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Australian Accounting Standards Board
L14 530 Collins Street
Melbourne
Victoria 3000

1 March 2024

Submission on AASB Sustainability Reporting Disclosure Draft: Disclosure of Climate-related Financial Information

To whom it may concern,

thinkstep-anz is a trans-Tasman sustainability firm offering services, tools and software that connect to help our clients succeed sustainably – faster.

We work with a diverse range of clients from global corporates to start-ups, and cover every aspect of sustainable business practice, including sustainable finance.

We welcome the opportunity to provide this submission on Australia Accounting Standards Board's Sustainability Reporting Disclosure Draft and look forward to the publication of the resultant standards and guidance in due course.

Yours Sincerely,



Martin Fryer

Head of Strategy and Disclosures



Barbara Nebel

CEO



Nicole Sullivan

Impact Director

thinkstep-anz response:

1. In respect of representing the core content disclosure requirements of IFRS S1,

Response - thinkstep-anz prefer Option 3.

Reasoning - Option 3 removes unnecessary duplication. It mirrors the global trend in sustainability reporting frameworks to integrate sustainability risks and opportunities into a disclosing entity's existing risk management and governance systems.

2. Do you agree with the ASSB'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 duplication definitions and contents of those Framework (in draft) ASRS1 and (Draft) ASRS 2?

Response - thinkstep-anz supports the proposed approach.

Reasoning – If there is duplication with existing non-legislative frameworks for financial reporting and the preparation of financial statements within IFRS S1 and IFRS S2, replacing IFRS paragraphs with Australian specific paragraphs, that cross-reference existing standards, will remove doubt, improve transparency, and support efficient implementation.

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

Response – thinkstep-anz agrees with the proposed requirements. However, it should be clear that the decision that risks and opportunities are not material must be on a properly informed basis.

For that reason, the disclosure of no material risks or opportunities needs to be fully justified, including the application of well-informed judgement. The AASB should provide clear guidance for those less informed. This guidance could include content such as:

- How climate can impact businesses
- What does “material” mean?
- What do stakeholders (investors, customers, media, etc) expect in determining what is “material”?
- Understanding material risks and opportunities
- Defining what is material for your company
- Providing explanation and justification of your decision

We have produced a thinkstep-anz Need To Know guide on TCFD disclosures, which is freely available on our website. It is based on our experience with our clients in the New Zealand context. This might be a useful starting point

for the type of information which could be useful. This guide is in the process of being updated, and this will include information on current developments in Australia. <https://www.thinkstep-anz.com/resrc/need-to-know/tcfd-what-you-need-to-know/>

Reasoning – It is extremely unlikely, given the changing physical climate and transitions to a low carbon economy that any entity could determine that there are no material climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects.

4. Do you agree with the AASB’s views noted in paragraphs BC39–BC41?

Response – thinkstep-anz agrees.

Reasoning – Whilst the SASB Standards provide some valuable information on climate-related risks and opportunities, many sector specific standards are still under development, they are US-centric and, over time, will be consolidated into the IFRS Standards.

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?

Response – thinkstep-anz agrees.

Reasoning – Using the industry classification system used in Australia is the Australian and New Zealand Standard Industrial Classification (ANZSIC) avoids introducing requirements that would require an entity to use another industry classification system and support the comparability of entity disclosures.

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)?

Response – thinkstep-anz agrees.

Reasoning – One of the fundamental concepts of disclosing climate-related financial information is to provide stakeholders, the investment community in particular, with transparent and comparable disclosures. Growing interoperability across voluntary disclosure frameworks supports this aim.

7. Instead of requiring a detailed index table to be included in GPFR, the AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures.

Response – thinkstep-anz strongly supports this approach.

Reasoning – Whilst many reporting frameworks such as GRI, require the inclusion of a specific index its creation is time consuming, costly and adds little value. In addition, many entities are adopting the well-established elements of governance, risk management, strategy and metrics and targets as specific elements of their disclosure documentation.

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

Response – thinkstep agrees with the proposed omission.

