

PRI RESPONSE

AASB SUSTAINABILITY REPORTING: EXPOSURE DRAFT

February 2024

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To inform this briefing, the following investor group has been consulted: PRI Regional Policy Reference Group for Australia. This consultation is not an endorsement or acknowledgement of the views expressed in this briefing.

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Australian Accounting Standards Board (AASB) call for feedback on the Exposure Draft of the Australian Sustainability Reporting Standards.

ABOUT THIS CONSULTATION

In February 2022, the AASB expanded the scope of its work to formally address sustainability reporting as a part of requirements to prepare general purpose financial statements (GPFS). This was in response to clear support for greater policy-level clarity and guidance on how entities should address sustainability-related issues.¹ Treasury recently conducted two consultations on the matter: the Discovery Consultation on Climate-related Financial Disclosure (December 2022) and the Climate-related Financial Disclosure: Consultation Paper (June 2023).

Based on findings from these consultations, in October 2023, AASB published the Exposure Draft [ED SR1 Australian Sustainability Reporting Standards \(ASRS\) – Disclosure of Climate-related Financial Information](#) to propose climate-related financial disclosure requirements. ED S1 includes three draft ASRS Standards – two of which correspond to the IFRS S1 and S2, and one of which was developed as a service standard to list documents that are referenced in the ASRS Standards. Feedback to ED SR1 will be considered as the AASB proceeds toward formally issuing the standards.

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¹ AASB (2022) [Invitation to Comment ITC 46 AASB Agenda Consultation 2022-2026](#).

KEY RECOMMENDATIONS

The PRI welcomes the AASB's commitment to introduce internationally aligned mandatory climate-related financial reporting. The proposals presented in ED SR1 represent an important step forward in the Australian Government's efforts to ensuring that markets have access to high-quality and comparable information that will enable them to assess climate-related financial risks. Signatories regularly report to the PRI that the lack of comparable, decision-useful climate and broader sustainability data from investees is a substantial barrier to their responsible investment practices. We therefore support the Australian Government's intention to uphold a global baseline for climate disclosures that achieves maximum possible interoperability with ISSB standards, and that is scalable and flexible to accommodate future sustainability reporting developments.

We however note that the draft ASRS 1 and 2 propose changes to the IFRS S1 and S2 that pose deviations that are potentially inconsistent with the Australian Government's commitment to upholding international alignment regarding the disclosure standards, despite the justifiable circumstances² presented in the standard-setting framework. While we recognise the need to account for the Australian context and the benefits of prioritizing existing Australian frameworks in the interim, we note that in order to uphold the principles of comparability and consistency across regions, the priority nonetheless should be to transition toward adoption of the ISSB Standards to the fullest extent possible.

KEY RECOMMENDATIONS:

- **Uphold the provisions of IFRS S1 to encompass a broader range of sustainability issues** – AASB should not limit the scope of ASRS 1 to climate change. Investors are increasingly recognising their legal duty³ to consider sustainability-related system-level risks. Many companies are already responding to these needs by disclosing their exposure to and management of such risks, including those other than climate change. Limiting the scope of ASRS 1 to climate change risks international alignment on sustainability reporting broadly as issues beyond climate change are already becoming relevant to investors.
- **Ensure that investors have access to GHG emissions data that are based on a globally consistent methodology.** The framework of the NGER Scheme legislation poses potentially significant limitations to GHG emissions reporting – e.g. lack of flexibility to align with the financial reporting boundary, limitations for companies with global emissions portfolios, and limitations for businesses involved in broader industries. We recommend the Australian Government to take an aligned approach to ensure that the NGER Scheme legislation provides decision-useful information not only for the Government's statistical needs, but also for private market actors including investors. The GHG Protocol that is the prioritized requirement in IFRS S2 is the most widely used and recognized international standard for calculating GHG emissions and can either provide an important baseline for an updated NGER Scheme legislation framework.
- **Provide clarity on the requirements regarding financed emissions, both through revisions within the Standards and through consideration of additional guidance.** The

