Dr Keith Kendall, Chair
Australian Accounting Standards Board

via: AASB submission portal

1 March 2024

Exposure Draft ED SR1: *Australian Sustainability Reporting Standards - Disclosure of Climate-related Financial Information (ED SR1)*

We welcome the opportunity to respond to your invitation to comment on the inaugural sustainability reporting standards released by the AASB:

- [Draft] ASRS 1 General Requirements for Disclosure of Climate-related Financial Information ([draft] ASRS 1)
- [Draft] ASRS 2 Climate-related Financial Disclosures ([draft] ASRS 2)
- [Draft] ASRS 101 References in Australian Sustainability Reporting Standards ([draft] ASRS 101)

We would like to acknowledge the extensive work that the AASB has put into producing these draft standards and the comprehensive outreach exercise undertaken over the consultation period.

We outline below several themes that we would ask the AASB to consider as it finalises these important standards. In attachment 1, we include responses to each question in the consultation paper.

Harmonisation with international standards

PwC remains a strong advocate for international alignment of all reporting standards, whether that be for accounting or sustainability standards. This allows for consistent, comparable and comprehensive reporting regardless of jurisdiction. This supports efficiency in reporting for entities that reach across multiple jurisdictions, and allows domestic and international investors, as well other stakeholders, to easily interpret and make decisions based on entity disclosures.

In our view, international alignment should be prioritized with amendments to IFRS Sustainability Disclosure Standards (IFRS SDS) made only when absolutely necessary to meet the needs of Australian stakeholders. We consider the proposed modifications in these drafts as they stand would reduce international comparability. Ideally, the Australian Sustainability Reporting Standards should be fully aligned with IFRS SDS.

There is precedent here that we ask the AASB to consider. When Australia adopted International Financial Reporting Standards (the IFRS) in 2005, the AASB initially removed some policy choices required under the international standards. It then subsequently reversed its initial approach and added back many reporting requirements. The rationale at the time was to ensure that Australian entities' financial reports were more readily understood world-wide and to support the achievement of synergies for entities that work across multiple jurisdictions.

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Should the AASB decide that there may be a need to depart from or amend requirements in the IFRS SDS, we submit that standards provide Australian entities with the option to achieve full compliance with IFRS SDS if they require.

The benefits of Australian entities having the option to achieve compliance with IFRS SDS include:

- Australian groups not currently in scope under the National Greenhouse and Energy Reporting Act 2007 and related regulations (NGERS) would have the option to decide based on their stakeholders' preference, whether they require compliance with IFRS S1 and S2 in addition to [draft] ASRS. Some Australian groups looking to raise capital overseas may prefer achieving compliance with IFRS S1 and S2 in addition to [draft] ASRS;
- Australian parents of large global groups not caught by NGERS would have flexibility to arrive at an approach for their group dependent on how IFRS S1 and S2 are adopted / adapted in the jurisdiction of the subsidiaries; and
- Australian subsidiaries of global groups may prefer achieving compliance with IFRS S1 and S2 in addition to [draft] ASRS, to match their global parents' reporting.

One option the AASB could consider is retaining proposed deleted ISSB requirements in the standard but make them optional requirements. This would allow entities who elect to comply with the IFRS SDS to have all relevant guidance in one place.

In addition, we note the International Sustainability Standards Board is working with organisations such as the European Commission, the European Financial Reporting Advisory Group (EFRAG) and the Global Reporting Initiative (GRI) to establish interoperability between IFRS SDS, the European Sustainability Reporting Standards and the GRI Standards. As international efforts are already underway to achieve interoperability between these standards, we think it is crucial that the ASRS are aligned with IFRS SDS and if there are departures from IFRS SDS, it is important that entities are provided the option to achieve compliance with IFRS SDS.

Tiered reporting

We understand there may be practical challenges in applying some of the requirements in IFRS S1 and S2, especially for some Group 2 and Group 3 entities or smaller not-for-profit entities. We acknowledge the *Exposure Draft Treasury Laws Amendment Bill 2024: Climate related Financial Disclosure* has proposed to allow Group 3 entities that do not have material climate risks and opportunities to only disclose a statement to that effect without further explanation. We welcome this practical approach taken by the Treasury. In a similar vein, the AASB may wish to introduce an additional tiered reporting approach for those entities that cannot take the exemption proposed by Treasury, that is commensurate to the entities' capability and stakeholders needs. We further outline our thoughts in our responses to question 18 and question 26 in attachment 1.

