

Australian Accounting Standards Board  
Via Online submission

1 March 2024

Our reference: D24/16197

To whom it may concern

**Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information- Exposure Draft**

City of Ryde staff attended an online information session on the Sustainability Reporting Exposure Draft (ED SR1) held on 29 February 2024, organised by the Office of Local Government.

During the information session, AASB staff advised that ED SR1 will not apply to Local Government and the mandating of this standard for local government will be determined by each individual State and Territory Government.

AASB staff stated that a few of the States have enquired around the implementation of these Standards with a view to possible mandating in future. Therefore, please find attached answers to the AASB questions posed on the Exposure Draft. These responses have been provided for consideration by both AASB and State and Territory Governments for any future local government mandated reporting requirements.

If you require any further information, please contact Adriana Genova via [AdrianaGenova@ryde.nsw.gov.au](mailto:AdrianaGenova@ryde.nsw.gov.au) or phone 0468620575.

Yours sincerely \_\_\_\_\_



Adriana Genova  
Acting Executive Officer- City Resilience

## **General Comments**

Council does not believe reporting these disclosures in the Financial Statements is the best place and will likely get overlooked.

We believe the Annual Report can provide a more detailed framework to allow transparency in disclosures relating to climate risks and opportunities.

Council currently completes a State of the Environment Report at the end of each term of Council.

### **Question 1, page 44: Presenting core content disclosure requirements**

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)?

CoR response: Option 1 is supported to simplify source of information to respond to.

### **Question 2, page 47: References to definitions in Frameworks**

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 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.

CoR response: Supported, for simplification of the source of information.

### **Question 3, page 48: Disclosures where no materials climate related risks and opportunities**

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.

CoR response: Agree

### **Question 4, page 50: Removal of references to SASB standards**

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

CoR response: Neutral on the subject matter

**Question 5, page 53: Use of ANZSIC metrics**

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.

CoR response: Agree, consistency enables the efficient application of the standard.

**Question 6, page 53: Ability to provide additional voluntary 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)? 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.

CoR response: Supported to enable choice to be made relative to the business.

**Question 7, page 55: Location of climate-related financial disclosures**

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.

CoR Response: Agree, enables an organisation to make a resource and risk-based decision.

**Question 8, page 55: Interim reporting:** Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view.

CoR response: Supported, to minimise effort required for reporting without diminishing accountability.

**Question 9, page 56: Clarification of scope – limited to climate change**

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.

CoR response: Supported, will clarify purpose.

**Question 10, page 16: Requirement to disclose climate resilience assessments against at least two relevant possible future states**

10) Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1 (page 54)? Please provide reasons to support your view.

CoR Response: Supported. The proposed approach of analysing and quantitatively disclosing the entity's assessment of climate resilience against at least two relevant possible future states, including a 1.5-degree scenario, is supported.

**Question 11, page 16: No need to disclose upper-temperature scenario**

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.

CoR response: Supported. The 1.5°C above pre-industrial levels represents the most ambitious global temperature goal, strongly recommended by the IPCC to mitigate the impacts of climate change. The Standards should require the scenarios to reflect the latest science on Climate Change as released by the IPCC. The City of Ryde has developed its Net Zero Emissions Pathway based on the 1.5-degree target.

**Question 12, page 15: Views on cross-industry metrics disclosures**

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.

CoR response: Supported. Provides transparency in public money expenditure and assures those reviewing the Financial Statements, that Council is undertaking its due diligence as per the requirements within the Local Government Act

**Question 13, page 20: Link between climate-related consideration and executive remuneration**

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.

CoR Response: Not supported. This information does not add value or provide any useful information.

**Question 14, page 21: Definition of greenhouse gases**

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.

CoR response: Supported. Reporting nitrogen trifluoride (NF3) aligns with the common reporting format of the United Nations Framework Convention on Climate Change (UNFCCC).

**Question 15, page 23: Converting GHG in line with NGER legislation**

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.

CoR response: Not supported. The new AR6 100-year GWPs should be adopted as this reflects the latest scientific understanding and best practice. In the AR6 report, in addition to updating the GWPs of GHG emissions, an additional GWP for methane has been introduced to differentiate between methane originating from fossil fuel and non-fossil fuel sources.

**Question 16, page 26: Requirement to disclose market-based Scope 2 emissions**

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.

