

29 February 2024

The Chair
Australian Accounting Standards Board
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AASB Exposure Draft ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*

Deloitte welcomes the opportunity to respond to the Australian Accounting Standards Board's (AASB or Board) Exposure Draft ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* (ED SR1). Our responses to the proposed positions in the consultation draw on our breadth and depth of expertise including acting as assurance providers and auditors, management consultants and financial advisors.

We commend the AASB for its work in developing reporting requirements for sustainability-related information within the proposed institutional framework in place for financial reporting in Australia and recognising the urgency of addressing reporting for climate related risks and opportunities. Deloitte strongly supports a dedicated suite of sustainability-related reporting standards that would operate alongside existing Australian accounting standards. Prioritising a standard on climate reflects the urgency for consistent and comparable information for global capital markets that supports a move to the low-carbon economy.

Overall, we are strongly of the view that the reporting requirements in Australia should comprise full adoption of the standards issued by the International Sustainability Standards Board (ISSB Standards) with limited supplementation only where essential to the Australian context. We see this as an important milestone in achieving a global baseline of consistent, high quality, and comparable sustainability information addressing the needs of capital markets. Adoption of the standards worldwide is needed to help achieve true harmonisation and avoid the risk of a fragmented approach to regulation. We note that the ISSB Standards have been built on the foundations of existing reporting frameworks, such as the TCFD, and have been endorsed by IOSCO. We note Treasury's observations that alignment with the ISSB Standards was almost universally supported by stakeholders during its initial consultations.

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As emphasised by Treasury's commitment to introducing internationally aligned requirements, a globally consistent mandatory disclosure regime is necessary to sustain Australia's reputation as a destination for international capital and we believe that full adoption of the ISSB Standards without modification, will minimise compliance costs for Australian businesses that operate internationally and ensure Australia's reporting and disclosure regime is viewed with credibility by international markets. Ensuring that Australian Sustainability Reporting Standards (ASRS) are internationally recognised as equivalent to the ISSB Standards will reduce compliance costs for preparers operating in multiple jurisdictions and allow for seamless movement of professionals between jurisdictions to assist with the availability of resources in Australia. Once ASRSs have equivalent status, we support Australia's largest entities and financial institutions being required to make an explicit and unreserved statement of compliance with international standards by applying ASRS, but we envisage that smaller privately owned entities could be subject to reduced disclosure requirements, similar to the tiered approach to financial reporting in Australia, which is discussed further below.

Sustainability reporting has developed very quickly and to date much of the standard setting activity has been built on the foundations of investors, creditors and lenders as the primary user of sustainability information. We strongly encourage the AASB to defer consideration of the modifications that will be required to enable the ISSB Standards to be adopted by the Not-for-profit (NFP) sector, whether private or public NFP entities, until such time that there is a foundational level of knowledge, understanding and implementation experience.

Whilst our specific responses to the questions posed by ED SR1 are included in the attached Appendix, we would like to highlight certain key matters for the Board's consideration.

Approach to climatisation of the standards

Treasury's consultation on its Sustainable Finance Strategy acknowledges sustainability issues broader than climate, including nature and biodiversity, and we encourage the Board to consider this when designing the ASRS in such a way that they are flexible and scalable for this future state beyond "climate only" rather than creating a baseline structure that will make future expansion for other sustainability disclosure topics difficult. We believe that a framework that can be applied to a broader scope of risks will ultimately reduce the regulatory burden and costs of implementation, particularly for those Australian entities that operate internationally. In our view, as acknowledged by the ISSB through recently published educational materials, consideration of climate is interrelated with other sustainability topics including nature and social matters. Therefore, larger Australian entities, particularly those that operate internationally, are already likely to make broader disclosures beyond "climate only" and having a baseline to refer to for these entities will be useful in promoting comparability.

We recommend the Board maintains the core content of IFRS S1: *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2: *Climate-related disclosures* (IFRS S2) unchanged. We recommend that the Board consider containing supplementary Australian-specific disclosures and requirements in an ASRS equivalent to AASB 1054 *Australian Additional Disclosures* (AASB 1054) so that it is clear to preparers what information is additive.

IFRS S1 permits that in the first annual reporting period in which an entity applies the standard the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements of IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities. We believe that a similar approach could be adopted in Australia. the AASB could replace the reference to first annual reporting period with, for example, the first [five] annual reporting periods, acknowledging that such relief cannot be open-ended in the Australian legislative context. We believe that the AASB could amend the selected timeline through its normal standard setting process.

Global interoperability concerns

To the extent that the Board believes modifications for Australian matters and requirements are inevitable as they are essential for the Australian context, we believe such modifications should not compromise interoperability with the ISSB Standards which we expect to be the base for reporting requirements in many jurisdictions in which Australian companies operate. Whilst we acknowledge that the standards issued by the ISSB are designed to be used as a so-called 'building block' approach in order to enable jurisdictional specific requirements to be added onto the 'global baseline', jurisdictional standard setting should be done in a manner that is consistent with the building block approach and not be done in such a way so as to jeopardise the very baseline on which it is built.

Modification undermining interoperability will result in unintended consequences as it will affect comparability and competitive advantage, impacting stakeholders' perception of Australian entities compared to global counterparts and reducing the attractiveness of Australia as a destination for global capital. Furthermore, Australian entities operating internationally may be required to incur significant cost and effort to modify their Australian sustainability reports to make them ISSB-compliant.