Industry-based metrics and applicability of SASB standards

We do not agree with the proposal to alter IFRS S2 paragraph 28 to make industry-based metrics optional, as this would not result in alignment with IFRS SDS.

We understand the AASB's hesitation in mandatorily enforcing the applicability of SASB standards in Australia and the standard setting challenges given their volume. We submit however that there is benefit in including them in the standard as it would allow for flexibility for entities to comply with IFRS S1 and S2 and may help entities which elect to use them, after assessing relevance and applicability. We note that IFRS S1 and S2 are clear that an entity is required to only 'refer to and consider' the applicability of the SASB standards and the *Industry-based Guidance on Implementing IFRS S2*. We note efforts by the ISSB to revise SASB standards to enhance their international applicability and we understand that the ISSB, EFRAG and GRI have begun to work together on sectoral standards. We encourage the AASB to work closely with the ISSB, EFRAG and GRI to deliver a single set of global sectoral standards.

Scope of [draft] ASRS 1 and ASRS 2

We note the approach taken by the AASB to limit the scope of [draft] ASRS 1 to climate only and [draft] ASRS 2 to climate-related risks and opportunities due to greenhouse gas emissions, which will give rise to differences with the scope of IFRS S1 and S2. As noted above, our view is that ASRS should be fully aligned with IFRS SDS and therefore that the scope limitation the AASB would like to provide could be better achieved by transitional relief than a reduction in the scope of the standard. This will enable those entities that want to, to comply with both ASRS and IFRS SDS now, with Australia eventually aligning to international standards in full.

We also draw to your attention that the scope limitation regarding climate-related risks and opportunities due to greenhouse gas emissions is only added to the [draft] ASRS 2, not [draft] ASRS 1. As a result, entities may still need to apply [draft] ASRS 1 to climate-related risks and opportunities not due to greenhouse gas emissions.

The ISSB published Educational Material in December 2023 illustrating the flow-on nature and social impact of climate change. In our view, the proposed change to clarify the scope of [draft] ASRS 2 should be amended to ensure [draft] ASRS 2 achieves its purpose. We further outline our thoughts in our responses to question 9 in attachment 1.

We look forward to further engagement with the AASB as these standards develop into the final stages, and as it develops other sustainability standards. We would be pleased to discuss our comments with you.

Yours sincerely

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Appendix A

1. In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:

    a. 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;

    b. 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;

    c. 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); or

    d. another presentation approach (please provide details of that presentation method)?

    Please provide reasons to support your view.

As in our response to the first treasury consultation, we do not object to the climate-first practical approach proposed by the AASB for Australian entities. However, we believe that tailoring what is included in IFRS S1 for Australia [draft] ASRS 1, by providing transitional relief when applying the scope would allow Australian entities to adopt a climate-first approach, while helping entities that chose to voluntarily report on sustainability topics other than climate to comply with the international standards.

If the scope of IFRS S1 is limited by replacing ‘sustainability’ with ‘climate’ as suggested in the [draft] ASRS 1, we would prefer Option 2. Choosing Option 2 would provide consistency with the AASB Sustainability Reporting Standard-Setting Framework which prioritizes international alignment, with amendments to the baseline IFRS S1 and S2 made only where it is necessary to meet the needs of Australian stakeholders.

We understand that the reason for the AASB’s choice of Option 3 in developing the [draft] ASRS 1 and [draft] ASRS 2 was to minimize duplication between the standards. As a result of the way the scope of [draft] ASRS S1 is limited, we are of the view that over the long-term, as new sustainability topics are developed the scope of the [draft] ASRS 1 will need to be broadened to align with IFRS S1, as such Option 2 would better support the development of standards in the future.

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? Please provide reasons to support your view.

We disagree with the AASB's approach. We believe the necessary elements of the financial reporting conceptual frameworks are essential to the quality of sustainability reports and have to be applied by preparers (rather than being an option).

As explained in IFRS S1.BC64, the International Sustainability Standards Board (ISSB) deliberately included components of the Conceptual Framework in IFRS S1 (and S2) because there is not currently a conceptual framework for sustainability standards. The sustainability standards leverage, where relevant, the conceptual framework for 'Financial Reporting' and for the '*Preparation and Presentation of Financial Statements*'.

The ISSB approach was to incorporate the necessary elements of the financial reporting conceptual frameworks into IFRS S1 so that there was guidance for sustainability reporting and that the information provided by the reports was useful for the users.

We do not agree that referencing to the financial reporting frameworks as optional guidance is the right way to set the framework for sustainability standards.