CoR response: Supported. The market-based method, which accounts for procurement decisions, makes the entity accountable and transparent for its emissions, even when connected to a heavily fossil fuel-based grid. As of July 2022, the City of Ryde has been procuring 100% renewable electricity for its operations and has addressed its scope 2 emissions.

**Question 17, page 29: Measurement of GHG emissions consistent with NGER legislation**

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.

CoR response: Supported. The City of Ryde is already measuring Scopes 1, 2 and 3.

**Question 18, page 31: Practical expedients re reporting Scope 3 emissions**

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

CoR response: Supported. Scope 3 emissions should be reported as a major source of emissions. The City of Ryde has included scope 3 emissions in its target of Net Zero Emissions by 2035 or sooner. Additionally, the City of Ryde is working to reduce emissions from the top materials used in civil works and maintenance, thereby addressing scope 3 emissions.

**Question 19, page 34: Scope 3 emission categories**

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.

CoR response: Not supported. The GHG Protocol Standards is an international methodology that also aligns with the national Climate Active program for calculating scope 3 emissions. The City of Ryde is seeking to become Climate Active certified by measuring its emissions based on GHG Protocol standards.

**Question 20, page 38: Applicability of financed emissions disclosures**

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.

CoR response: Supported, enable an organisation to self-determine useful information

**Question 21, page 38: Superannuation entities**

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.

CoR response: Not relevant for our organisation

**Question 22, page 39: Modified definition of carbon credit**

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.

CoR response: Supported. The definition of a carbon credit within ASRS 1 and ASRS 2 should include the internationally recognised definition of a carbon credit, and a reference to Australia's carbon credit scheme which is recognised in Climate Active Certification.

**Question 23, page 8: Disclosure objective for NFPs**

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.

City of Ryde (CoR) response- Yes, to ensure transparency and provide assurance to the community that Council is preparing for future climate-related impacts. However, determining the actual financial impact in most cases will prove challenging unless detailed analysis is conducted with ample information provided.

**Question 24, page 8: Additional guidance for NFPs in explaining their objective**

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.

CoR response- A template detailing the layout and information required to be reported specifically by Local Government would be beneficial and set a consistency in bench marking by which all are being compared.

**Question 25, page 9: NFPs need not undertake exhaustive searches for information**

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.

CoR response: Yes supported. The budget required to engaged consultants to undertake in depth analysis, possibly yearly, would impact Council finances. This budget could be better utilised in the completion or actions identified in Policies and Strategies addressing climate-related risks. In addition, Council does not have adequate internal resources to undertake exhaustive searches for information.

**Question 26, page 9: Cost-benefit and scalability concerns for NFPs**

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.

CoR response: Yes, this information is already available for the CoR and covered in various policies, strategies and captured within Council's risk register.

**Question 27, page 10: Modifications to assist NFPs comply without undue cost or effort**

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.

CoR response: N/A

**Question 28, page 12: Other modifications relevant to NFPs**

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?

CoR response: N/A

**Question 29, page 12: Public sector impact reporting**

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.

CoR response- A timeframe in which the domestic standard will assist in providing a benchmark that is industry wide and allow Local Governments enough time to implement internal processes to enable this reporting to occur. The data required to report on the Standards will be obtained from various teams within the organisation so alignment with IP & R reporting requirements would be useful.

**Question 30: Application of AASB Sustainability Reporting Standard-Setting Framework**

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

CoR response: Yes

**Question 31: Australian specific regulatory issues (incl for NFP and public sector entities)**

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?

CoR response: No specific examples at this time.

**Question 32: Auditing or assurance challenges**

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

CoR response: Not able to respond accurately to this until a full analysis of impact to introduce has been undertaken. External auditors will require a significant amount of data and supporting information should disclosures contain any financial information/impact. Therefore:

- Voluntary Disclosures are currently discouraged by the AO from being reported in the FS (relates to Question 6).
- Applying judgement (Qn 7) is difficult to satisfy for auditors and often requires additional external party analysis (and costs) to support the judgement used. It also results in labour intensive discussions during an already tight audit process.

**Question 33: Usefulness to users**

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

CoR response: Whilst these disclosures aim to provide transparency, it is often difficult to accurately quantify the financial impact.

**Question 34: Best interests of Australian economy?**

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

CoR response: Unable to comment.

**Question 35: Cost and benefits of the proposals**

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.

CoR response: Unable to accurately respond to this question at this point in time.