Changes proposed in ED SR 1 which we have identified that may jeopardise interoperability with the ISSB Standards include:

- **The scope clarification to limit climate-related risks and opportunities to those related to 'climate change'** introduces an undefined and emotive term, 'climate change'. Introducing definitions and concepts inconsistent with globally understood frameworks may result in unintended consequences and create inconsistency and comparability issues. The Board has identified certain potential climate topics covered by IFRS S2 but not by the proposed ASRS S2, this would also prevent entities from making a statement of compliance with the ISSB Standards.
- **The removal of the requirement to disclose scope 3 GHG emissions based on the 15 categories** from the GHG protocol and providing them instead as examples that should be considered, detracts from the ISSB Standards baseline and compromises interoperability with the ISSB Standards. Our recommendation would be to maintain these disclosure requirements in the standards.
- **Modifications to the definition of carbon credits to include Non-Kyoto Australian Carbon Credit Units (ACCUs)** that are not uniquely serialised and would not generally meet the definition of carbon credits definition under ISSB Standards which requires carbon credits to be uniquely serialised. This may introduce concerns that the Australian definition of carbon credits is not globally acceptable and undermine confidence in Australian climate reporting. We recommend an alternative approach being an Australian specific requirement allowing the disclosure of the use of non-Kyoto ACCUs which aims to reconcile local needs without compromising the global understanding of what are carbon credits.
- **The proposal for entities participating in the asset management, commercial banking or insurance industries to only consider the applicability of financed emission disclosures.** We note paragraph 86(a) of the Basis for Conclusions (BCs) to ES SR1 states that 'an entity is required to disclose the information outlined in [draft] ASRS paragraph 2 AusB61.1 *if those disclosures are applicable* [emphasis added] to the entity'. However, [draft] ASRS 2 Aus B63.1 states that entities '*shall consider* [emphasis added] disclosing' this information. It is therefore unclear to us as to whether the intent is to make these disclosures optional, or to make them mandatory to the extent that they are relevant to the entity. On the assumption that the intent is to provide voluntary relief from disclosure if entities are unable to provide the level of disclosures required by the ISSB Standards, we do not agree with the AASB's proposal to require an entity to only 'consider the applicability' of financed emission disclosures instead of explicitly requiring the disclosure of such information as is intended by IFRS S2. We believe that this will compromise interoperability as well as impact comparability of information of Australian financial services entities to global entities applying ISSB Standards.
- **The removal of the requirement to consider the Sustainability Accounting Standards Board (SASB) Standards and references to industry-based guidance from the ASRS** which, in our view, will result in Australian entities applying ASRS being unable to make a statement of compliance with the ISSB

Standards and create additional cost burdens for these organisations. Consideration of the SASB Standards would also assist in identification of material disclosure topics and so should not be considered an undue burden.

- **Omission of optional requirements and references relating to interim reporting in IFRS S1.** We believe that explicit clarification in the ASRS specifying that interim reporting is not required is unnecessary as the frequency of reporting requirements should instead be addressed and clarified by Treasury through the reporting mandate set out in legislation.
- **Defining ‘executive’, ‘executive management’ and ‘remuneration’** in the ISSB Standards as having the same meaning as ‘key management personnel’ in AASB 124 *Related Party Disclosures* (AASB 124) is an unnecessary departure from the ISSB Standards. We recommend alternative approaches such as the issuance of educational materials or illustrative guidance that could be used to achieve a similar objective and avoid unnecessary departure from the ISSB Standards.
- **The removal of Appendix D of IFRS S1** as part of the approach to replace duplicated content instead with cross-references to the *Conceptual Framework for Financial Reporting* (Conceptual Framework). The appendices are an integral part of the ISSB Standards and are considered authoritative literature over the Conceptual Framework. We believe that the removal of Appendix D is not justified as being aligned to the principle of being ‘essential to the Australian context’ and creates unnecessary departure from the ISSB Standards.

Prioritisation of National Greenhouse and Energy Reporting (NGER) methodology

Currently the Board’s proposals in ED SR1 advocate prioritising methodologies outlined in the NGER legislation when calculating GHG emissions, utilising Australian-specific data sources and factors for estimating GHG emissions to the extent practicable for measurement. Practically, we understand this to mean that most entities in Australia would report scope 1 and 2 GHG emissions applying NGER methodologies, and report scope 3 GHG emissions applying the GHG protocol

As identified by the Board, we note that there are certain differences between NGER and the GHG protocol. Some examples of these differences include:

- The GHG protocol covers seven constituent gasses as opposed to the six constituent gasses contained in NGER
- For global warming potential (GWP) values, NGER currently makes reference to the 5th IPCC (Intergovernmental Panel on Climate Change) assessment report, whilst IFRS S2 makes reference to the ‘latest’ report of the IPCC which is currently the 6th IPCC assessment report. We suggest the Board aligns to the approach taken in the ISSB standards and refers to the ‘latest’ report of the IPCC as this will ensure the standards remain flexible and scalable for a future state that is responsive to revisions and updates to future IPCC assessment reports
- We understand that, albeit that there are differences, NGER follows a methodology closely aligned to that of the ‘operational control’ approach defined in the GHG protocol, whereas the GHG protocol offers optionality between the operational control, financial control and equity share approaches. In designing methodologies for consolidation of GHG emissions, we encourage consistency with the definition of a reporting entity as defined under the IFRS Accounting Standards. For complex entities with investments in joint arrangements, associates and other investees, the differences between the organisational boundary approach applied between the two frameworks introduces the potential for inconsistency between the approach used for determination of scope 1 and 2 emissions under NGER and scope 3 emissions under the GHG protocol, which we believe could introduce either omissions from, or double counting of, GHG emissions if different approaches to organisational boundaries are applied across the two frameworks and across the emission scopes.
- If the prioritisation of NGER is pursued, we recommend the Board considers drafting educational material or illustrative examples to address practical considerations in relation to the determination of the organisational boundaries as a result of applying two different measurement approaches, as outlined above.

