Australian Government
Australian Accounting Standards Board

Staff paper

Project:	**Sustainability Reporting**	**Meeting**	AASB November 2022 (M191)
Topic:	**ED 321 feedback summary—ISSB Exposure Draft on [Draft] IFRS S2**	**Agenda Item:**	3.2.4
		Date:	25 October 2022
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		Decision-Making:	None
		Project Status:	Consider feedback from outreach activities

Objective and background

1 The objective of this paper is to provide the Board with an overview of the feedback the AASB received on the International Sustainability Standards Board's (ISSB) Exposure Draft on [Draft] IFRS S2 *Climate-related Disclosures* as part of outreach on ED 321 Request for Comment on ISSB [Draft] IFRS S1 and [Draft] IFRS S2.

2 This paper summarises the feedback that was submitted to the Board and included in the joint AASB and AUASB submission to the ISSB. To avoid duplication, this paper only includes a summary of additional feedback that has not already been summarised in Agenda Papers 3.2.2 and 3.2.3. Refer to Agenda Paper 3.2.1 for a breakdown of comment letters received and respondents by stakeholder type.

3 This paper is for information purposes only and does not ask the Board to make any decisions.

Structure

4 This paper is structured as follows:

(a) Key messages (paragraphs 5-8);

(b) Applying the value chain concept to climate-related disclosures (paragraphs 9-10);

(c) Current and anticipated financial effects (paragraphs 11-15);

(d) Climate resilience (paragraph 16);

(e) Cross-industry metric categories (paragraphs 17-20);

(f) Cross-industry metric categories—GHG emissions (paragraphs 21-25);

(g) Industry-based requirements—Appendix B to [Draft] IFRS S2 (paragraphs 26-29);

(h) Costs, benefits and likely effects (paragraphs 30-33);

(i) Audit and assurance (paragraphs 34-35);

(j) Effective date (paragraphs 36-38);

(k) Other comments (paragraphs 39-40);

(l) Question to Board members;

(m) Appendix A—Detailed feedback on Appendix B to [Draft] IFRS S2.

Key messages

5 Overall, respondents agreed with the following proposals in [Draft] IFRS S2 because the resulting disclosures would provide useful information to primary users of general purpose financial reports (users):

(a) the objective of the [Draft] IFRS S2 as proposed in paragraph 1[1];

(b) the proposals in paragraphs 4 and 5 of [Draft] IFRS S2 related to governance;

(c) the proposals related to the identification of climate-related risks and opportunities;

(d) the proposals related to the concentrations of climate-related risks and opportunities;

(e) the proposals related to transition plans and carbon offsets;

(f) the proposals related to risk management; and

(g) the proposals related to targets.

6 Many of these respondents also said they supported the approach taken by the ISSB to develop of [Draft] IFRS S2 which builds on the content and structure of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD Recommendations) because this approach is well understood by preparers and users globally.[2]

7 However, almost all respondents disagreed with, or expressed concerns about, specific aspects of the proposals in [Draft] IFRS S2. In particular, these respondents provided additional commentary on:

(a) the concept of ‘value chain’ in the context of climate-related disclosures (see paragraphs 9-10);

(b) the proposals related to identifying and quantifying current and anticipated effects of climate-related risks and opportunities on an entity’s financial position, financial performance and cash flows in the short-, medium-, and long-term (see paragraphs 11-15);

(c) the proposals related to climate-related scenario analysis as part of assessing an entity’s climate resilience (see paragraph 16);

(d) the proposed cross-industry metric categories and the related requirements (see paragraphs 17-25);

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1 Proposed paragraph 1 of [Draft] IFRS S2 states: “The objective of [draft] IFRS S2 *Climate-related Disclosures* is to require an entity to disclose information about its exposure to significant climate-related risks and opportunities, enabling users of an entity’s general purpose financial reporting: (a) to assess the effects of significant climate-related risks and opportunities on the entity’s enterprise value; (b) to understand how the entity’s use of resources, and corresponding inputs, activities, outputs and outcomes support the entity’s response to and strategy for managing its significant climate-related risks and opportunities; and (c) to evaluate the entity’s ability to adapt its planning, business model and operations to significant climate-related risks and opportunities.”

2 For example, refer to the submissions from Deloitte, Property Council of Australia (PCA), Woodside Energy Group Ltd (WDS), Australian Institute of Company Directors (AICD), Chartered Accountants Australia & New Zealand and CPA Australia (CAANZ-CPA), AustralianSuper and the Insurance Council of Australia (ICA).

(e) the proposed industry-based requirements isolated in Appendix B to [Draft] IFRS S2 (see paragraphs 26-29);

(f) the anticipated costs, benefits and likely effects of the proposals (see paragraphs 30-33);

(g) the assurability of the proposals (see paragraphs 34-35); and

(h) the effective date of the proposals (see paragraphs 36-38).