We believe the elements of the conceptual framework included in IFRS S1 and S2 need to be applied by the preparers, to ensure the reported sustainability information is relevant and reliable to the users of the sustainability reports. This is different to the situation for financial reporting. In financial reporting, a comprehensive set of standards have already been developed under the Conceptual Framework covering detailed recognition, measurement and disclosure requirements and the Conceptual Framework serves as the guidance to develop accounting standards where further guidance is required. In sustainability reporting, the AASB Sustainability Reporting Standard-Setting Framework serves a similar purpose to the Conceptual Framework. [draft] ASRS S2 / IFRS S2 is very succinct without guidance for many application areas, not to mention entities reporting on sustainability topics other than climate only have IFRS S1 to apply. This means the usefulness of the sustainability reports relies on the components of the Conceptual Framework. As a result, we believe they must be included as mandatory requirements instead of optional guidance.

3. Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2? Please provide reasons to support your view.

We support this additional disclosure requirement.

We understand the purpose of this requirement is to encourage companies to make a responsible judgement when they deem climate-related risks and opportunities not to be material. We suggest including language like 'in limited/rare situations' to set the expectation that this is not the norm that there are no material impacts. In addition, further guidance on how entities may arrive at this conclusion would help promote consistency.

It is not clear whether ASRS 1 para Aus6.2 and ASRS 2 para Aus4.2 mean that entities that conclude they do not have any material climate-related risks and opportunities are automatically excluded from all disclosures included in ASRS 2, for example the cross-industry metrics required by ASRS 2 para 29.

4. Do you agree with the AASB's views noted in paragraphs BC39–BC41? Please provide reasons to support your view.

> We do not support this approach.
>
> We do not agree with the proposal to alter IFRS S2 paragraph 28 to make industry-based metrics optional, as this would not result in alignment with IFRS SDS.
>
> We note the AASB's concern relating to the application of SASB standards in Australia. We acknowledge given the volume of the SASB standards and the *Industry-based Guidance on Implementing IFRS S2*, that evaluating the standards may present a standard setting challenge given the need to finalise the ASRS as soon as possible.
>
> Our view is that in IFRS S1 and S2 an entity is required to only refer to and consider the applicability of SASB's. An entity may conclude that they are not applicable to the entity's circumstances. The SASB standards are not therefore mandated in IFRS SDS for use by all entities, only that they must be 'considered'. Keeping the SASB's would allow the flexibility for entities to comply with the IFRS SDS and may help entities which elect to use them, after assessing their relevance / applicability.
>
> We note that in December 2023 the ISSB revised the SAB Standards to enhance their international applicability and we understand that the ISSB, EFRAG and GRI have begun to work together on sectoral standards. We encourage the AASB to work closely with the ISSB, EFRAG and GRI to deliver a single set of global sectoral 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? Please provide reasons to support your view.

> We agree.
>
> This step is important to achieve harmonisation among entities within the same industry. However, as expressed under question 4, we would recommend allowing the flexibility for entities to apply the SASB guidance.

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. Please provide reasons to support your view.

> Yes.
>
> Certain entities may desire to provide voluntary disclosures depending on their respective stakeholders' needs. It is helpful to clarify an entity can provide voluntary disclosures provided that they do not obscure or result in conflicts with required disclosures. It might also be helpful to state that these disclosures need to be verifiable.

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. Do you agree with that proposed requirement? Please provide reasons to support your view.

We do not object to the proposed requirement. We think the proposed requirement could be further enhanced to encourage preparers to provide a summary of some sort to help readers navigate their annual reports and locate sustainability-related information.

8. Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view.

We do not agree with removing the reference to interim sustainability-related disclosures. It is our view that the correct place to establish any requirement for Australian entities to provide interim disclosures is in the Corporations Act 2001. We note that the exposure draft of the 'Treasury Laws Amendment Bill 2024: Climate-related Financial Disclosure' does not currently require that any entity prepare interim disclosures in accordance with ASRS. IFRS S1 paragraphs 69 and B48 do not mandate which entities would be required to provide interim disclosures. We disagree with the proposed omissions of these paragraphs as they may be relevant and helpful for entities which intend to prepare interim reporting for stakeholders. We do not see how this change is supported by paragraph 20 of the AASB Sustainability Reporting Standard-Setting Framework.

9. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] Standard? Please provide reasons to support your view.

