

Australian Accounting Standards Board

1st March 2024

Dear AASB,

RE: Exposure Draft – ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information 2023

I am a sustainability professional (BEng Environmental/BScience Geographical Science) with both Australian and international (UK and Hong Kong) experience in water management, energy management, small scale renewable energy systems, sustainability and GHG reporting. I am also a member of a successful family-run beef cattle enterprise situated in western Queensland.

I welcome the opportunity to respond to this consultation and offer the following for your consideration.

General matters for comment - would the proposals result overall in climate-related financial information that is useful to users?

The whole premise of the mandatory standardisation of reporting is supposedly for the benefit of investors, asset managers and those in the finance sector. There is no skin off their noses nor burden incurred. Investors, banks, and consumers demand certainty and assurance of sustainable best practice though without any appreciation of the cost to companies and inadvertently to themselves, as taxpayers.

"Climate risk is financial risk. Today, BlackRock, JP Morgan and State Street are choosing to ignore both." - the words of one critic of their withdrawal from Climate Action 100+, a Ceres Investor Network. To me this statement is a contradiction. Climate risk IS financial risk - they are mutually inclusive. No sound justification exists for extracting sustainability and climate related management decisions and analysing them in the proposed standalone, standardized, manner. The actions of these global fund managers, lauded as leaders in ESG investment, suggests they are learning this for themselves.

General matters for comment - are the proposals in the best interest of the Australian economy?

If not to the benefit of users - the fund managers just mentioned - then who?

It goes without saying that those in the professional services sector will be the loudest and most fervent supporters of mandatory reporting as it will be exceptionally profitable for business, potentially in perpetuity. This financial benefit will also be realized by academics, universities, and research bodies as they look to develop the supporting reporting tools, education, and training to fill the "skills" gap, and the obvious funding opportunities that will flow. As so often, the opportunity costs of such focus have not been assessed. More work hours of otherwise highly productive individuals will be diverted to activities that are less in the best interests of the economy but rather to the benefit of those that will be incentivised to generate ever more red (or "green") tape.

Australia's agricultural producers manage over half of the Australian landmass with the beef industry being stewards of 80% of this land. They are some of the key entities to which climate change is most material, and whose counsel you should genuinely seek. Many of them, my family included, are small family owned and operated entities. I am particularly concerned by the Government's disregard of the substantial burden on SMEs. Through mandating these disclosures, Government will be enforcing the diversion of capital, time and resource to these proposals which will necessitate the diversion of

valuable capacity to where those closest to the land might deem it appropriate to apply it. We talk a great deal about social license to operate – it is at this point that the Government and the AASB should consider their own and revisit the principles of the “triple bottom line”, and a focus on people alongside planet and profit.

More regulation necessarily benefits the larger corporate entities who are better able to swallow the increased costs of compliance. The increased burden will likely see consolidation, the withering away of family cattle business and reduction in competition. Ultimately, this additional burden is another step away from the free market that has been the powerhouse of Australian agriculture.

As with all matters in life, there is a trade-off. The trade-off on which we are being asked to provide comments here is that of the cost of the potential new reporting requirements versus the benefit to stakeholders. Frankly, there is a certain amount of responsibility that investors, banks and even consumers should take for their own decisions. As an investor, deposit-holder, or customer I think time and financial resources will be better spent on the day-to-day business rather than adding to the already substantial reporting burdens.

When assessing a financial counterparty risk, all material risks of repayment should be included in that process. So, the financial impacts of climate-related risk should be baked in. As with most accounting disclosures, they only make sense if there is some form of uniformity. Whilst this is possible to a greater extent when using a monetary yardstick in the form of financial statements, climate-related disclosure will likely be more open-ended. Climate-related risks are inherently forward-looking and trying to assess the impacts of certain parameters in complex systems.

Companies need to be able to assess all their risks as efficiently and effectively as possible. Requiring them to sign-off on predictions will cause many to err hugely on the side of caution. Focus will likely be retrained on climate reporting and climate risks in greater proportion than is optimal for the efficient running of companies. Better we set environmental legislation (of which we have plenty), see to it that companies adhere to that legislation and let them get on with their business.

"Everything that is really great and inspiring is created by the individual who can labour in freedom" - the words of Albert Einstein.

If you are truly concerned about the best interests of the Australian economy, then foster an environment in which those who innovate, create and produce are free to do so.

Thank you for the opportunity to participate in this consultation and I look forward to continued involvement.

Kind regards,

Kate McNicholl