² AASB (2023), [AASB Sustainability Reporting Standard-Setting Framework](#) (p.7-8)

³ PRI (2022), [A Legal Framework for Impact: Australia](#) (p.8).

proposed changes to the IFRS S2 wording appear to dilute the requirement for financial institutions to report on the additional and specific disclosures on financed emissions. We recommend that the AASB clarify the provision in ASRS 2 to align with the IFRS S2 in requiring these disclosures and also recommend that the IFRS S2 provisions for the requirement of disaggregation in line with the GHG Protocol are maintained. Additionally, we note that with the inclusion of superannuation entities in the reporting scope, the AASB should consider clarifying within ASRS 2 the relevant requirements for them regarding financed emissions.

WHY INVESTORS NEED GREATER ALIGNMENT WITH THE ISSB STANDARDS

Decision-useful corporate sustainability reporting is a prerequisite for responsible investment.⁴ Investors currently lack such information across their portfolios, including the most basic sustainability-related data.⁵ This makes it more difficult for them to allocate capital efficiently, accounting for sustainability-related financial risks and opportunities and addressing sustainability goals. A global system of comparable data can address this need, creating a strong baseline of reliable information.

National and regional policymakers and standard setters have an essential role to play in addressing this challenge through the introduction of sustainability disclosure requirements. Since investors need sustainability data from all portfolio companies, the PRI has [called on](#) jurisdictions to adopt the ISSB Standards by 2025 at the latest.

The ISSB Standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB), build on the framework established by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) – and other well-established voluntary sustainability reporting initiatives – and have been endorsed by the International Organization of Securities Commissions (IOSCO).⁶

Several jurisdictions are currently taking steps to adopt the ISSB Standards. Aligning Australian reporting requirements to international standards offers the transparency investors need to manage climate-related risks and opportunities. ISSB adoption in Australia is also crucial to achieve global interoperability⁷ of corporate sustainability disclosure requirements – promoting comparable data across investment portfolios – and to build on existing progress in reporting on sustainability-related risks and opportunities.

⁴ As set out in the PRI's [Investor Data Needs framework](#), to be decision-useful, sustainability information must be available, accessible, verifiable, comparable across multiple dimensions, a faithful representation and relevant to investors.

⁵ For example, FTSE Russell found that of the 4,000 large and mid-size constituents in the FTSE All World index, 58% disclose both Scope 1 and 2 carbon emissions. Source – [Mind the gaps: Clarifying corporate carbon](#) (2022).

⁶ IOSCO's [endorsement](#) recommends that its member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

⁷ Interoperability between jurisdictional reporting requirements – allowing companies to collect and report in a manner that effectively serves both local and global requirements – is a key concern for investors who allocate capital globally and require comparable sustainability-related information across their portfolios.

ADDITIONS TO THE BASELINE – REPORTING ON IMPACTS AND DEPENDENCIES

Responsible investors need sustainability-related information to inform their assessment of companies' risks and opportunities. Increasingly, they also need information to assess and interpret a company's impacts and their alignment with sustainability goals and thresholds. While the ISSB Standards are expected to enable disclosure of some of this information, it is unlikely they will provide investors with all the information they need on a company's impacts and dependencies.

In this context, and in line with the IFRS Foundation's "building blocks" approach, the AASB should consider a future adoption of disclosure requirements that add to the ISSB Standards, to capture additional information on companies' impacts on sustainability outcomes required for financial and economic performance.