Reasoning – Annual reporting of climate-related financial information is a sufficient frequency for transparent disclosures as well as the review of entity performance, and management of climate-related risks and opportunities.

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

Response – thinkstep agrees with the proposed omission.

Reasoning – Providing better guidance through clear definitions removes barriers to compliance.

10. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.

Response – thinkstep does not agree with the proposal.

Reasoning – The experience in New Zealand was that the regulator was going to follow a similar approach, however, following industry consultation there was a clear call for more specific guidance. Entities are now required to produce scenarios at 1.5°C, 3.0°C and one other. A similar approach should be adopted to allow comparability and also to recognize that annual mean global temperatures are already at, or close to, the lower limit.

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?

Response – thinkstep does not agree with this approach.

Reasoning – see response to 10. above.

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?

Response – thinkstep agrees cross-industry metrics would provide useful information.

Reasoning – The cross-industry metrics, whilst high level, would facilitate comparability and provide reporting entities with a starting point for the measurement and reporting of performance. Specifically, reporting an internal carbon price will establish industry data and enable a transition to the use of more standardised carbon pricing. This will help to shift industry more quickly into appropriately valuing carbon.

13. Do you agree with the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1 to disclose the information described in points (a) and (b) in the above box? In your opinion, will this requirement result in information useful to users?

Response – thinkstep agrees with the proposed requirements.

Reasoning – The information will be useful to users as it will provide a clear indication of an entity’s level of integration and engagement around climate-related risks and opportunities. In particular, it will allow a comparison of the engagement of entity at management and governance levels with climate-related risks and opportunities.

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? Please provide reasons to support your view.

Response – thinkstep agrees with the proposed approach.

Reasoning – International alignment is needed with all reporting. The lack of prevalence of NF3 in Australia should not mean that it is not a consideration of reporting, in line with international frameworks.

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?

Response – thinkstep agrees with the proposed approach with amendment.

Reasoning – Although the use of existing GWP values makes sense to ease the reporting burden thinkstep-anz would suggest this is time bound and that in the interests of comparability GWP values from AR6 should be adopted within three years or earlier, in line with updating NGERS.

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

Response – thinkstep disagrees with the proposed approach.

Reasoning – The GHG Protocol and ISO14064 are the global standards being adopted for the development of greenhouse gas emission inventories. The GHG Protocol requires both location and market-based emissions for Scope 2. This should be adopted for comparability and completeness. Releasing Australian residual grid mix factors from the Clean Energy Regulator will be a necessary and urgent step to enable this transition.

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

Response – thinkstep agrees with this proposal.

Reasoning – Whilst the GHG Protocol and ISO14064 are the global standards being adopted for the development of greenhouse gas emission inventories, existing national schemes, such as NGERs, and associated methodologies, should also be recognised and accepted.

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


















































Response – thinkstep agrees with the proposed omission.

Reasoning – Disclosing Scope 3 emissions is essential for primary users to understand the risks and opportunities associated with an entities value chain. Allowing entities to disclose using data from a preceding reporting period supports the ongoing reporting of GHG footprints, associated risks, opportunities and entity responses.

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?

Response – thinkstep disagrees with this approach.

Reasoning – The GHG Protocol and ISO14064 are the global standards being adopted for the development of greenhouse gas emission inventories and should be the default standards for all climate-related disclosures, including Scope 3 emissions. Under both standards the granularity of Scope 3 emissions contributes to a more holistic assessment of material climate-related risks and opportunities for reporting entities (see graphic from our guide: “Need to know: Scope 3 greenhouse gas emissions”^{*}).