8 Almost all respondents also highlighted that the scalability of the proposals (or aspects of the proposals) as an issue in their submissions to the ISSB. That is, almost all respondents noted that for small-to-medium sized entities (SMEs) the costs of complying with [Draft] IFRS S2 could outweigh the benefits.[3] For example, these respondents recommended the ISSB take into account the readiness of entities to provide information that complies with the proposals in [Draft] IFRS S2, including the availability and quality of data, the complexities of accounting, and the availability of resources and processes.

Applying the value chain concept to climate-related disclosures

9 Some respondents questioned how the concept of value chain should be applied in the context of the proposals in [Draft] IFRS S2:

(a) some of these respondents said it is unclear to what level the value chain on the reporting entity ought to be considered given there are requirements related to unconsolidated subsidiaries, associates, affiliates and joint ventures;[4] and

(b) a few respondents observed that there is a misalignment between the reporting entity and value chain concepts in [Draft] IFRS S1 and the Greenhouse Gas Protocol Corporate Accounting Standard (GHG Protocol Standard). These respondents suggested the ISSB work with the GHG Protocol to better align the concepts of the GHG Protocol Standard with the proposals relating to the boundary of reporting for associates, joint ventures and investments (see also paragraphs 21-25).[5]

10 One respondent identified an inconsistency within paragraph 12 of [Draft] IFRS S2 where both paragraphs 12(a) and (b) focus on the impact of the value chain, but the focus of the paragraph itself is on the business model. This respondent said that entities should be required to consider the effects of climate-related risks and opportunities on the business model separately from the effects on the value chain.[6]

Current and anticipated financial effects

11 Many respondents disagreed with the proposals related to disclosing current and anticipated effects or said that further clarification is needed around what is meant by 'current and anticipated financial effects' because in their view:[7]

(a) current financial effects should already be disclosed as part of an entity's general purpose financial statements;

(b) current and anticipated effects may be difficult to achieve in practice due to there being no commonly used methodology for measurement in this area—for example, respondents said in practice it would be difficult for entities to isolate and quantify

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3 For example, refer to the submissions from the Institute of Public Accountants (IPA), AICD, Australian Beverage Council (ABC), CAANZ-CPA, and the Australian Banking Association (ABA).

4 For example, refer to submissions from the ABA, QBE Insurance Group Ltd (QBE) and ICA.

5 For example, refer to submissions from Deloitte and PCA.

6 Refer to the submission from CAANZ-CPA.

7 For example, refer to submissions from Deloitte, PCA, CAANZ-CPA, ABA, QBE and ICA.

the current and anticipated effects of climate on their financial position, performance and cash flows; and

(c) it can be a matter of significant judgement to determine what proportion of a risk or opportunity could be attributed to any one sustainability-related matter—that is, it will be challenging for an entity to make an unreserved statement about the current and anticipated financial effects attributable to climate only.

12 A few respondents disagreed with or questioned the usefulness of the proposals related to the long-term time horizon because long-term scenario analysis (greater than 5 years) relies on very significant assumptions which are subject to volatility and conjecture about how other economic factors may or may not act under assumed conditions. In their view, such scenarios would not provide useful information to users. These respondents also said that qualitative disclosures could provide more useful information in relation to longer-term time horizons and help reduce the burden of reporting on preparers.[8]

13 One respondent recommended that the ISSB provide guidance on how an entity should establish their short-, medium- and long-term time horizons to ensure these align with the entity's business cycle and are comparable to other entities within the same industry.[9]

Forward-looking statements

14 Many respondents also raised concerns about Australian entities making forward-looking statements in the context of proposals relating to current and anticipated effects and climate resilience that are subject to significant complexities and judgements. These respondents highlighted that Australian law and regulation meant Australian entities would be placed at higher liability risk than their global counterparts were the proposals to be adopted in Australia. This is because of the requirement that forward-looking statements be made on reasonable grounds, as well as the operation of Australia's public enforcement of directors' duties and a facilitative class actions environment. A few of these respondents recommended the ISSB work with the Board to address these concerns at a domestic level and also suggested the Board work with the Australian Prudential regulation Authority (APRA), Australian Securities and Investments Commission (ASIC) and the Australian Securities Exchange (ASX).[10]

15 However, while acknowledged as being challenging in an Australian context, some other respondents observed that many Australian entities already make forward-looking statements in relation to provisions, environmental rehabilitation values and when reporting voluntarily against the TCFD Recommendations. In their view, the proposals do not add liability risk beyond that already experienced by Australian entities.[11]

Climate resilience

16 Almost all respondents said that they support the proposal to use climate-related scenario analysis to assess an entity's climate resilience. These respondents said that climate-related scenario analysis, while being complex, was the most useful way to communicate an entity's climate resilience to users. However, these respondents also highlighted the complexity of climate-related scenario analysis and said that the proposals would be challenging to