PRI'S PAST POSITIONS ON CLIMATE-RELATED FINANCIAL DISCLOSURE IN AUSTRALIA

These recommendations broadly align with our recent letters and submissions on climate and general sustainability disclosures:

- PRI [joint statement with IFAC and WBCSD calling for stronger alignment of regulatory & standard setting efforts around sustainability disclosure](#) (June 2022).
- PRI's response to ISSB: [Exposure Draft IFRS S1 general requirements for disclosure of sustainability-related financial information](#) and [Exposure Draft IFRS s2 climate-related disclosures](#) (July 2022).
- PRI's response to [AASB: Request for comment on ISSB Exposure Drafts](#) (July 2022).
- PRI's [joint letter with AIGCC, CDP, Ceres, IGCC, IIGCC to the Treasurer and RBA Governor](#) (October 2022).
- PRI's response to [Treasury: Empowering the AASB to deliver sustainability standards](#) (December 2022).
- PRI's response to [Treasury: Discovery Consultation on Climate-related Financial Disclosure](#) (February 2023).
- PRI's response to [Treasury: Secondary Consultation on Climate-related Financial Disclosures](#) (July 2023)
- PRI's response to [Treasury: Exposure Draft Legislation on Climate-related financial disclosure](#) (February 2024)

DETAILED RESPONSE

PRESENTING THE CORE CONTENT OF IFRS S1 IN [DRAFT] ASRS STANDARDS

The AASB is proposing to limit the scope of disclosure requirements based on IFRS S1 to climate-related financial disclosures. Therefore, in developing the [draft] ASRS Standards, all references to “sustainability” in IFRS S1 have been replaced with “climate”. After making that change, the requirements in IFRS S2 in respect to core content disclosures of governance, strategy and risk management duplicate the requirements in IFRS S1. To minimise unnecessary duplication, the AASB considered three possible options regarding how to present the core content disclosure requirements of IFRS S1 in [draft] ASRS Standards (see paragraphs BC21–BC24).

The AASB is proposing to develop two [draft] ASRS Standards ([draft] ASRS 1, based on IFRS S1, and [draft] ASRS 2, based on IFRS S2), and instead of having the same requirements duplicated in both [draft] Standards, decided to include in [draft] ASRS 1 the requirements relating to core content disclosures of governance, strategy and risk management, and in [draft] ASRS 2, to replace relevant IFRS S2 paragraphs with Australian-specific paragraphs cross-referencing the corresponding paragraphs in [draft] ASRS 1.

1. In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:
 - a. Option 1 – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2;
 - b. Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards;
 - c. Option 3 – two ASRS Standards, by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1 (which is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in this Exposure Draft); or
 - d. another presentation approach (please provide details of that presentation method)?

Please provide reasons to support your view.

PRI response:

PRI does not support the three options as proposed and recommends that the priority be for AASB to consider adopting the IFRS S1 and S2 separately without making significant changes to S1 that would solely limit its scope to climate change. While Option 3, proposed by AASB, offers benefit for a very specific objective to standardize climate-related reporting, this narrow focus is not conducive to the state of sustainability reporting in today’s market and will not sufficiently answer to the data needs and expectation of investors. Entities are already expected to report on material business risks in their annual reports, with many already identifying and reporting on such risks that are sustainability related in their annual financial reports.⁸ Narrowing the scope of ASRS 1 to climate change will expose

⁸ KPMG (2023), [Status of Australian Sustainability Reporting Trends June 2023 Update](#)

Australian entities to risk of misalignment with companies in other jurisdictions that will report on broader sustainability issues using the original IFRS S1 requirements. Global reporting requirements are already encompassing broader sustainability issues, and Australian entities can be exposed to additional costs as well if IFRS S1 is fully required in other relevant jurisdictions. Ultimately for investors that are the end-users of this information, this situation can hinder their access to comparable information that is useful to their investment decisions.

Per [our response](#) to [Treasury's secondary consultation](#) on climate-related financial disclosures, we understand that the IFRS S1 sets out the conceptual foundations for how to report on sustainability information – such as the fundamental and enhancing characteristics of quality, materiality definition, and connectivity requirements – which are needed to ensure decision-useful reporting against all other ISSB standards, including IFRS S2. Further, and importantly, IFRS S1 directs entities to disclose additional sustainability-related information to meet investors' needs.