The proposed ASRS does allow entities to apply the methodology of another jurisdictional authority or exchange on which the entity is listed, or alternatively apply the GHG protocol if using NGER is not ‘practicable’. With an objective of achieving a global baseline of sustainability reporting, we seek clarification from the Board on what is meant by ‘practicable’. In this context, we seek clarification whether this reference to ‘practicable’ will provide Australian entities required by a global parent to report emissions under the GHG protocol the flexibility to not report under NGER. We encourage the Board to explain in the BCs its thinking on what would be those instances where an Australian entity is permitted to apply the methodology of another jurisdiction or the GHG protocol where it is considered not ‘practicable’ to use NGER. We believe a pragmatic approach will reduce compliance costs for entities to report a single set of data and further enhance global comparability and contribute to the reliability and comparability of sustainability reporting, benefitting users of sustainability reporting worldwide. We encourage the Board to require the use of GHG protocol in order to align requirements locally with emerging global requirements or at least to permit its use without the imposition of the ‘impracticable’ requirement alongside a local requirement in order to encourage a global baseline. This alignment should specifically consider what other jurisdictions are implementing, fostering consistency and comparability on a global scale. It is our view that the aim should be to prioritise global consistency and alignment and thereby synchronise the Australian approach with international practices to foster a dynamic and responsive framework for sustainability reporting across borders. In our view, it would not be useful to have different calculations for GHG emissions that could lead to different outcomes, or even to have different measurement standards that led to the same outcome, in the interests of efficiency. Different definitions, measurement requirements and even different presentation/disaggregation requirements do not support useful information and may ultimately undermine the objective of disclosing such information. It is in the interest of users and in the public interest more broadly that disclosures of key matters such as entities’ GHG footprints are consistent and comparable globally. Furthermore, there is an opportunity for the Clean Energy Regulator (CER) to harmonise Australia’s greenhouse gas disclosure requirements with the ISSB Standards including reporting requirements, terminology, methodology, industry classifications and boundaries. This would also allow for minimal duplication in effort and reporting, whilst facilitating increased comparability.

Approach to materiality

With reference to Treasury’s proposals in relation to limiting reporting by Group 3 entities to only those with material climate risks, we believe the material climate risk assessment should be directly performed by entities in accordance with the requirements of the sustainability standards rather than through the operation of the legislation as is outlined in Treasury’s January 2024 consultation on exposure draft legislation. The concepts of materiality and proportionality are addressed by the ED-SR1 and the ISSB Standards in explaining that materiality is proportionate to the resources and capabilities of the entity. We encourage the Board to consider the application of these concepts as part of the standard setting process to ensure that the materiality concept is applied consistently and in line with the Board’s intention. We note that due to climate change having pervasive effects on entities generally, this has resulted in many investors and capital markets participants wishing to understand governance oversight and how risk management processes integrate consideration of climate-related risks and opportunities. Many entities across many industry sectors are likely to identify climate as material risks either quantitatively or qualitatively. For this reason, we support the use of a standards-based approach to support entities in identifying material climate-related risks and opportunities.

Tiered approach to reporting

Highlighting the investor-focussed nature of the ISSB Standards, adopting the ISSB Standards without modification will allow larger Australian companies or entities that operate internationally to be able to state full compliance with the ISSB Standards. However, we believe that privately held Australian entities without external investors should not be required to report in full compliance with ISSB Standards if they choose not to by virtue of being privately held. If further information is required by Treasury for the purposes of monitoring Australia’s progress on climate policy, we believe that it may be appropriate to consider a reduced disclosure regime including required disclosures of, for example, disclosure of Greenhouse Gas (GHG) emissions and climate scenarios. This would ensure that information necessary to inform government policy decision making is obtained but relieve the

reporting burden for these entities in not requiring more granular disclosure of other aspects of the ISSB Standards such as, for example, governance and risk management information which are predominantly investor focussed.

As such, we recommend that the Board should liaise with the ISSB to emulate the reduced disclosure requirements being implemented for subsidiaries globally based on AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) and lead the approach to provide relief for subsidiaries and smaller entities. This may involve, for example, providing smaller entities, such as Group 3 entities that are unlisted, the option to choose substantially reduced disclosures requirements. Given there is still a number of years until Group 3 reporters would commence reporting under existing proposals, we believe this would provide the Board with sufficient time to consider and design a tiered approach that could achieve Treasury policy objectives.

We also believe that a considered approach to simplified reporting requirements would allow the AASB and other standard setters time to consider what information is usefully required to be provided by such small and medium enterprises that are part of the value chain for large entities required to report in full compliance with ISSB Standards. For example, detailed disclosures on governance structures may not be requested from large reporters whilst GHG emissions disclosures may be frequently requested.

Industry specific commentary

Not-for-profit (NFP) public and private sector entities

We believe the consideration of whether to undertake a domestic standard-setting project to develop Australian requirements or guidance for NFP public/private sector entities should be deferred in consultation with Treasury. We have concerns over the AASB's proposed approach in striving for sector neutrality and introducing requirements for NFP sector entities in the short-term. To date Australia has not mandated climate risk reporting, whether for the for-profit or not-for-profit sectors. We believe that the implementation of climate reporting for the for-profit sector is likely to provide significant implementation experience that could usefully be leveraged in both developing and implementing appropriate reporting standards for the not-for-profit sector. We also note that the International Public Sector Accounting Standards Board has commenced the scoping of three potential public sector specific sustainability reporting projects reflecting the specific and different needs of the public sector. The ISSB Standards were developed on the basis that the primary users are existing and potential investors, lenders and other creditors and such identified primary users are unlikely to be consistent with the primary users of the private and public not-for-profit sector general purpose financial reports without elaboration or further guidance.

We also note that Australia continues to experience resourcing pressure across many of the disciplines that will be required for the implementation of climate reporting including for example sustainability and financial reporting experts and Information Technology experts.

In considering stakeholder needs our view is that priority should be given to establishing requirements for for-profit entities over NFP private and public entities and further evaluation is necessary to determine the feasibility of incorporating NFP requirements as a scope expansion to ASRS S2. This approach would enable the AASB to concentrate resources on mandatory requirements for for-profit entities. Noting the investor-focussed nature of the ISSB Standards, we recommend maintaining alignment between ASRS equivalent standards and ISSB Standards, emphasising the prioritisation of mandatory requirements for for-profit entities at this stage. We suggest that the AASB should consider drawing on past approaches during transitions to new standards, such as AASB 15 *Revenue from Contracts with Customers*, which involved deferring the effective date for NFP entities and subsequently adding in additional appendices with additional NFP specific guidance. Furthermore, we recommend that the AASB work on this with Treasury and refer to and consider the strategies employed by other jurisdictions globally regarding NFP entities when considering next steps.