8 For example, refer to submissions from ABA and QBE.

9 Refer to the submission from CAANZ-CPA.

10 For example, refer to submissions from AICD, PCA, AustralianSuper, and QBE.

11 For example, refer to submissions from Cbus Super, Australian Council of Superannuation Investors (ACSI) and AustralianSuper.

implement and it may take time for entities (especially SMEs) to develop the relevant capabilities to comply with the proposals (see also paragraphs 36-38).[12]

Cross-industry metric categories

17 Many respondents said they support the seven proposed cross-industry metric categories because the information is relevant to users.[13] However, a few of these respondents also said:[14]

(a) in relation to the proposals on transition and physical risk, that in order to provide comparable disclosures, the ISSB will need to develop clear definitions of ‘business activities’ and ‘vulnerable’ for the purposes of entities determining the impact of climate;

(b) in relation to the proposals on internal carbon price, that the ISSB should permit entities to disclose if they do not currently use an internal carbon price;

(c) in relation to the proposals on remuneration, that Australia already has detailed remuneration disclosure requirements and consideration would need to be given to how those existing requirements interact with the proposals; and

(d) in relation to the proposals on remuneration, that the proposals would be better suited for inclusion in [Draft] IFRS S1 rather than being duplicated within [Draft] IFRS S2 and future IFRS Sustainability Disclosure Standards.

18 One respondent said they were concerned about how entities might be expected to report the amount and percentage of assets or business activities vulnerable to transition or physical risks or aligned with climate-related opportunities as well as capital deployment. This respondent questioned the reliability and accuracy of the resulting figures given the significant uncertainty and judgment involved and recommended qualitative disclosure be permitted.[15]

19 One respondent questioned why the proposals only addressed GHG emissions and not other types of emissions which affect climate.[16] For example, GRI 305 *Emissions* (2016) addresses “emissions into air, which are the discharge of substances from a source into the atmosphere. Types of emissions include: GHG, ozone-depleting substances (ODS), and nitrogen oxides (NO_x) and sulfur oxides (SO_x), among other significant air emissions.”

20 One respondent disagreed with the proposal for an entity to disclose its internal carbon price because they questioned the value of such information to users. This respondent also said that such a proposal would disincentivise entities from using internal carbon prices.[17]

Cross-industry metric categories—GHG emissions

21 Almost all respondents agreed with the proposed cross-industry metric category related to Scope 1, Scope 2 and Scope 3 GHG emissions. However, these respondents also said that:[18]

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12 For example, refer to submissions from the Department of Climate Change, Energy, the Environment and Water (DCCEEW), Deloitte, ABA, Peak Australian Bodies, PCA, AICA, CAANZ-CPA, QBE and ICA.

13 These respondents referred to the [2021 TCFD Status Report](.).

14 For example, refer to submissions from Deloitte, PCA, CAANZ-CPA and QBE.

15 Refer to the submission from the AICD.

16 Refer to the submissions from Peter Wells.

17 Refer to the submission from the ABA.

18 For example, refer to submissions from AICD, ABA, PCA, NGS Super, Peak Australian Bodies, Deloitte, Publish What You Pay, Responsible Investment Association of Australasia (RIAA), ABC, CAANZ-CPA, KPMG and PwC.

(a) while they agreed Scope 1 and Scope 2 GHG emissions should be separately disclosed for the consolidated entity (and for any associates, joint ventures, unconsolidated subsidiaries and affiliates) some areas of proposed paragraph 21(a)(iii)(2) require further clarification, for example, the meaning of unconsolidated subsidiaries or affiliates and whether this should instead be a reference to investments and whether equity investments should be included; and

(b) while they agree Scope 3 GHG emissions should be separately disclosed, in practice this will be challenging for the reasons discussed in paragraphs 22-25 below.

Scope 3 GHG emissions

22 Almost all respondents said they supported the proposals related to Scope 3 GHG emissions disclosures because:[18]

(a) it provides useful information to users as well as broader stakeholders; and

(b) they would likely significantly improve the quality, comparability and consistency of Scope 3 GHG emissions disclosures.

23 However, most respondents also said that the scalability of these proposals would limit the ability of [Draft] IFRS S2 to be subject to wide-spread application like accounting standards currently experience. For example, one respondent said that due to the complexity of measuring Scope 3 GHG emissions SMEs would likely not have the capabilities and resources needed to comply with the requirements. Consequently, these respondents recommended that:[19]

(a) not all entities be required to comply with Scope 3 GHG emissions proposals immediately because of the current challenges in obtaining complete and reliable data to support those proposals;

(b) the ISSB consider developing transition requirements which would provide relief to preparers in early reporting periods (see also paragraphs 36-38); and

(c) the ISSB clarify, or make explicit, that Scope 3 GHG emissions disclosures are only required if material.