Greenhouse Gas Protocol	ISO 14064-2019 – Part 1																
<p>SCOPE 1 direct emissions</p> <hr/> <p>SCOPE 2 indirect emissions from purchased electricity, heat, steam and cooling</p>	<p>ISO – Category 1 direct emissions</p> <hr/> <p>ISO – Category 2 indirect emissions from energy</p>																
<p>Value chain emissions</p> <p>SCOPE 3 other indirect emissions</p> <p>UPSTREAM</p> <table border="0"> <tr> <td> 1 Purchased goods and services</td> <td> 2 Capital goods</td> </tr> <tr> <td> 3 Energy</td> <td> 4 Upstream transport</td> </tr> <tr> <td> 5 Waste</td> <td> 6 Business travel</td> </tr> <tr> <td> 7 Employee commuting</td> <td> 8 Upstream land assets</td> </tr> </table> <p>DOWNSTREAM</p> <table border="0"> <tr> <td> 9 Downstream transport</td> <td> 10 Processing of sold products</td> </tr> <tr> <td> 11 Use of sold products</td> <td> 12 End-of-life of sold products</td> </tr> <tr> <td> 13 Downstream leased assets</td> <td> 14 Franchises</td> </tr> <tr> <td> 15 Investments</td> <td></td> </tr> </table>	 1 Purchased goods and services	 2 Capital goods	 3 Energy	 4 Upstream transport	 5 Waste	 6 Business travel	 7 Employee commuting	 8 Upstream land assets	 9 Downstream transport	 10 Processing of sold products	 11 Use of sold products	 12 End-of-life of sold products	 13 Downstream leased assets	 14 Franchises	 15 Investments		<p>Value chain emissions</p> <p></p> <p>ISO – Category 3 indirect emissions from transportation</p> <hr/> <p></p> <p>ISO – Category 4 indirect emissions from products used by an organisation</p> <hr/> <p></p> <p>ISO – Category 5 indirect emissions associated with the use of products from an organisation</p> <hr/> <p></p> <p>ISO – Category 6 indirect emissions from other sources</p>
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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?

Response – thinkstep disagrees with this approach.

Reasoning – Entities should be required to explicitly disclose all information that may be material to climate-related risks and opportunities to promote comparability of disclosures.

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? If so, please provide details of those circumstances and why they would lead to superannuation entities being unable to comply with the proposed requirements or else able to comply only with undue cost or effort.

No response

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

Response – thinkstep agrees with this approach.

Reasoning – Modification of the definition will assist with transparent disclosures and reduce the reporting burden.

Questions 23 to 28 no response

29. Do you agree with the AASB’s proposed approach of deferring consideration of whether to undertake a domestic standard-setting project to address Australian public sector climate-related impact reporting?

Response – thinkstep disagrees with this approach.

Reasoning – Government entities above the thresholds should be required to report. They are very significant entities and should be showing leadership. Climate change impacts those entities too, and in some cases they set important policy that should be guided by specific climate risk and opportunity assessment and disclosures.

General matters for comment

30. Has the AASB Sustainability Reporting Standard-Setting Framework (September 2023) been applied appropriately in developing the proposals in this Exposure Draft?

Response – Yes

Reasoning – There is obvious and appropriate alignment with the strong AASB Sustainability Reporting Standard-Setting Framework.

31. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, including any issues relating to:

(a) not-for-profit entities; and

(b) public sector entities?

No response

32. Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?

Response – Yes

Reasoning – The audit and assurance of additional finance related information that relies on increasing quantities of qualitative as well as quantitative data will provide a significant challenge as standards to address this are produced at a global level. There needs to be education for reporters, and when the auditing and assurance mechanism are formulated there needs to be input from technical experts who are familiar with the concepts and content required by the standards.

33. Would the proposals result overall in climate-related financial information that is useful to users?

Response – Yes

Reasoning – The proposed approach is in general alignment with international standards and the proposed disclosures content will be useful to users.

34. Are the proposals in the best interests of the Australian economy?

Response – Yes

Reasoning – Climate-related risks and opportunities have been identified as globally significant. For Australia, this initiative will create transparency as a foundation for determining appropriate action. It will also allow market-based economic influences to prevail through enabling informed investor and consumer choice.

35. Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs of the proposals.

Response - Many of our clients are already doing this. We are unaware of the financial model, however on balance they deem this a necessary and worthwhile activity.



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