Cost and effort concerns

Addressing the proposed amendments necessitates a focus on potential cost and effort implications. We believe that any proposals by the AASB in ED SR1 that modify the ISSB Standards (specifically if such modifications comprise interoperability) may impose added cost and effort burdens on large companies in Australia striving for international alignment on a voluntary basis, or because they are required to do so due to reporting obligations in other jurisdictions.

We have observed that some of the proposals relating to GHG emission measurement methodologies may give rise to additional cost and effort concerns for Australian entities in that they introduce additional complexity or add to the reporting burden of Australian entities relative to global counterparts which may be applying ISSB Standards. Some examples of where, in our view, benefits are unlikely to outweigh the costs include:

- Noting our earlier comment requesting clarification of the application of ‘not practicable’ in Aus31.1(b), if Australian subsidiaries of multinational entities are required to report their scope 1 and 2 GHG emissions under NGER and scope 3 emissions under the GHG protocol for Australian reporting purposes, this may result in the need to prepare data under multiple frameworks to align with jurisdictional reporting requirements of their global parent in respect of Scope 1 and 2 emissions.
- Proposals in ASRS 2 paragraphs Aus31.1(f) and AusC4.2 requiring entities to also disclose market-based scope 2 GHG emissions in addition to location-based emissions (required by the ISSB Standards) may add to the reporting burden of Australian entities relative to global counterparts. The proposal permitting entities to disclose scope 3 emissions using data for the immediately preceding reporting period may add to the reporting burden of Australian entities relative to global counterparts. Albeit a form of relief, we view this relief as being more stringent than that currently proposed under the ISSB Standards requirements, which does not establish a ‘hard’ limit of requiring use of information from the immediately preceding period, but instead allows entities instead to use the ‘latest available information’ which may be older than 12 months. Considering the widespread acknowledgment of challenges in collecting scope 3 emissions data globally, requiring entities to restrict this data to the immediately preceding period in Australia raises concerns about practicality as it could result in situations where there is limited or no data from value chain partners in the immediately preceding period. In circumstances where information is not available, we note that the TCFD includes examples of best practice disclosures where information is not available from the same reporting period, acknowledging the practical difficulties in this regard. In light of these considerations, we encourage a similar approach in the proposed ASRS.

Thank you for the opportunity to provide our views. Should you wish to discuss the responses within our submission, please reach out to me jogorton@deloitte.com.au

Yours sincerely



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APPENDIX –Responses to the specific AASB questions for respondents in ED SR1

AASB questions	Responses to specific AASB questions
Presenting the core content of IFRS S1 in [draft] ASRS Standards	
<p>1. In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:</p> <p>(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;</p> <p>(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;</p> <p>(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</p> <p>(d) another presentation approach (please provide details of that presentation method)? Please provide reasons to support your view</p>	<p>We believe that an alternative presentation approach is more appropriate. Consistent with our view that the ISSB Standards should be adopted in full without modification, we believe that the Board should maintain the core content of IFRS S1 and S2 unchanged.</p> <p>Aligned to this view, and in order to accommodate a climate-first approach (if so decided), a possible approach would be to make disclosures relating to sustainability-related risks and opportunities contained within IFRS S1 beyond climate voluntary. This will ensure that changes to the ISSB Standards are kept to a minimum, as well as making the standards flexible and scalable for a future state where standards relating to other sustainability-related risks and opportunities can be built onto the existing base of standards. This approach would also enable reporters to comply with the voluntary requirements and thereby assert compliance with ISSB Standards.</p> <p>An alternative approach would be to extend the transition relief provided in IFRS S1 paragraph E5 for further periods. This transition relief allows that in the first annual reporting period in which an entity applies the standard that the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2). We believe that this transition relief could be extended for a certain period, for example five years, until such time that the Treasury resolve to extend the scope of sustainability reporting beyond climate.</p>
Replacing duplicated content with references to the Conceptual Frameworks	
<p>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</p>	<p>We do not agree with the AASB’s approach. To the extent that the Board believes modifications for Australian matters and requirements are inevitable as they are essential for the Australian context, we believe such modifications should not compromise interoperability.</p>

AASB questions	Responses to specific AASB questions
<p>Frameworks in [draft] ASRS 1 and [draft] ASRS 2? Please provide reasons to support your view.</p>	<p>In their proposals the AASB has deleted Appendix D from the ASRS equivalents as part of the approach to replace duplicated content instead with cross-references to the Conceptual Framework for Financial Reporting (Conceptual Framework). We believe as the appendices are an integral part of the ISSB Standards and are considered authoritative literature over the Conceptual Framework, the proposed modifications in relation to this are not justified as being aligned to the principle of being ‘essential to the Australian context’ and thus create an unnecessary departure from the ISSB Standards.</p>
Entities that do not have material climate-related risks and opportunities	
<p>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.</p>	<p>We agree with the AASB’s proposed requirements on materiality. We believe it is important that a detailed assessment is undertaken by entities before making this statement. With reference to Treasury’s proposals in respect of limiting reporting by Group 3 entities to only those with material climate risks, we believe the material climate risk assessment should be directly performed by entities in accordance with the requirements of the sustainability standards rather than through the operation of the legislation as is outlined in Treasury’s consultation on exposure draft legislation. In paragraph B25 of draft ASRS 1 it is noted that “An entity need not disclose information otherwise required by an Australian Sustainability Reporting Standard if the information is not material. This is the case even if the Australian Sustainability Reporting Standard contains a list of specific requirements or describes them as minimum requirements.” In addition to the materiality concept, the draft ASRS also consider proportionality as evident by draft ASRS 1.B6 and draft ASRS 2.11 that states that an entity shall use information available to it “without undue cost and effort” in identifying the climate-related risks and opportunities.</p> <p>As set out in our cover letter, we believe that responsibility for the definition of, and guidance on materiality, should lie with the AASB as part of the standard setting process. This will ensure that the materiality concept is applied consistently and in line with the Board’s intention and allows for the provision of further interpretative or implementation guidance by the AASB as appropriate.</p>
Modifications to the baseline of IFRS S1 for [draft] ASRS 1	
<p>4. Do you agree with the AASB’s views noted in paragraphs BC39–BC41? Please provide reasons to support your view.</p>	<p>Whilst we acknowledge the Board’s perspective we do not agree with the proposals. Although it is asserted in ED SR1 that this change will not compromise interoperability, we question whether this is the case and it could in fact create a departure from ISSB Standards. For example, IFRS S2.23 requires that ‘<i>an entity shall refer to and consider (emphasis added) [...] industry-based metrics associated with disclosure topics defined in the Industry-based Guidance [...] as described in paragraph 32</i>’. Paragraph 32 further requires entities to ‘<i>refer to and consider (emphasis added) the applicability of the industry-based metrics associated with disclosure topics described in the Industry-based Guidance on Implementing IFRS S2</i>’. Consequently, the removal of all references to the industry-based guidance from the ASRS standards will in our view result in Australian entities applying ASRS not being able to include a statement of compliance with the ISSB Standards.</p>