Beyond climate change, investors need information on the broader environmental, social, and governance risks facing investee companies to inform assessments of their investments' financial performance. Many institutional investors also now accept that, in acting in their clients' and beneficiaries' best financial interests, they should consider and respond to system-level risks that may affect long-term returns. With issues like biodiversity loss, human rights violations and income inequality emerging as material system-level risks,⁹ investors also need decision-useful data on their investments' risks, opportunities, and impacts across these sustainability issues.

Alongside investors, many Australian companies are already considering such sustainability-related system-level risks material and as such are disclosing their approach to managing these risks. Limiting the scope of ASRS 1 to climate change will not support such entities as they seek to meet investor demand to align their broad sustainability reporting practices with the global standard.

In this regard, we recommend that the AASB: (I) should align the scope of ASRS 1 with IFRS S1 and clarify that ASRS1 can and should be considered for entities willing to report on wider sustainability risks; and (II) acknowledges from the outset the need to bring other areas of sustainability reporting in scope should entities deem it material.

ENTITIES THAT DO NOT HAVE MATERIAL CLIMATE-RELATED RISKS AND OPPORTUNITIES

Treasury's second consultation paper indicated that, where an entity assesses climate-related risks and opportunities as not material, disclosing that fact would be useful information to users. Accordingly, the AASB is proposing that if an entity determines that there are no material climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects, the entity shall disclose that fact and explain how it came to that conclusion (see paragraphs BC34–BC36).

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.

⁹ PRI (2022), [A Legal Framework for Impact: Australia](#) (p.8).

PRI response:

The PRI supports this proposal. Although this requirement goes beyond what the ISSB has set out, PRI supports the requirement for entities to explicitly state when climate change is not material.¹⁰ Given that climate-related risks often have financial consequences that investors wish to consider in decision-making, it is important companies are transparent in their explanations and that such claims are subject to auditor scrutiny.

However, we also note that the Group 3 exemption provided in the exposure draft of the Treasury Laws Amendment Bill 2024: Climate-related financial disclosure specifies that “where Group 3 entities assess that they do not have material risks or opportunities, they would only be required to disclose a statement to that effect.” It appears unclear whether the relevant provision in the draft ASRS 1 is limited to Group 3 entities exercising their exemption due to an assessment of having no material climate-related risks and opportunities, and the draft Treasury requirement for a broad statement appears to require less of a detailed explanation compared to the draft ASRS 1 wording. As such, PRI recommends that Treasury and AASB align their requirements here, and clarify in either case that an exemption from reporting due to an assessment of no material climate-related risks and opportunities is limited to Group 3 entities, and that a statement explaining the exercise of this exemption must include an explanation of “how it came to that conclusion.” Furthermore, as it is not clear on the degree to which such a statement and explanation needs to be detailed, we recommend that AASB consider clarifying or indicating expectations for what analyses and decision making processes should be evidenced.

MODIFICATIONS TO THE BASELINE OF IFRS S1 FOR [DRAFT] ASRS

1

Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards

As noted in paragraphs BC39–BC41, the AASB is proposing to remove from IFRS S1 and IFRS S2 the requirement for an entity to consider the applicability of SASB Standards and references to Industry-based Guidance on Implementing IFRS S2 issued by the ISSB developed based on SASB Standards. This is mainly because:

- (a) the ISSB’s public consultation period was too short for Australian stakeholders to appropriately consider the proposals in Appendix B to [draft] IFRS S2 (issued by the ISSB as Industry-based Guidance on Implementing IFRS S2) and for the AASB to appropriately apply its own due process;
- (b) not all of the proposals in Appendix B to [draft] IFRS S2 are related to climate-related risks and opportunities; and
- (c) the SASB Standards are US-centric and not representative

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

PRI response:

While sector-neutral metrics offer a crucial baseline of information, industry-based metrics are an additionally important element of sustainability reporting that enables the disclosure of comparable

¹⁰ PRI (2022). [PRI consultation response on International Sustainability Standards Board \(ISSB\) Exposure Drafts](#)

information on material industry-specific risks. Provisions relating to industry-based metrics in IFRS S1 and S2 enables entities to apply their own materiality assessment to these metrics to identify metrics that are relevant and represent their risk exposure and management most appropriately. PRI recommends that provisions to consider industry-specific metrics are included in the AASB Standards.