24 One respondent disagreed with the use of existing GHG accounting frameworks such as the GHG Protocol Standard and the National Greenhouse and Energy Reporting Act 2007 (NGER Act) because, in their view, these frameworks did not result in accurate or reliable GHG emissions information.[20]

25 One respondent recommended that the ISSB permit entities to apply jurisdictional GHG protocols or standards where relevant. For example, this respondent said that Australian entities should be permitted to continue applying Australia's NGER Act as it is more comprehensive and detailed that the GHG Protocol Standard.[21]

Industry-based requirements—Appendix B to [Draft] IFRS S2

26 Almost all respondents supported the development of industry-based requirements as part of the ISSB's approach to standard-setting for sustainability-related financial information.

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19 For example, refer to submissions from the Peak Australian Bodies, Deloitte, DCCEEW, PCA, WDS, AICD, ABC, CAANZ-CPA, ABA, KPMG, PwC and ICA.

20 Refer to the submission from Tim Kelly.

21 Refer to the CAANZ-CPA submission.

However, while these respondents supported industry-based requirements, they did not support the industry-based proposals in Appendix B to [Draft] IFRS S2:[22]

(a) **Interaction of industry-based requirements and cross-industry requirements/standards**—the proposed guidance on how cross-industry requirements (or standards) are intended to work together with industry-based requirements is insufficient and a better explanation should be provided on the relationship between cross-industry and industry-based requirements, including in relation to the presentation of resulting information.

(b) **Internationalisation of the SASB industry-based requirements**—the proposals did not go far enough to internationalise the US-centric work of the SASB. As a result, the industry-based requirements do not currently reflect Australian and other jurisdictional industries and sectors and require significant additional work to make them more globally representative.

(c) **Volume of industry-based requirements in Appendix B to [Draft] IFRS S2**—Appendix B is voluminous with extensive and detailed disclosure requirements:

 (i) Given the work of SASB is not widely used in Australia, there has not been sufficient time for Australian preparers to properly understand the implications of these disclosure requirements.

 (ii) The large number of industry-based requirements proposed in Appendix B raised concerns about how cost effective the process will be, especially when considering the development of future IFRS Sustainability Disclosure Standards.

(d) **Lack of alignment with the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC)**—the SASB Sustainable Industry Classification System (SICS) used in the proposals does not align with the ANZSIC which could create significant confusion and application issues for Australian entities that must use the ANZSIC.

27 One respondent said that the proposed industry-based requirements should include carbon intensities such as that required by GRI Standards (specifically GRI 302 *Energy* (2016)) as carbon intensities are more useful for long-term trending.[23]

28 One respondent noted that the application of the requirements will remain challenging for entities, especially given regional and industry variation and the ongoing evolution and refinement of industry-based requirements across different industries and geographies. This respondent recommended the ISSB consider the applicability of other industry-based content, such as the GRI Sector Standards, in addition to the proposals in Appendix B to [Draft] IFRS S2.

29 Detailed feedback on specific aspects of Appendix B to [Draft] IFRS S2 are included in Appendix A to this paper.

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22 For example, refer to submissions from Deloitte, the Australian Bureau of Statistics (ABS), PCA, Macquarie University, EY, RIAA, AICD, IPA, AustralianSuper, ABC, CAANZ-CPA, ABA, QBE, PwC and ICA.

23 Refer to the submission from PCA.

Costs, benefits and likely effects

30 Most respondents said that the expected benefits of climate-related disclosures outweigh the associated costs. However, these respondents also noted that the benefits would likely be difficult to quantify.[24]

31 Some respondents said that due to the complexity of the proposals the expected costs could outweigh the benefits for SMEs (see also paragraphs 30-33).[25] One respondent said that the compliance costs alone would be significant and noted that there was currently no empirical evidence which clearly identified or quantified the benefits.[26]

32 A few respondents recommended that the ISSB field-test the proposals to better understand and quantify the costs, benefits and effects of applying them.[27]

33 One respondent estimated that the proposals in [Draft] IFRS S2 would add costs of upwards of AUD1 million per annum when considering the material increase that would occur in relation to consulting, audit/assurance and internal resource costs. Another respondent said that the costs of implementing the proposals in Australia would be significant due to the lack of sufficient data collection capabilities on non-financial information.[28]

Assurability

34 Most respondents specifically highlighted the following aspects of the proposals that, in their view, will be difficult to assure because of the complexity and magnitude of the requirements and the level of estimation and variability in assumptions that would need to be applied:[29]

(a) proposed requirements related to current and anticipated effects of climate—specifically, forward looking statements and narrative information (see also paragraphs 11-15);

(b) climate resilience proposals related to climate-related scenario analysis (see also paragraph 16); and

(c) proposed cross-industry metric categories and requirements related to Scope 3 GHG emissions disclosure (see also paragraphs 21-25).

These respondents recommended that the ISSB improve the proposed disclosure requirements to require entities to disclose the supporting assumptions, limitations and uncertainties (i.e. caveats).

35 One respondent said that they were concerned the magnitude of the requirements would limit the ability for assurance to be provided on full compliance.[30] Another respondent questioned whether audit and assurance providers currently have the perquisite knowledge required to assure the information required to comply with the proposals.[31]

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24 For example, refer to submissions from Deloitte, RIAA, CAANZ-CPA, ABA, QBE and ICA.