AASB questions	Responses to specific AASB questions
	<p>We acknowledge that one of the reasons cited by the Board for removing the industry-based guidance related to sentiment that the SASB Standards are considered “US-centric and not representative of the Australian or global market”. We note, however, that in December 2023, the ISSB published amendments to the SASB Standards to enhance their international applicability. The ISSB also recently published further educational material, in February 2024, on applying SASB Standards to meet the requirements of IFRS S1. These amendments and materials were intended to help preparers apply the SASB Standards regardless of the jurisdiction in which they operate.</p> <p>Whilst recognising the Board needs time to appropriately apply its own due process to consider the proposals of Appendix B of IFRS S2 (which contains the industry-based guidance), we encourage the Board not to pursue short term measures that compromise global alignment, particularly given the ISSB’s long term endeavours to further enhance and achieve interoperability. For Australian standard setting purposes, an alternative solution could be to include Australian specific transitional requirements and allow entities to elect to apply the industry-based guidance should they voluntarily choose to do so. This approach would, in our view, streamline the pathway to the ultimate inclusion of the industry-based guidance in the ASRS once the Board has completed its due process and also reduce the perception from the global investor community that the Australian standards are not interoperable with ISSB Standards allowing Australian entities applying ASRS to include a statement of compliance with the ISSB Standards if they choose to do so.</p>
<p>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 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.</p>	<p>An overarching objective in requiring disclosure of climate-related metrics is to facilitate high quality corporate disclosures with industry-relevant metrics. Industry-relevant metrics enhance industry specific sustainability reporting through increasing comparability between entities resulting in decision-useful information. The use of the Australian and New Zealand Standard Industrial Classification (ANZSIC) classification for defining industry classification may result in duplication of reporting effort for foreign entities with Australian subsidiaries who would be unable to utilise the climate report of their Australian subsidiary for their own reporting requirements and for Australian entities that may be required to report overseas, creating additional cost burdens for these organisations. This will arise to the extent that these classifications are misaligned with the industry classification being used by the global community and multinational entities. Furthermore, for all entities this will mean different industry classifications are being used leading to a lack of global comparability.</p>
<p>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</p>	<p>Refer to our response to question 5. However, should the Board continue with its proposed pathway relating to the removal of industry-based guidance, we would support expressly permitting entities to voluntarily provide disclosures under other relevant frameworks or pronouncements (e.g. the SASB Standards or the Global Reporting Initiative (GRI) standards where appropriate) to enhance comparability with international peers.</p>

AASB questions	Responses to specific AASB questions
or conflict with required disclosures. Please provide reasons to support your view.	
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 agree, we do not see this proposal as being necessary in an Australian context. The intent of the ISSB Standards is to promote integration and mandate interconnected information, emphasising the importance for preparers to prioritise the clarity of disclosures and ensure that material information is not obscured in the process.
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 support the proposed omission. Any explicit clarification specifying that interim reporting is not required is not necessary as the frequency of reporting requirements should instead be addressed and clarified by Treasury through the reporting mandate set out in legislation.
Modifications to the baseline of IFRS S2 for [draft] ASRS 2	
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 do not support this proposal. The modification introduces a term ('climate change') that is not defined in the standards and we are uncertain as to how a reasonable person should distinguish between the meaning of 'climate change' and 'climate' in this context. We are concerned that entities may establish arbitrary boundaries or subsets as to which climate-related risks or opportunities are related to 'climate change' or not, leading to inconsistency in application. This proposal also fundamentally alters the ISSB Standards' concepts and focus on the response of an entity to the climate related risks and opportunities it is exposed to as outlined in the scope paragraphs of IFRS S2 (paragraphs 3 and 4). The ISSB Standards have been built on frameworks and definitions that, albeit immature relative to their financial reporting counterparts, are nonetheless globally well understood. Introducing definitions and concepts inconsistent with globally understood frameworks may lead to unintended consequences as well as creating inconsistency and comparability issues. This modification may also undermine an entity's ability to state compliance with ISSB Standards.
10. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.	We support the AASB's proposal on this matter, to the extent it does not result in modifications to the ISSB Standards, emphasising the importance of establishing a uniform baseline. To the extent the Board considers that modifications to the baseline is essential, we believe such modifications should be done in a manner that is consistent with the building block approach, in that modifications are additive and not changing the baseline itself. However, we have reservations about the long-term feasibility of mandating alignment with a specific target, such as 1.5°C above pre-industrial levels, indefinitely for disclosing future states in an entity's climate resilience assessment. We suggest the Board liaises with Treasury to discuss both the appropriateness of mandating a specific target and the best mechanism for implementing any such mandate given the potential for any mandated scenario to become inappropriate and/or less relevant over time. We recommend that any approach adopted in terms of setting minimum baseline scenarios to be reported on allows for flexibility for periodic updates if and when

