



ASIC
Australian Securities &
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and Investments Commission**

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The Chairman
Australian Accounting Standards Board
PO Box 204
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By email only: standard@asb.gov.au

28 February 2024

Dear Keith

**ASIC submission to the Australian Accounting Standards Board
Australian Sustainability Reporting Standards: Exposure Draft**

ASIC is Australia's corporate, markets, financial services and consumer credit regulator. In performing our functions and exercising our powers, we aim to facilitate and improve the performance of the financial system and the entities within that system in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy, while promoting the confident and informed participation of investors and consumers. Furthermore, we strive to take whatever action we can, and is necessary, to enforce and give effect to the laws of the Commonwealth that confer functions and powers on ASIC.¹

In the furtherance of these objectives, we have, for several years, focused on improving the standard of climate change-related disclosure and governance of the entities we regulate. We have encouraged listed entities to consider reporting voluntarily under the recommendations of the G20 Financial Stability Board's Taskforce on Climate-related Financial Disclosure (**TCFD**) since 2018.²

Under [ASIC's 2023-24 Corporate Plan](#), ASIC is focused on engaging closely on climate-related financial disclosure requirements as part of its broader sustainable finance strategic priority. ASIC is also a member of the Council of Financial Regulators Climate Working Group and the Sustainable Finance Taskforce of the International Organisation of Securities Commission (**IOSCO**).

We strongly support the Australian Government's proposal to introduce a mandatory, internationally aligned climate reporting regime for Australia and welcome the opportunity to provide a submission to the Australian

¹ Subsection 1 (2) of the Australian Securities and Investments Commission Act 2001

² [REP 593 Climate risk disclosure by Australia's listed companies | ASIC](#)

Accounting Standards Board (**AASB**) on its [Exposure Draft ED SR 1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information \(Draft Climate Standards\)](#).

We consider that the proposed mandatory climate reporting reforms are critical to facilitating high-quality climate-related disclosures from Australia's large businesses and financial institutions, enabling efficient capital allocation and decision-making by investors and other end users.

We acknowledge the establishment of the International Sustainability Standards Board (**ISSB**) and its objectives to develop— in the public interest — standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures (including climate change) focused on the needs of investors and the financial markets. In this regard, we note that IOSCO [endorsed](#) the ISSB's final standards on General Requirements for Disclosures of Sustainability-related Financial Information (**IFRS S1**) and Climate-related Disclosures (**IFRS S2**) as appropriate '*for helping globally integrated financial markets accurately assess relevant sustainability risks and opportunities*' and called on members to consider how they might implement these standards '*in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors*'. We note that the ISSB standards incorporate the recommendations of the TCFD and that the Financial Stability Board has now passed its monitoring responsibilities on to the ISSB.

Submission on Draft Climate Standards

We support the full adoption of IFRS S2 in Australia (and the adoption of those parts of IFRS S1 necessary to give effect to IFRS S2), unless the AASB establishes that there are compelling reasons for the Draft Climate Standards to depart (for example, the departure is to ensure consistency with [Australian government policy](#)).

We note in this regard that the Australian Government has expressed an intention for the Australian climate standard to incorporate Australia's greenhouse gas emissions estimation methodologies and international climate change commitments.³

We encourage the AASB to review the current draft of its Australian climate standards to carefully consider:

- a) the position of Australian entities who currently (or who may in the future) operate in, or raise capital from, global capital markets.
- b) the position of Australian entities with current and/or likely future climate reporting obligations in other jurisdictions; and

³ At page 3 of the Australian Government's policy position statement on mandatory climate-related financial disclosures.

- c) how international comity may best be advanced in a way that improves market efficiency, improves the competitiveness of Australian companies, and reduces the regulatory burden for reporting entities (for example, by avoiding, or minimising wherever possible, divergent climate reporting requirements between different jurisdictions).

In this regard, we encourage the AASB to consider whether greater alignment with IFRS S2 can be achieved, for example in the areas of industry-based metrics and financed emissions disclosure.

In response to Treasury's latest consultation on the proposed mandatory climate reforms, we note that [public submissions](#) from industry generally indicated support for close international alignment of the proposed regime.

Subject to any compelling reason for departure, we consider that the AASB should continue to work towards full IFRS S2 adoption in Australia over time, and provide transparency to stakeholders on the pathway to, and timing for, this outcome.

In closing, we also note that we support the incorporation of the proportionality mechanism in [Draft] ASRS 2 embedded through the requirement to 'use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.'⁴ We think this measure will play an important role in ensuring the scalability of the standard to entities of various sizes, noting the Australian Government's policy to phase in a mandatory disclosure requirement to smaller 'Group 3' entities over time.

ASIC welcomes the opportunity for a further discussion with the AASB on this submission. Please contact Kate O'Rourke on 02 9911 5857 or at kate.orourke@asic.gov.au should you wish to discuss this feedback further.

Yours sincerely,



Kate O'Rourke

Australian Securities and Investments Commission

⁴ For example [Draft] ASRS 2 at paragraphs 11 and 30 and paragraphs B8 and B9 in Appendix B of the Application Guidance to [Draft] ASRS 1.