We are not confident that the first sentence of paragraph Aus3.1 of [draft] ASRS 2 will provide sufficient clarity for preparers to understand what the scope of [draft] ASRS 2 is. In our view, the proposed change to IFRS S2 included in [draft] ASRS 2 will need elaboration to be useful to a preparer. We do not object to the second sentence of paragraph Aus3.1 of [draft] ASRS 2 to limit the scope initially to climate-related risks and opportunities due to greenhouse gas emissions, however that will give rise to a difference with the scope of IFRS S2. IFRS S1 defines climate-related risks and opportunities as potential negative and positive effects of 'climate change'. The ISSB published Educational Material in December 2023 illustrating the flow-on nature and social impact of climate change. The first sentence could be misread by users to suggest that they don't need to consider any flow-on impact of climate change. As such, the sentence may need to be amended so that the application of [draft] ASRS 2 is aligned with IFRS S2. We do not object to limiting the scope of [draft] ASRS 2 initially to climate-related risks and opportunities due to greenhouse gas emissions. However, we understand there are other gases that also contribute to climate change, for example, nitrogen oxide or sulfur dioxides. As such, this will give rise to a difference with the scope of IFRS S2. Consistent with our answer to

question 1, we believe a transitional relief in regard to the scope, similar to what we proposed be included in IFRS S1, would allow Australian entities to only report on risks and opportunities related to climate change caused by greenhouse gas emissions initially. This would allow entities that want to comply with IFRS SDS to voluntarily report on risks and opportunities related to climate change not caused by greenhouse gas emissions in accordance with the standard.

It is important to note that under the currently proposed approach, where the scope limitation is only added to the [draft] ASRS 2, entities may still need to apply the [draft] ASRS 1 to climate-related risks and opportunities not due to greenhouse gas emissions. As such, the AASB needs to consider whether they also intend to provide companies with a similar relief from the [draft] ASRS 1 requirement.

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

We do not object. This is a reasonable approach and would help with comparability among entities while not resulting in any misalignment with IFRS S2.

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? Please provide reasons to support your view.

We agree. This is aligned with IFRS S2.

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? Please provide reasons to support your view.

We agree. This is aligned with IFRS S2.

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? Please provide reasons to support your view.

We support the retention of the disclosure requirement in [draft] ASRS 2 paragraph 29(g).

Whether and how an entity's executives' remuneration is linked to the entity's climate strategy provides useful information. Whether an entity's executives are incentivized to execute on the strategy is relevant for users assessing how likely the strategy is to be successful.

We do not support the insertion of paragraph Aus29.1.

Firstly, we do not believe Aus29.1 is necessary. The application of ASRSs will require judgement. In many places where there is not specific guidance an entity will be required to develop sustainability reporting policies in much the same way that an entity develops accounting policies when preparing financial statements. An entity reporting under the IFRS SDS will similarly need to develop a reporting policy in this regard, and we believe that an appropriate policy that will be accepted in practice will be to align with the IAS 24 definitions.

Secondly, it may restrict an entity's ability to achieve international alignment with ESRS or other international sustainability reporting requirements. Leveraging the first point, we believe alternative reporting policies might also be taken by entities reporting under IFRS SDS. For example, in the case of the term 'executive' a policy may be determined by analogizing to the definition of 'the members of the administrative, management and supervisory body' that is used in ESRS for a similar metric. By inserting paragraph Aus29.1, Australian entities that are required to report under both ASRS and ESRS would not be able to harmonize their reporting in the same way that their international counterparts could.

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.

We agree. We support global alignment with IFRS S2.

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? Please provide reasons to support your view.

We strongly suggest providing a policy choice to comply with IFRS S2 or the NGERS measurement as proposed by the AASB so that entities can realise the benefits of complying with the IFRS SDS.

We understand this change was made in accordance with paragraph 20(d) of the AASB Sustainability Reporting Standard-Setting Framework. Our concern is that only a subset of Australian entities is required to report under NGERS and this reduces the benefits of international comparability as noted in paragraph 12 of the Standard-Setting Framework.

16. Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2? Please provide reasons to support your view.

We do not object to this additional requirement on top of IFRS S2 and we believe the transitional relief is helpful.

17. Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1? Please provide reasons to support your view.

Similar to our response to question 15, we strongly suggest providing a policy choice to allow entities that are not required to report under NGERS to use the methodology under the GHG

Protocol. We understand many Australian entities are already applying the methodology under the GHG Protocol.

We are unclear whether the AASB intends for the operational control approach (versus, for example, the financial control approach) to be the only approach for the purposes of measuring GHG emissions, given the requirement in the exposure draft to use NGERS.

18. Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.

We disagree with the proposed change as this is not aligned with IFRS S2. There could be alternative ways to provide a solution to the practical challenge, for example, apply a tiered reporting approach and either extend the reporting deadline for 'tier 2' entities or provide this expedient only to 'tier 2' entities.

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? Please provide reasons to support your view.

We disagree with the proposed change as this is not aligned with IFRS S2 and we do not see how it is supported by paragraph 20 of the AASB Sustainability Reporting Standard-Setting Framework to remove this requirement intended to achieve international alignment. As IFRS S2 will serve as a global baseline, there is a general expectation that other territories will adopt these 15 categories.

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? Please provide reasons to support your view.

We do not support the proposed change as this is not aligned with IFRS S2. Australian entities that are required to report their Scope 1 and Scope 2 GHG emissions under NGERS still need to report their Scope 3 emissions including financed emissions as required by Aus31.1. Applying Aus31.1(b) they would likely use the methodology under the GHG Protocol. As such, information outlined in IFRS S2 paragraphs B61–B63 based on GHG Protocol Standards requirements is likely to be available. Also, as mentioned in our response to question 17, we understand some Australian entities are already applying the methodology under the GHG Protocol.

In addition, we would like to point out that IFRS S2 paragraph B62(c)(ii) has been omitted from [draft] ASRS 2 paragraph AusB63.1.

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.

We have no specific comment to make on this question, although we note there is a different stakeholder base for superannuation entities when compared to corporates. Therefore, more consideration may be needed in determining what the appropriate disclosures are to meet these stakeholders' needs.

22. Do you agree with the AASB's proposal to modify the definition of carbon credit in [draft] ASRS 2? Please provide reasons to support your view.

We agree disclosures related to non-Kyoto Australian Carbon Credit Units (ACCUs) is useful, however we do not support the current approach to modify the definition of carbon credits as it's not aligned with IFRS S2. We believe disclosures related to non-Kyoto ACCUs are already required under IFRS S2 paragraph 33-36 when management have set net emission targets including non-Kyoto ACCUs, and in applying these requirements paragraph 36(e) in relation to carbon credits as defined by the ISSB would be a reasonable reference. As such, we suggest this is added as a separate disclosure clarification to clearly distinguish them from Kyoto ACCUs that meet the IFRS S2 definition.

23. Do you agree with paragraph Aus3.1(b) of [draft] ASRS 1 and paragraph 2.2(b) of [draft] ASRS 2 that the objective of a not-for-profit entity would be to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital, and its ability to further its objectives, over the short, medium or long term? Please provide reasons to support your view.

We agree with this additional guidance for not-for-profit entities.

24. Is there additional guidance that you consider would be helpful in explaining the objective of a not-for-profit entity preparing climate-related financial disclosures? If so, please provide details of that guidance and explain why you think it would be helpful.

At this point we are unaware of any application issues that would warrant additional guidance in this area.

25. Do you agree with the proposal in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1? Please provide reasons to support your view.

We do not support this proposal. [draft] ASRS 1 paragraph B6(a) and B10 already provides that an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort and it needs not undertake an exhaustive search for information to identify climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. The insertions of [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1 do not appear to add value or provide distinguished

requirements between not-for-profit entities and for-profit entities.

26. Do you agree with the AASB's view noted in paragraphs BC31–BC33 that the proposed clarification in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1, together with the practical expedients already provided through the baseline of IFRS S1 and IFRS S2, would be sufficient to address the cost-benefit and scalability concerns for not-for-profit entities preparing climate-related financial disclosures? Please provide reasons to support your view.

As mentioned in our response to Question 25 above, [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1 are similar to [draft] ASRS 1 paragraph B6(a) and B10.

To address cost-benefit and scalability concerns for not-for-profit entities preparing climate-related financial disclosures, we suggest introducing a tiered reporting approach for not-for-profit entities, similar to our suggestion for for-profit entities under question 18, and consider (for each tier) whether applying the same level of disclosure requirements is proportionate to the needs of their respective stakeholders.

27. If you disagree with the AASB's view in Question 26, what other modifications could be made to the baseline of IFRS S1 and IFRS S2 as included in the [draft] ASRS to assist not-for-profit entities to comply with climate-related financial disclosure requirements without undue cost or effort? Please specify which requirements in [draft] ASRS 1 and [draft] ASRS 2 you would suggest modifying, how those requirements could be modified and why you think the modifications would be helpful.

Please refer to our response to Question 26.

