured for proper disclosure its climate-related financial disclosure. In addition, this change does not have a material impact on the standards.

Questions specific to not-for-profit entities and not-for-profit public sector entities

RIAA makes no submissions to questions 23-29.