

1 March 2024

Australian Accounting Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

To Whom It May Concern

**SUBMISSION ON THE AUSTRALIAN ACCOUNTING STANDARDS BOARD (AASB)
AUSTRALIAN SUSTAINABILITY REPORTING STANDARDS - DISCLOSURE OF
CLIMATE RELATED FINANCIAL INFORMATION**

City of Newcastle (CN) provides the following submission relating to the opportunity for comment to the Australian Accounting Standards Board (AASB) on the Sustainability Reporting Exposure Draft (ED SR1), and the proposal to report on physical and transitional climate-related risks in both annual reports and financial statements.

CN has championed renewable energy and action on climate change for over 20 years. We recognize there is a global climate emergency and support the Paris Agreement of limiting temperature increase to 1.5°C. To do so, the Newcastle Climate Action Plan 2021-2025 has a target of Net Zero operational emissions by 2040. CN was the first council in NSW to move to 100% renewable electricity supply for operations, through the construction of a 5MW council owned solar farm at Summerhill as well as a power purchase agreement with an inland wind farm. CN measure our scope 1 and 2 emissions annually and are progressing with measuring scope 3.

CN recognize the importance of transparency; a priority of our Community Strategic Plan Sustainability Pillar is *'Know and share our climate risk: Undertake holistic, evidence-based assessment and monitoring of climate risks to enable best-practice risk and investment planning as we prepare for extreme weather events and support community and business to do likewise'*. We support sharing climate risk to promote shared responsibility in addressing these risks.

While the above efforts acknowledge the importance of climate risk disclosure for CN, we respectfully raise concerns on the proposed measures being held within the Financial Statements given the limited resources and capabilities of the Local Government sector. As a not-for-profit public sector entity, NSW Local Government operates under significant budgetary and staffing level constraints. The introduction of additional disclosure requirements as outlined in the exposure draft would impose a significant burden on the sector, both in terms of financial resources and administrative capacity.

Whilst CN currently tracks operational carbon emissions, further investigation would be required to adequately assess the resources or expertise required to collect, analyse, and report on the physical and transitional climate-related risks as suggested in the draft. For example, CN currently tracks scope 1 and 2 emissions and uses the NGER calculator, however Scope 3 is not as well defined and may require specialist or consultant support.

We note that ED SR1 and SR2 are acutely aimed at for profit entities. It would be beneficial for the proposed disclosure requirements be accompanied with a specific local government amendment that aligns with the unique nature and objectives of the local government

sector. The Office of Local Government are the primary users of Council's Financial Statements, rather than potential investors which asks about the usefulness of this information within the financial statements to users, in a local government context.

CN appreciates that a not-for-profit entity would not need to undertake an *exhaustive search for information* to identify climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects but would be required to use all reasonable and supportable information available to the entity at the reporting date without *undue cost or effort* in preparing material climate-related financial information. However, we will not know the resources required to conduct the reporting until we are more aware of the requirements and unforeseen consequences. Additionally, consideration needs to be given to the community expectations that may be created because of such disclosures. Regardless of the modification for not-for-profit entities.

CN is in support of AASB's proposed approach of deferring consideration of whether to undertake domestic standard-setting project to develop Australian requirements and guidance for not-for-profit sector entities, until it has considered the results of the International Public Sector Accounting Standards Board's project on climate-related disclosures in due course. In the event of such domestic standard-setting, CN asks the Office of Local Government to provide in-depth support and guidance for the practical application of any implemented disclosure requirements. CN also suggests that feedback is sought at the end of the first year of implementation to ascertain what resourcing it has required and seek efficiencies.

Further to that, CN supports disclosures are not mandated for non-for-profit public sector entities until requirements have been appropriately tailored for the non-for-profit context and can be implemented in a cost effective and meaningful manner. Additionally, CN joins in concerns around how auditing and assurances challenges would be resolved, especially for the climate risks that are less quantifiable, and more subjective.

On the proposed requirement to disclose climate resilience assessments against at least two scenarios, we disagree that there isn't an upper limit. 1.5°C is unfortunately no longer likely, and therefore we are already under reporting. While a slight increase to 2°C is better, we should also have a BAU and or upper range that would allow us to report on what we must aim to avoid. On these higher ranges, we suggest that the required reporting is less. We also suggest that reporting on climate change opportunities should be clearer and more defined, for example the amount of renewable energy generated and/or climate adaption action taken.

CN recognises the importance of transparency for our community this is why CN must take a balanced approach. CN respectfully request that the AASB truly considers the scope and applicability of the proposed disclosure requirements, particularly for not-for-profit public sector entities such as ours. We advocate for a more flexible and pragmatic approach that takes into account the diverse capabilities and priorities of the local government sector and the users of such disclosures.

Thank you for considering our submission. We trust that our concerns will be taken into account as part of the consultation process.

Should you require any further information on this matter please contact David Clarke, Executive Director Corporate Services and Chief Financial Officer on 4974 2876.

Yours faithfully



Jeremy Bath
CHIEF EXECUTIVE OFFICER