AASB questions	Responses to specific AASB questions
	<p>required. Such an approach would ensure flexibility and adaptability to evolving global temperature goals and evolving climate science over time.</p> <p>We also recommend that the Board consider containing Australian-specific disclosures and requirements in an ASRS equivalent to AASB 1054 so that it is clear to preparers what information is additive.</p>
<p>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.</p>	<p>We agree. We further note that Treasury had outlined in their Policy Position Statement accompanying their January 2024 consultation on exposure draft legislation, to permit entities as part of their climate resilience assessments to commence with qualitative scenario analysis, with quantitative analysis required for financial years commencing on or after 1 July 2027. This matter does not appear to have been considered in the ASRS standards or in the draft Corporations Act Legislation. On the assumption that this is Treasury’s intent, we recommend that the Board incorporate transition provisions into the ASRS standards, in consultation with Treasury, to accommodate this proposed change.</p>
<p>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.</p>	<p>We agree. This serves to provide a minimum level of baseline comparability globally and is aligned with our preference for ASRS to comprise full adoption of the ISSB Standards.</p>
<p>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.</p>	<p>We do not agree with the proposed approach to amend the ASRS equivalent standards to clarify that the terms “executive”, “executive management” and “remuneration” in the ISSB Standards have the same meaning as “key management personnel” and “compensation” respectively, as defined in AASB 124 <i>Related Party Disclosures</i> (AASB 124).</p> <p>As the ISSB Standards are implemented globally we expect that local jurisdictional practice will likely emerge to align the jurisdictional reporting of key management personnel remuneration with sustainability and climate-related reporting requirements in relation to remuneration. We therefore recommend that rather than making standard level amendments resulting in misalignment with the ISSB standards, an alternative approach such as the issuance of separate educational materials and/or illustrative guidance is used to achieve a similar outcome, thereby avoiding any unnecessary real or perceived misalignment of the ASRS equivalents with the ISSB Standards.</p>
<p>Greenhouse gas (GHG) emissions (paragraphs Aus31.1 and B19– AusB63.1 and Australian application guidance)</p>	
<p>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.</p>	<p>We agree, we have not identified any Australian need for modification of this core definition. Further, we believe that it is imperative that there is global consistency in the definition of greenhouse gases given the pervasive consequences of the definition, for example for purposes of entity and global comparability and policy setting and taxation purposes.</p>
<p>15. Do you agree with the AASB’s view that an Australian entity should be required to convert greenhouse gases</p>	<p>In our view, the objective should be to prioritise global consistency and alignment and thereby synchronise Australia’s approach with international practices to foster a dynamic and responsive framework for sustainability</p>

AASB questions	Responses to specific AASB questions
<p>using GWP values in line with the reporting requirements under NGER Scheme legislation? Please provide reasons to support your view.</p>	<p>reporting across borders. As referred to in the cover letter, we recommend that the Board instead refers to the 'latest' report of the IPCC in the ASRS as this will ensure the standards remain flexible and scalable for a future state that is responsive to revisions and updates to future IPCC assessment reports.</p>
<p>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.</p>	<p>The ISSB Standards should be adopted without modification. To the extent the Board considers that modifications to the baseline is essential, we believe such modifications should be done in a manner that is consistent with the building block approach and not be done in such as way so as to jeopardise the baseline on which it is built. Instead of proposing a modification to the standard to require disclosures on market-based scope 2 GHG emissions in addition to location-based scope 2 GHG emissions, we recommend incorporating this requirement in a supplementary disclosure appendix. We further note that this proposal may give rise to additional cost and effort concerns for Australian entities in that they introduce additional complexity or add to the reporting burden of Australian entities relative to global counterparts who may be applying ISSB Standards.</p>
<p>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</p>	<p>We echo the objective of prioritising global consistency and alignment as outlined in our response to question 15. Examples of our concerns relating to inconsistencies between NGER and GHG protocol measurement methodologies including concerns around organisational boundaries are included in our cover letter. We further acknowledge that some aspects of the GHG Protocol Corporate Standard currently required by the ISSB Standards may create potential misalignment issues with current greenhouse gas accounting principles and conventions. However, we also note that the GHG Protocol is currently undertaking updates of the corporate suite of standards in efforts to collaborate with the ISSB and to address stakeholder feedback, and there is a reasonable expectation that the GHG Protocol will be modernised to reflect alignment to accounting reporting frameworks and the latest scientific principles and assumptions. Therefore, our recommendation is for the Board to require the use of GHG protocol in order to align requirements locally with emerging global requirements or at least to permit its use without the imposition of an 'impracticable criterion' alongside a local requirement in order to encourage a global baseline. This alignment should specifically consider what other jurisdictions are implementing, fostering consistency and comparability on a global scale. We note that this proposal may give rise to additional cost and effort concerns for Australian entities in that they introduce additional complexity or add to the reporting burden of Australian entities relative to global counterparts which may be applying ISSB Standards.</p> <p>These paragraphs are proposing that if applying a methodology in NGER is not 'practicable' an entity shall apply an appropriate methodology that is consistent with measurement methods required by a jurisdictional authority or in the absence of such a methodology, the GHG protocol. As noted in our cover letter, we seek clarification from the Board on what is meant by 'practicable' in this context and we suggest the Board includes in the BCs discussion on its thinking on when an Australian entity is permitted to apply the methodology of another jurisdiction or the GHG protocol as it is considered not 'practicable' to use NGER. For example, can an Australian subsidiary of a foreign</p>