25 For example, refer to submission from the AICD, ABC, QBE and ICA.

26 Refer to the submission from Peter Wells.

27 For example, refer to the submission from CAANZ-CPA.

28 For example, refer to submissions from AICD and PCA.

29 For example, refer to submissions from NGS Super, Group of 100 (G100), Peak Australian Bodies, Deloitte, AICD, CAANZ-CPA, ABA, QBE and ICA.

30 Refer to the submission from the AICD.

31 Refer to the submission from the ABA.

Effective date

36 Most respondents said that both [Draft] IFRS S1 and [Draft] IFRS S2 should have the same effective date. However, these respondents also said that, when determining the effective date, the ISSB should consider the practical implications of the proposals and the different degrees of readiness across jurisdictions.[32] A few of these respondents also said that [Draft] IFRS S2 could be made effective earlier than [Draft] IFRS S1 as it does not present as many complexities.[33]

37 As noted by paragraphs 16 and 23, many respondents recommended the ISSB develop transition requirements which would provide relief on some aspects of the proposals in early reporting periods.[34]

38 In responding to the question which asked whether there some aspects of [Draft] IFRS S2 that could be applied earlier than others:

(a) one respondent said that the proposed requirements related to Scope 1 and 2 GHG emissions disclosures could be made earlier than other aspects of [Draft] IFRS S2;[35] and

(b) one respondent said the proposals related to governance and strategy could be made earlier than other aspects of [Draft] IFRS S2.[36]

Other comments

39 Most respondents said that there were no aspects of the proposals in [Draft] IFRS S2 which would undermine the achievement of a global baseline. These respondents also said that achieving a global baseline is critical to avoid regulatory and standard-setting fragmentation and promote consistency and comparability of climate-related disclosures.[37] However, one respondent said that, in their view, the ISSB's current use of SASB could limit the ability of the ISSB achieving a global baseline.[38]

40 A few respondents provided the following additional comments on the proposals in [Draft] IFRS S2:

(a) One respondent disagreed with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities as, in their view, the level of prescription in the Exposure Draft is not necessary and a more principles-based approach would allow entities to best communicate their risk management approach.[39]

(b) One respondent observed that the proposals in [Draft] IFRS S2 are more onerous that the TCFD Recommendations.[39]

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32 For example, refer to submissions from NGS Super, Peak Australian Bodies, Deloitte, PCA, WDS, AICD, IPA, AustralianSuper, ABA and ICA.

33 For example, refer to submissions from AICD, CAANZ-CPA and QBE.

34 For example, refer to submissions from the Peak Australian Bodies, PCA, AICD, IPA and AustralianSuper.

35 Refer to the submission from NGS Super.

36 Refer to the submission from the ICA.

37 For example, refer to submissions from NGS Super, Peak Australian Bodies, Deloitte, RIAA, AustralianSuper and CAANZ-CPA.

38 Refer to the submission from the ICA.

39 Refer to the submission from the AICD.

(c) One respondent observed the significant duplication of [Draft] IFRS S1 proposals in [Draft] IFRS S2. This respondent recommended the ISSB remove the duplication from [Draft] IFRS S2.[40]

(d) One respondent was concerned with the volume of disclosure that would result from applying [Draft] IFRS S2 and future IFRS Sustainability Disclosure Standards. This respondent recommended that more consideration be given to the expected length of depth of such disclosure as part of developing future IFRS Sustainability Disclosure Standards.[41]

Question to Board members

Question to Board members
Do Board members have any comments or questions about the information in this paper?

40 Refer to the submission from CAANZ-CPA.

41 Refer to the submission from the ICA.

Appendix A—Detailed feedback on Appendix B to [Draft] IFRS S2

A1. Feedback on the proposals to Appendix B of [Draft] IFRS S2 has been collated from responses to the Board's Exposure Draft 321 Request for Comment on ISSB [Draft] IFRS S1 and [Draft] IFRS S2, the ISSB's Exposure Draft on [Draft] IFRS S2 and outreach events. In addition to hosting one-to-one meetings with relevant industry representatives and participants, the Board hosted five industry-based roundtable discussions with the following key Australian industries:[42]

(a) Extractive activities—minerals, oil and gas and energy;

(b) Food, beverage and agriculture;

(c) Financial services, banking, superannuation and insurance;

(d) Consumer goods and manufacturing; and

(e) Property, real estate and construction.

A2. Feedback received has been grouped into the following key themes:

(a) Industrial classification (see paragraph A3);

(b) Industry-based requirements:

(i) Proposals that are not relevant to the Australian market or to the topic of climate (see paragraph A4);

(ii) Missing information (see paragraphs A5-A6);

(iii) Recommended improvements to proposed industry-based requirements (see paragraphs A7-A8).