The industry classification system used in Australia is the Australian and New Zealand Standard Industrial Classification (ANZSIC) issued by the Australian Bureau of Statistics. As noted in paragraph BC42, to avoid introducing requirements that would require an entity to use another industry classification system, the AASB is proposing to specify in [draft] ASRS Standards that, if an entity elects to make industry-based disclosures, the entity shall consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC (see paragraphs Aus48.1, Aus55.1, Aus58.1 and AusB20.1 of [draft] ASRS 1 and paragraphs Aus32.1, Aus37.1, AusB63.1 and AusB67.1 of [draft] ASRS 2).

5. Do you agree with the AASB's view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC? Please provide reasons to support your view.

PRI response:

The PRI supports this requirement in principle but notes that a requirement to employ ANZSIC may add confusion given that various industry classification frameworks are already in use by various market participants. Moreover, in the absence of an ANZSIC-aligned industry-specific metric framework, the “as classified in ANZSIC” may effectively inhibit its consideration. We therefore recommend harmonising this provision with the equivalent requirement within IFRS S1 to avoid confusion. As such, entities should be encouraged to consider the information disclosed by entities that operate in the same industry(s) or geographical region(s) in identifying applicable disclosures, as required under paragraph 58 of IFRS S1.

6. Do you consider that ASRS Standards should expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards)? Entities are able to provide additional disclosures provided that they do not obscure or conflict with required disclosures. Please provide reasons to support your view.

PRI response:

Our position here is based on our recommendation in response to Q1 to ensure that entities are encouraged and supported to report on wider sustainability issues in addition to climate change. As such, we recommend that AASB consider expressly permitting an entity to provide voluntary disclosures and reference broader frameworks such as the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), the Global Reporting Initiative (GRI) Standards, and the European Sustainability Reporting Standards (ESRS).

It is also our understanding that AASB should support a growing investor need for information to assess and interpret a company's impacts and their alignment with sustainability goals and thresholds – a need underpinned by legal analysis finding that investors are likely to have a legal obligation to consider pursuing sustainability impact goals where doing so can contribute to achieving their investment objectives. In this regard, it is particularly helpful to reference the GRI Standards and the ESRS for a

range of sustainability issues and the TNFD on nature, as they provide reporting frameworks to capture further information on companies' sustainability impacts. The AASB can also consider further steps in line with the IFRS Foundation's "building blocks" approach to embed disclosure requirements incorporating sustainability impacts in addition to financial materiality.

Disclosing the location of the entity's climate-related financial disclosures

As noted in paragraphs BC43–BC45, in its second consultation Treasury proposed to require entities to include an index table in its annual report that displays climate-related financial disclosure requirements (i.e. governance, strategy, risk management, and metrics and targets) and the relevant disclosure section and page number. Feedback to that consultation indicated that there was overall support for such an index table and that it would provide useful information to users.

However, the AASB was concerned that requiring an entity to include a detailed index table in its GPFR could be onerous to prepare. The AASB is of the view that the benefits of having such a detailed index table presented in an entity's GPFR would not outweigh the cost and effort required to prepare the index table.

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

PRi response:

PRi recognizes the benefits of such a table to reporting users including investors, but we also acknowledge the burden and costs that are associated to this requirement. We recommend that AASB require the reporting of a summary index that identifies where key disclosures relating to governance, strategy, risk management, metrics and targets are reported.