28. Unless already provided in response to Question 27, are there any other modifications or additions that could be made to the baseline of IFRS S1 and IFRS S2 as included in the [draft] ASRS to:

(a) assist not-for-profit public sector entities to apply the concept of value chain and other climate-related financial disclosure requirements; and

(b) better support alignment with public sector projects related to climate-related matters, such as the Australian Government's Australian Public Service (APS) Net Zero 2030 policy, which is a policy for the APS to reduce its greenhouse gas emissions to net zero by 2030?

In your response, please specify:

(a) which requirements in [draft] ASRS 1 and [draft] ASRS 2 you would suggest modifying, how those requirements could be modified and why you think the modifications would be helpful; and

(b) which of the following levels of government entities should be subject to your suggested modifications or additional requirements. Please provide reasons to support your view.

(i) Whole of Government;

(ii) General Government Sector;

(iii) Government departments;

(iv) Government entities; and

(v) Local governments.

We have no specific comments to make on this question.

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? Please provide reasons to support your view.

We have no specific comments to make on this question.

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

We believe having an AASB Sustainability Reporting Standard-Setting Framework (Framework) is very helpful as the AASB develops sustainability reporting standards that meet the capability and needs of Australian entities and their stakeholders. Of particular use is paragraph 20 of the Framework as it provides the criteria in determining justifiable circumstances to depart from, amend or add to requirements to IFRS S1 and S2, to meet the needs of Australian stakeholders.

We are conscious that the Framework did not go through a public comment process. As we review the proposals together with the Framework, we feel there could be a need for further clarification of the Framework. Paragraph 20(d) requires the AASB to consider disclosures in existing Australian legislation (for example NGERS) and the requirements of IFRS SDS that would result in duplication. While existing Australian legislation is a justification for differences to IFRS SDS, our view is that international alignment should be prioritized over domestic consistency. As a result, the Exposure Draft has prioritized domestic consistency hence the use of NGERS for all, even though only a subset of Australian entities is required to report under the NGERS. Please refer to our responses to Questions 15, 17 and 20.

In our responses, we have also articulated our view when we don't necessarily agree with the underlying analysis when paragraph 20 is followed.

In a few cases, we do not see how the proposal is supported by paragraph 20. This is the case for question 8 and 19. We suggest the AASB revisit the Exposure Draft in accordance with paragraph 20, after collating feedback from stakeholders.

We draw attention to the Frameworks discussion in paragraphs 10 – 12 of the use of the IFRS SDS as the baseline for developing ASRS with amendments only where it is necessary to meet the needs of Australian stakeholders. We believe that the greatest benefit to Australian

reporting will come from international alignment. There are valuable lessons from Australia's adoption of International Financial Reporting Standards in 2005 that should be remembered now. The AASB initially amended the international standards, removed policy choices and added numerous Australian specific disclosures. Subsequently, the standards reverted to the international standards' requirements because of the benefits of international alignment.
In the AASB presentation '[IFRS adoption in Australia]' from 2009 the AASB noted that

- *'Subsequently included all IFRS options (to avoid confusion about IFRS adoption and allow Australian entities the choices available to others)'*
- *'Subsequently removed most of those requirements (to avoid confusion about IFRS adoption and remove additional disclosure burden)'*

The benefits of adopting the International standards were that

- *'Australian entities' financial reports are more readily understood world-wide*
- *Synergies in the preparation, audit and analysis of Australian financial reports for entities that are part of multinational group.'*

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?

We are unaware of any.

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

We have focused our response on Australian disclosure requirements that are different from or additional to the IFRS SDS requirements.

In our view, assurance challenges may be present with regards to:
1. Component reporting – For Australian groups with overseas components, providing assurance over differences between [draft] ASRS and IFRS SDS such as the proposed requirement to apply NGERS methodology instead of GHG Protocol might be challenging; and

2. Market-based Scope 2 emissions - Supplier-specific emissions factors may not be available especially in overseas locations.

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

Yes we believe so.

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

> Subject to our responses above to enhance international alignment, we believe the proposals are in the best interests of the Australian economy and are expected to achieve benefits laid out in Paragraph 12 of the AASB Sustainability Reporting Standard-Setting Framework.

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.

> The nature(s) and estimated amount(s) of incremental costs arising from the proposals may vary from entity to entity, depending on their respective circumstances, such as sustainability reporting maturity and stakeholders' needs. We believe the long-term benefits may include the development of an internationally aligned sustainability reporting ecosystem in Australia, and would ultimately benefit Australian entities and capital market users.