(c) Other comments:

(i) Defining mineral and oil and gas reserves (see paragraphs A9-A10);

(ii) Disclosure topics versus thematic standards (see paragraph A11);

(iii) Referring to third-party definitions and external standards/frameworks (see paragraph A12).

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42 Refer to Agenda Paper 3.2.1 for an overview of all outreach activities conducted by the Board in relation to ED 321 and the ISSB's Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2.

Industrial classification (or industry descriptions)

A3. Overall, feedback indicated that many respondents had not had the time to appropriately consider the industry categories and descriptions proposed in Appendix B to [Draft] IFRS S2 and how they compare with what they currently apply and what is required to be applied when providing information to the Australian Bureau of Statistics, Australian Taxation Office and Australian Securities and Investments Commission and reporting under the NGER Act and other legislation (e.g. Australian entities are required to apply ANZSIC). However:

(a) one respondent (a preparer) from the telecommunications industry noted that the industry description for the telecommunication services industry was not appropriate as it was too narrow in scope. In particular, this respondents said that the description is representative of the US telecommunications market, but not the Australian telecommunications market or other jurisdictional markets. In their view, the industry description should not refer to or identify particular technologies if it is to be applied globally—for example, public switchboards no longer exist in Australia as this type of telephone network was replaced by Australia's National Broadband Network. This respondent recommended that the industry description focus on the service being delivered rather than the infrastructure/technology being used to delivery that service; and

(b) one respondent noted that implementing the SASB SICS in Australia would be problematic given the conceptual basis that underpins ANZSIC is aligned with ISIC. This respondent noted that the conceptual basis which underpins ISIC and ANZSIC does not align with the SASB SICS.[43]

Industry-based requirements—metrics not relevant to the Australian market or climate

A4. Overall, feedback indicated that many respondents had not had the time to appropriately consider the industry-metrics proposed in Appendix B to [Draft] IFRS S2. However, respondents highlighted some specific examples where they were of the view that the proposed industry-based requirement was either irrelevant for the Australia market or not related to climate:

Industry	**Disclosure topic**	**Requirement / metric**	**Reason provided**
Coal operations	Reserves valuation & capital expenditure	Estimated carbon dioxide emissions embedded in coal reserves	• Disclosing coal reserves does not equate to extracting those reserves—i.e. this metric is only relevant where an entity has made a clear and legally binding commitment to extracting reserves • Emissions level is dependent on how the coal is used so this disclosure in isolation will not provide useful information

[43] Refer to the submission from the ABS.

Industry	Disclosure topic	Requirement / metric	Reason provided
Coal operations	Greenhouse gas emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Lacks sufficient specificity to result in comparable disclosures—e.g. what gasses are covered as this will differ jurisdictionally if not specified
Coal operations	Greenhouse gas emissions	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	As above
Construction materials	Air quality	Air emissions of the following pollutants: (1) NO_x (excluding N_2O), (2) SO_x, (3) particulate matter (PM_{10}), (4) dioxins/ furans, (5) volatile organic compounds (VOCs), (6) polycyclic aromatic hydrocarbons (PAHs), and (7) heavy metals	Not all are relevant to climate—e.g. what impact do heavy metals have on climate change?
Construction materials	Waste management	Amount of waste generated, percentage hazardous, percentage recycled	Not relevant to climate
O&G—Exploration & Production	Water management	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	Fracking is not common practice outside of the US
O&G—Exploration & Production	Water management	Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	As above
Gas Utilities & Distributors/Electric Utilities & Power Generators	End-use efficiency	Customer gas/electricity savings from efficiency measures, by market	Not relevant to climate

Industry	Disclosure topic	Requirement / metric	Reason provided
Engineering & Construction Services	Structural integrity & safety	Amount of defect and safety-related rework costs	Not relevant to climate—e.g. legal obligations on these items are generally limited to one year following the build and are intended to cover any issues occurring within the build, not because of the building's climate resilience
Engineering & Construction Services	Structural integrity & safety	Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents	As above
Telecommunication services	Managing systemic risks from technology disruptions	Discussion of systems to provide unimpeded service during service interruptions	Not relevant to climate—e.g. would be more useful if the metric focused on a qualitative overview of impact to telecommunications infrastructure as a result of climate-related events.
Telecommunication services	-	Number of wireless subscribers	• Not relevant to climate • Not representative of the range of telecommunications services available (i.e. definition is very narrow in scope)
Telecommunication services	-	Number of wireline subscribers	As above
Telecommunication services	-	Number of broadband subscribers	As above
Telecommunication services	-	Network traffic	As above
Alcoholic beverages & Non-alcoholic beverages	Ingredient sourcing	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	Not relevant for all beverages—e.g. potentially suitable for beverages such as teas, coffees and water products but not suitable for syrup concentrates, energy and sports drinks[44]