AASB questions	Responses to specific AASB questions
	<p>entity that is required to report GHG data to its parent entity for that parent entity's consolidated reporting purposes deem it impracticable to prepare NGER data for Australian reporting purposes?</p> <p>Entities not currently reporting under NGER may be able to source resources and guidance on the GHG Protocol more easily as it is applied on a global basis.</p>
<p>18. Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.</p>	<p>We disagree with this proposal. This proposal results in a more stringent application compared to the ISSB Standards and may be challenging to implement. Whilst we believe this proposal in paragraph AusB39:1 of [draft] ASRS 2 will not jeopardise interoperability and can be done in a manner consistent with the ISSB Standard's 'building block' approach, we have concerns over the practicality of this proposal as it could result in situations where there is limited or no data from value chain partners in the immediately preceding period. We note that the TCFD includes examples of best practice disclosures where information is not available from the same reporting period, acknowledging the practical difficulties in this regard. We further note that the ISSB also acknowledges the difficulties around measurement of Scope 3 GHG emissions as noted in the IFRS S2 BCs and has therefore introduced a Scope 3 measurement framework that categorises and prioritises the inputs used to measure Scope 3 GHG emissions in paragraphs B38-B54 of IFRS S2. In light of these considerations, we encourage a more balanced and ISSB-aligned approach in the proposed ASRS standards.</p>
<p>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.</p>	<p>We believe removing the requirement in the ASRS equivalent standards to categorise the sources of an entity's scope 3 GHG emissions based on the 15 categories listed in the IFRS S2 definition of 'scope 3 categories' and providing them instead as examples that should be 'considered', will result in an unwarranted divergence from the ISSB Standards and would compromise interoperability with the ISSB Standards by detracting from the baseline on which they are built.</p> <p>We recommend the ISSB Standards be adopted without modification to retain the IFRS S2 definition of 'scope 3 categories'.</p>
<p>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.</p>	<p>We seek clarification relating to the intent of this amendment as highlighted in our cover letter. On the assumption that the intent is to provide voluntary relief from disclosure if entities are unable to provide the level of disclosures required by the ISSB Standards, we do not agree with the AASB's proposal to require an entity to only consider the applicability of financed emission disclosures instead of explicitly requiring the disclosure of such information as is intended by IFRS S2. We believe that this will compromise interoperability as well as impact comparability of information of Australian financial services entities to global entities applying ISSB Standards. We recommend the wording of these disclosure requirements is aligned with the ISSB Standards.</p>

AASB questions	Responses to specific AASB questions
	<p>In relation to financed emissions in the insurance industry, we note and draw attention to BC129 of IFRS S2 which states that ‘IFRS S2 does not require disclosure of the “associated emissions” of underwriting portfolios in the insurance and reinsurance industries. This appears to be consistent with the wording in the GHG Protocol’s <i>Technical Guidance for Calculating Scope 3 Emissions</i> which clarifies that accounting for emissions from insurance contracts is optional. Further, ED SR1 par Aus 31.1(g)(ii) appears to confirm that financed emissions are inclusive only of GHG emissions associated with its ‘investments’ rather than further ‘associated emissions’ relating to insurance activities.</p> <p>In this respect, we note that PCAF (The partnership for Carbon Accounting Financials), an industry-led initiative with the aim of enabling financial institutions to consistently measure and disclose GHG emissions of their financial activities, has issued a Global GHG Accounting and Reporting Standard for the measurement and reporting of financed emissions. The standard is divided into 3 parts as follows:</p> <ul style="list-style-type: none"> • <i>Part A</i> provides guidance for calculating emissions for ‘standard’ investment products including listed & unlisted equities, corporate bonds, business loans, project finance, commercial real estate, mortgages, motor vehicle loans and sovereign debt. • <i>Part B</i> provides guidance for financial institutions to measure and disclose the GHG emissions associated with the primary issuance of capital markets instruments and loan syndication. Primary issuance refers to new securities to provide debt or equity funding, and thus largely relates to investment banking activities. • <i>Part C</i> provides methodological guidance for insurance and reinsurance companies to measure and disclose GHG emissions associated with their underwriting portfolios. The provision of insurance is widely accepted to be a form of capital because it allows individuals or businesses to mitigate financial risks by transferring them to an insurance company in exchange for premium payments. In this regard, the provision of insurance effectively facilitates the emissions of the insured, in a similar way that assisting with debt or equity issuance does; without such financial services, the underlying organisation would not be able to operate in the same manner. <p>With reference to Part C, the guidance released by PCAF could potentially be understood as requiring the disclosure of associated emissions relating to insurance activities (also known as facilitated emissions). As outlined, facilitated emissions associated with capital market instruments and emissions associated with underwriting activities are currently <i>optional</i> under the GHG Protocol Scope 3 Standard, and appear to be excluded from the requirements of the ISSB Standards, per IFRS S2:BC129 outlined above.</p> <p>We recommend that the Board considers an explanation of its expectations in relation to disclosure of facilitated emissions, by including clarification thereof in the BC paragraphs.</p>

AASB questions	Responses to specific AASB questions
	<p>Further to the above, paragraph B62(a) and B63(a) of IFRS S2 states that an entity that participates in financial activities associated with the commercial banking/insurance industries should disclose its absolute gross financed emissions disaggregated by scope 1, scope 2 and scope 3 for each industry by asset class. We believe as financed emissions are by definition scope 3 emissions, the requirements for disaggregation as noted here are to effectively ‘look through’ the scope 3 total for financed emissions to understand the scope 1, 2 and 3 emissions of the portfolio in which an entity invests. However, it appears that the Board may have interpreted the requirements of this paragraph differently as noted in ED SR1:BC86, which notes that the requirements of IFRS 2:B62- B63 requires an entity that participates in commercial banking and insurance activities to disaggregate <u>its</u> [emphasis added] scope 1 and scope 2 GHG emissions in addition to its scope 3 emissions for each industry by asset class, which we believe is a different requirement to what is required by the ISSB equivalent paragraph. We believe the Board should clarify its position on this matter.</p>
<p>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.</p>	<p>We believe that superannuation entities are likely to initially face challenges in complying with climate-related financial disclosure requirements, and we believe Australian superannuation funds share these challenges with their global counterparts. The data necessary for reporting on scope 3 emissions and other relevant metrics at the fund level is still in its early stages of development, with only an extremely small percentage of major global pension scheme entities currently engaging in such reporting practices. Our global outreach has revealed that this observation applies to funds even in more advanced markets such as the UK and among the largest asset manager businesses worldwide. However, we expect that technology solutions will emerge with time that will reduce these challenges and allow superannuation entities to report on a comparable basis with other entities.</p> <p>We believe that the data limitations in the superannuation industry will also impact the ability of assurance providers to provide Treasury’s proposed levels of assurance, at least in the short term. We recommend that the Board work collaboratively with the superannuation industry and the Auditing and Assurance Standards Board (AUASB) to consider a phase in of assurance requirements that is appropriate given the proportionality considerations relevant to the industry and the availability of assurable data. We recommend that the AASB work closely with the AUASB to ensure that any reporting requirements specifically developed for the superannuation industry will be capable of being assured once processes and data reach a sufficient level of maturity and consistency.</p>

