

1 March 2024

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board (AASB)

Via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Dr Kendall

### **AASB consultation on draft Australian Sustainability Reporting Standards**

COBA welcomes the opportunity to comment on the Australian Accounting Standards Board's (AASB) consultation on their draft Australian Sustainability Reporting Standards.

COBA represents Australia's customer owned banks (mutual banks, credit unions and building societies). Collectively, our sector has over \$170 billion in assets, around 10 per cent of the household deposit market and around five million customers. Customer owned banking institutions account for around two-thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs).

#### **Key points**

While the standard consultation uses the Government's current 1 July 2024 timeframe, COBA strongly supports a 1 January 2025 commencement as outlined in our submission to Treasury on the climate-related disclosures legislation. This will provide more time for the AASB to finalise its standards as well as for entities with a 1 July financial year to prepare higher quality disclosures.

COBA supports the Government's policy statement endorsing "full adoption of the ISSB's International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures standard in Australia, with modifications limited to those necessary to ensure standards are fit for purpose for Australia."

COBA strongly supports alignment of AASB's Australian Sustainability Reporting Standards with the International Sustainability Standards Board (ISSB) as it streamlines reporting requirements, which makes it easier to implement if aligned.

COBA members would appreciate clarification on how to produce and report scenario analysis, financed emissions and data gap and assurance. COBA members also recommend using the methodology adopted by Climate Active for scope 1,2,3 (non-financed emissions) instead of the currently proposed NGERS<sup>1</sup> methodology and utilise the PCAF methodology for scope 3 financed emissions.

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<sup>1</sup> National Greenhouse and Energy Reporting Scheme

COBA provides more detail on our comments below.

### **How to produce and report scenario analysis**

COBA is requesting AASB to provide clarification by providing scenarios including an explanation of assumptions and limitations to better explain the 1.5-degree requirement. The proposed climate disclosure framework requires Group 1 entities at this point in time (entities) to disclose against a temperature scenario that aligns with limiting global warming to 1.5 degrees. The scenarios will provide COBA's members with clarity, transparency, greater comparability and will result in greater efficiency.

The exposure draft standard notes "IFRS S2 does not prescribe the number of scenarios an entity is required to assess to meet the disclosure objective of IFRS S2 paragraph 22" and "consistent with the ISSB's reasons, the AASB decided not to specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis, which mainly assesses climate-related physical risks."

COBA members also note that it may be beneficial to require entities to disclose against a higher warming scenario. This will help ensure that entities are conducting analysis and disclosing information about both the risks they face in a rapid decarbonisation scenario as well as in a more delayed decarbonisation scenario, including an appropriate consideration of physical risks.

COBA encourages the Government to consider publishing a default set of scenarios that entities can elect to use should they choose not to develop bespoke scenarios. This will support climate scenario analysis in small and more resource constrained entities.

### **Implementation of IFRS S1 Standard for General Sustainability Reporting ("S1")**

COBA recognises the AASB has attempted to incorporate the aspects of IFRS S1 which are required to facilitate adoption in Australia of IFRS S2. This approach enables the introduction of climate-related reporting in Australia, which COBA welcome.

COBA urges the Government to proceed with adopting IFRS S1 as this will ensure international alignment. It will prepare the market for future ISSB standards in coming years and is consistent with the Government's intention, as set out in Treasury's Sustainable Finance Strategy consultation paper, to implement reforms in a way that provides "a platform to incorporate other critical sustainability-related issues over time."

While we support this introduction, we also want to ensure that any policy decisions to introduce additional sustainability disclosures go through a vigorous public policy process. COBA recommends the AASB and the Government consult with all affected stakeholders so that the introduction of any new disclosure requirements is appropriately managed and implemented.

A key aspect of S1 which we would like to see adopted is determining materiality and reporting boundaries.

### **Concern of diluting the IFRS S2 requirement for financial institutions to disclose information on their financed emissions**

COBA members note that there are now greater demands on entities to measure and report the emissions from their investing and lending activities. COBA members are concerned about the AASB's proposal of reducing the requirements of the IFRS S2 emissions for financial institutions to disclose information on their financed emissions. This is a significant departure from IFRS S2 emissions and this could impact the efficacy of the disclosures regime if it is not corrected.

Furthermore, this guidance should be developed in consultation with industry stakeholders and aligned with international standards e.g. Partnership for Carbon Accounting Financials (PCAF) and a standardised methodology should be adopted that relevant entities can rely on and follow.

### **Data gap and assurance**

COBA members would like there to be acknowledgement in the assurance standard that there will be data gaps. We would welcome advice from the AASB regarding a consistent approach to data and data gaps.

### **Use methodology adopted by Climate Active for scope 1, 2 and 3 non-financed emissions**

COBA recommends the AASB use the methodology adopted by Climate Active in its standards rather than NGERS methodology for the determination of scope 1,2 and 3 (non-financed) emissions. The Climate Active program is currently being utilised by a number of COBA members and is supported.

In the GHG<sup>2</sup> emission measurement methodologies section of the draft Australian Sustainability Reporting Standards, NGERS methodology is being proposed, however it only focuses on scope 1 and scope 2 emissions. Climate Active is a preferred methodology as it is reviewed annually and it includes scope 3 (non-financed) emissions. In line with this, we believe it is more relevant and suitable for entities to use the climate active methodology rather than NGERS.

If you wish to discuss any aspect of this submission, please contact Neha Chopra ([nchopra@coba.asn.au](mailto:nchopra@coba.asn.au)).

Yours sincerely



**MICHAEL LAWRENCE**  
Chief Executive Officer

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<sup>2</sup> Green house gases