44 For example, refer to the submission from the ABC.

Industry	Disclosure topic	Requirement / metric	Reason provided
Alcoholic beverages & Non-alcoholic beverages	Ingredient sourcing	List of priority beverage ingredients and description of sourcing risks due to environmental and social considerations	• Not relevant to climate • Commercially confident information[45]
Alcoholic beverages & Non-alcoholic beverages	Environmental & social impacts of ingredient supply chain	Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	Not relevant to climate[45]
Alcoholic beverages & Non-alcoholic beverages	-	Volume of products sold	Not relevant to climate[45]
Alcoholic beverages & Non-alcoholic beverages	-	Number of production facilities	Not relevant to climate[45]
Insurance	Policies designed to incentivise responsible behaviour	Discussion of products and/or product features that incentivise health, safety and environmentally responsible actions and/or behaviours	Will be difficult to analyse and provide useful information on as they cannot easily be measured[46]
Insurance	Physical risk exposure	Total amount of monetary losses attributable to insurance payouts from (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	The metric overlaps significantly with business-as-usual capital management, reinsurance requirements and pricing and will be challenging to implement in a manner that provides useful additional information on the financial effects of climate change[46]

45 For example, refer to the submission from the ABC.

46 For example, refer to submissions from QBE and ICA.

Industry	Disclosure topic	Requirement / metric	Reason provided
Restaurants	Supply chain management & food sourcing	Percentage of (1) eggs that originated from a cage-free environment and (2) pork that was produced without the use of gestation crates	Not relevant to climate[47]

Industry-based metrics—missing information

A5. Feedback indicated that many respondents had not had the time to appropriately consider the completeness of the industry-based requirements proposed in Appendix B to [Draft] IFRS S2. However, respondents highlighted some specific examples where they were of the view that metrics were missing from Appendix B:

Industry	Disclosure topic	Requirement / metric	Reason provided
Engineering & construction services, Home builders and Real estate	Waste management	Tonnes of waste produced and associated diversion rate	Waste management is considered to be related to climate for other industries—what is reasoning behind why it was not included as part of these industries?
Engineering & construction services	Climate change adaptation	Number of lots located in 100-year flood zones	Equally as important for this industry as it is for the Home builders and Real estate industries. For example, entities in this industry are responsible for choosing/signing-on to build in those locations and there would be reputational and legal risks to an entity being associated with developing assets in areas that may not be suitable for habitation in the medium to long term
Engineering & construction services	Land use & ecological impacts	Number of (1) lots and (2) buildings delivered in regions with High or Extremely High Baseline Water Stress	Equally as important for this industry as it is for the Home builders and Real estate industries. For example, how will water consumption for the build impact on the local area?

[47] For example, refer to the submission from the ABC.

Industry	**Disclosure topic**	**Requirement / metric**	**Reason provided**
Home builders	Lifecycle impacts of buildings & infrastructure	Number of (1) commissioned projects certified to a third-party multi-attribute sustainability standard and (2) active projects seeking such certification	Is equally relevant to Home builders as it is to Engineering & construction services industries.
Engineering & construction service, Home builders	Energy management	All energy management metrics included in Real estate	Energy management is material for all industries as it may contribute to climate change and also has reputational impacts
Engineering & construction, Home builders and Real estate	Water management	All metrics related to water stress and consumption	Water management is relevant to all three industries and should be reported on by all three industries
Meat, poultry and dairy	Supply chain management & food sourcing	Percentage of (1) eggs that originated from a cage-free environment and (2) pork that was produced without the use of gestation crates	Producers of these products would not be required to declare what percentage of their outputs fall into these categories. If these are metrics that provide insight into the resiliency of a business which utilises these inputs, the manufacturer should also be required to make such disclosures
Meat, poultry and dairy	Fleet fuel management	Fleet fuel consumed, percentage renewable	Industries such as meat and poultry typically transport product (whether live or processed) in dedicated fleets owned by the company.
Agricultural products and Meat, poultry and dairy	Environmental & social impacts of ingredient supply chain	Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	The agriculture and meat, poultry and dairy sectors should also have to report against this topic because both utilise supply chains (and are in some cases the producers themselves) of ingredient inputs which have the propensity for major social and environmental non-conformities
Financials	-	-	The Financials industry group includes Asset Management but not Asset Owners such as pension and superannuation funds.

Industry	Disclosure topic	Requirement / metric	Reason provided
			Furthermore, private asset sectors are not currently captured in the industry groups.

A6. Furthermore, some respondents observed the following:[48]

(a) the industry description for non-alcoholic beverages does not refer to cordials which are a popular product in Australia but do not fall within the scope of 'syrups';

(b) it is unclear where defence (e.g. weapons manufacturing), textiles, road operators and alternative milks (e.g. soy, rice, almond, and oat milks) would be addressed as none of the industry descriptions or industry-based requirements make explicit reference to these industries or have industry-based requirements which would be relevant to those industries; and

(c) specific reference should be made to the retirement fund/superannuation industries or services. For example, the superannuation industry in Australia is a significant industry but it is not clear where they would fit in with the existing industry descriptions and industry-based requirements and on what they should report.