AASB questions	Responses to specific AASB questions
<p>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.</p>	<p>We do not agree with this proposal and recommend an alternative approach. Non-Kyoto <i>Australian Carbon Credit Units</i> (ACCUs) are not uniquely serialised and therefore would generally not meet the carbon credits definition under the ISSB Standards which requires carbon credits to be uniquely serialised. Rather than amending the global definition for carbon credits to include non-Kyoto ACCUs which are issued by the Australian Carbon Credit Unit Scheme, we recommend adding additional Australian specific disclosure requirements relating to the use of non-Kyoto ACCUs. This approach aims to reconcile local needs without compromising the global understanding of carbon credits.</p>
<p>Questions specific to not-for-profit entities</p>	
<p>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.</p>	<p>We refer to our response in our cover letter above.</p>
<p>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.</p>	<p>We refer to our response in our cover letter above.</p>
<p>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.</p>	<p>We refer to our response in our cover letter above.</p>
<p>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.</p>	<p>We refer to our response in our cover letter above.</p>
<p>27. If you disagree with the AASB's view in Question 26, what other modifications could be made to the baseline of</p>	<p>We refer to our response in the cover letter above.</p>

AASB questions	Responses to specific AASB questions
<p>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.</p>	
<p>Questions specific to not-for-profit public sector entities</p>	
<p>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.</p>	<p>We refer to our response in the cover letter above.</p>
<p>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.</p>	<p>We agree with the AASB’s approach in deferring this project, in line with our views documented above in the cover letter. Considering stakeholder needs, we believe priority should be given to establishing requirements for for-profit entities over NFP entities and further evaluations are necessary to determine the feasibility of incorporating this as a scope expansion to ASRS S2. Furthermore, from a for-profit and NFP perspective, we acknowledge the importance of the public sector, a significant actor in climate change and its mitigation, being required to be transparent and accountable and to make a similar contribution to transition as the private sector</p>
<p>General matters for comment</p>	

AASB questions	Responses to specific AASB questions
<p>30. Has the AASB Sustainability Reporting Standard-Setting Framework (September 2023) been applied appropriately in developing the proposals in this Exposure Draft?</p>	<p>AASB Sustainability Reporting Standard setting Framework (September 2023) highlights (specifically in paragraphs 10-12) that international alignment is prioritised in the Framework and amendments to the baseline of the ISSB Standards are made only where it is necessary to do so to meet the needs of Australian stakeholders, as aligning with the ISSB Standards allows Australian entities to obtain the benefits of international competitiveness and comparability, facilitate the movement of professionals across sectors and borders and help ensure the costs of complying with the ASRS do not outweigh their benefits. We believe these specific objectives outlined have not been achieved due to the cost benefit concerns and modifications in the proposed ASRS which we believe may compromise interoperability as outlined above in the cover letter.</p>
<p>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?</p>	<p>Refer to our response in the cover letter above</p>
<p>32. Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?</p>	<p>We note that there will likely be an increase in assurance reports with modifications or emphasis of matters reported by auditors with the extension of auditor reporting to sustainability reports. This is particularly expected in the early years of a mandatory reporting regime as data reporting systems evolve, reporting skills and experience develop and familiarisation with the disclosure standards grow. Such an increase in modified auditor reporting could have a negative impact on markets and investor perceptions unless the situation is put in the right context by the right players (such as regulators, preparers and assurance standard-setters and assurance providers). We believe regulators and standard-setters have an important role to play in raising awareness of the challenges of transitioning to a new reporting and assurance regime.</p>
<p>33. Would the proposals result overall in climate-related financial information that is useful to users?</p>	<p>We see the adoption of ISSB Standards in Australia as an important milestone in achieving a global baseline of consistent, high quality, and comparable sustainability information addressing the needs of capital markets. Adoption of the ISSB Standards worldwide is needed to help achieve true harmonisation and avoid the risk of a fragmented approach. We believe that full adoption of the ISSB Standards will minimise compliance costs for Australian businesses that operate internationally, and ensure that Australia’s regime is viewed with credibility by international markets.</p>

AASB questions	Responses to specific AASB questions
<p>34. Are the proposals in the best interests of the Australian economy?</p>	<p>We believe the ISSB Standards should be adopted in full without modifications in Australia to facilitate international alignment for Australian entities, whilst ensuring that local standards are adaptable to global developments and future sustainability reporting standards. To the extent the Board considers that modifications to the baseline is essential for local priorities, we believe such modifications should be done in a manner that is consistent with the building block approach and be additive in nature rather than compromising interoperability and jeopardising the baseline itself. Modifications undermining interoperability would not be in the best interests of the Australian economy and could result in unintended consequences as they could affect comparability and competitive advantage, impacting stakeholders' perception of Australian entities compared to global counterparts and reducing the attractiveness of Australia as a destination for global capital.</p>
<p>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.</p>	<p>No further comments in addition to what was noted above. Our views are aligned with what was outlined in the cost and benefits section in the cover letter above.</p>