Industry-based metrics—improvements

A7. Feedback indicated that many respondents had not had the time to appropriately consider the industry-based requirements proposed in Appendix B to [Draft] IFRS S2. However, respondents made some specific recommendations where, in their view, the proposals could be improved:

Industry	Disclosure topic	Requirement / metric	Recommendation
Home builders	Land use & ecological impacts	Number of lots and homes delivered on redevelopment sites	Would be more useful if it were reported on by distinguishing between greenfield, brown and greyfield sites
Engineering & construction services, Home builders	Lifecycle impacts of buildings & infrastructure	Number of (1) commissioned projects certified to a third-party multi-attribute sustainability standard and (2) active projects seeking such certification	Would be more useful if it were reported on distinguishing between projects with control of brief and design vs no control of brief and design

[48] For example, refer to the submission from the ABC and ACSI.

Industry	Disclosure topic	Requirement / metric	Recommendation
Insurance	Policies designed to incentivise responsible behaviour	-	Policies should include wider ESG factors such as governance, code of conduct and privacy training
Insurance	Physical risk exposure	Total amount of monetary losses attributable to insurance payouts from (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	• Further clarity is needed on measuring monetary losses attributable to insurance payouts from modelled natural catastrophes • There is currently no differentiation between the future climate change component and existing natural catastrophes
Insurance	Transitional risk exposure	(1) Gross exposure to carbon-related industries, by industry (2) total gross exposure to all industries, and (3) percentage of total gross exposure to each carbon-related industry	Disclosing gross exposure to carbon related industries should be accompanied by a transition plan to demonstrate the full picture of an entity's transition journey to a lower carbon economy
Insurance	Transitional risk exposure	For each industry by asset class: (1) absolute gross (a) Scope 1 emissions, (b) Scope 2 emissions, and (c) Scope 3 emissions, and (2) gross exposure (i.e., financed emissions) For each industry by asset class: (1) gross emissions intensity of (a) Scope 1 emissions, (b) Scope 2 emissions, and (c) Scope 3 emissions, and (2) gross exposure (i.e., financed emissions)	The requirement to disclose Scope 1 and 2 financed GHG emissions is unclear as financed GHG emissions are defined as indirect Scope 3 emissions that can be related to loans, underwriting, investments, and any other forms of financial services (i.e. excluding Scope 1 and 2 GHG emissions)

A8. A few respondents observed that there are still occasions when US-based measurements are used within the Appendix B to [Draft] IFRS S2 (e.g. square feet, pounds etc.). These respondents recommended that all the content in Appendix B to [Draft] IFRS S2 be converted to the metric system to allow international application.[49]

Other comments—Defining mineral and oil and gas reserves

A9. A few respondents from the extractive activities industries disagreed with the definitions of reserves in paragraphs 2.5-2.7 of the section addressing Coal Operations. These respondents:

(a) observed that the broader definitions of reserves used in Appendix B are not fully aligned with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC); and

(b) questioned why the Coal Operations industry refers to embedded definitions of what is meant by 'reserves' when the oil and gas industry requirements (specifically paragraph 3 of the section addressing Oil and Gas—Exploration & Production) refers entities to the applicable jurisdictional requirements for the definition and classification of oil and gas reserves.

A10. Consequently, these respondents recommended that any definitions of reserves are removed from ISSB content and instead refer to the relevant jurisdictional requirements for defining and classifying reserves.

Other comments—Disclosure topics versus thematic standards

A11. Some respondents questioned whether some disclosure topics were so significant that they should be addressed by their own thematic standard. These respondents highlighted water as an example of a disclose topic that should be addressed by its own thematic standard rather than being considered as part of climate and addressed only in terms of an entity's water management. For example, one preparer that had experience in developing Australia's Water Accounting Standards noted that water-based metrics can be complex and the capability of businesses to understand common water metrics is already challenging. These respondents recommended that the ISSB review the content of Appendix B to [Draft] IFRS S2 and consider where some disclosure topics should be elevated to their own standard, allowing the ISSB to develop an appropriate level of guidance and additional requirements to address major sustainability-related matters such as water.

Other comments—Referring to third-party definitions and external standards/frameworks

A12. A few respondents observed that there are several instances where the ISSB have referred to third-party definitions, standards and frameworks outside the scope of its standards. These respondents questioned what the ISSB's approach would be to changes being made to those third-party definitions, standards and frameworks to which its standards refer. For example, whether the ISSB was planning to develop a dedicated resource to monitor and consult on all changes made to all the third-party definitions, standards and frameworks to which their standards refer or are these references intended as

49 For example, refer to the submission from the AICD.

fixed point-in-time references which could become outdated should the third-party definitions, standards or frameworks be updated. These respondents recommended that, where possible, the ISSB internalise definitions, standards and frameworks rather than rely on third-party definitions, standards and frameworks.