Interim reporting

Treasury staff observed that the feedback received on the second consultation paper indicated there was a significant degree of confusion over whether interim reporting of climate-related financial disclosures would be mandatory, since IFRS S1 included optional requirements on interim reporting. As noted in paragraph BC46, to help avoid creating confusion around interim reporting the AASB is proposing to omit the following IFRS S1 paragraphs in [draft] ASRS 1:

- (a) IFRS S1 paragraph 69, which requires an entity electing to prepare interim reports to comply with IFRS S1 paragraph B48; and
- (b) IFRS S1 paragraph B48, which provides guidance on the content of interim disclosures should an entity elect to prepare interim reports.

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

PRi does not support this proposal. As investors increasingly require timely and up to date information, there is clear benefit in providing entities with the guidance and clarity that they indeed have the option to provide interim reporting that focuses on new information, events and circumstances – even if that information is not as comprehensive or in depth as the annual report. The corresponding paragraph in IFRS S1 clearly notes that local authorities can decide the degree to which interim reporting is mandated. Therefore, minding proportionality to the market, we recommend that the AASB clarify that

entities are not required to provide interim reporting but may do so in the interest of providing timely and up-to-date information to investors and broader reporting users.

MODIFICATIONS TO THE BASELINE OF IFRS S2 FOR [DRAFT] ASRS 2

Scope of [draft] ASRS 2

IFRS S2 applies to climate-related risks and opportunities within the context of climate change. As noted in paragraphs BC49–BC50, feedback to ED 321 highlighted that there was a significant degree of confusion on what was meant by “climate” and the boundary of [draft] IFRS S2. Given that IFRS S2 makes no reference to climate-related financial disclosures beyond climate change or other climate-related emissions, the AASB decided to add paragraph Aus3.1 to [draft] ASRS 2 to clarify the scope of the Standard—that [draft] ASRS 2:

(a) is limited to climate-related risks and opportunities related to climate change; and

(b) does not apply to other climate-related emissions (e.g. ozone depleting emissions) that are not greenhouse gas (GHG) emissions.

That scope statement would also clarify that [draft] ASRS 2 does not replace existing legislation or pronouncements prescribing reporting requirements related to other sustainability-related topics (e.g. water and biodiversity).

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.

PRi response:

PRi supports this proposal. As noted in response to Question 1, however, this should be complemented by a commitment to extend the scope of sustainability issues covered in ASRS 1, in line with IFRS S1.

Climate resilience

IFRS S2 does not prescribe the number of scenarios an entity is required to assess to meet the disclosure objective of IFRS S2 paragraph 22.

As noted in paragraphs BC51–BC54, the AASB considered the Treasury’s second consultation paper and added paragraph Aus22.1 to [draft] ASRS 2 to propose requiring an entity required by the Corporations Act 2001 to prepare climate-related financial disclosures to disclose its climate resilience assessments against at least two possible future states, one of which must be consistent with the most ambitious global temperature goal set out in the Climate Change Act 2022 (i.e. 1.5°C above pre-industrial levels).

The global temperature goal set out in paragraphs 3(a)(i) and 3(a)(ii) of the Climate Change Act is to contribute to “holding the increase in the global average temperature to well below 2°C above pre-industrial levels; and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.” To avoid entities incurring unnecessary costs and effort in determining which temperature goal to select within the range of 1.5°C and below 2°C above pre-industrial levels, the AASB decided to specify the most ambitious global temperature goal set out in the Climate Change Act (i.e. 1.5°C above pre-industrial levels).

Consistent with the ISSB's reasons, the AASB decided not to specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis, which mainly assesses climate-related physical risks.

This is because scenarios used in assessing physical risk would depend on the entity's facts and circumstances, including the nature and location of its operations.

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

PRI response:

The PRI supports the proposal to require climate resilience assessment of transition risks to be undertaken against a scenario consistent with the most ambitious global temperature goals in the Climate Change Act 2022 (Cth) – i.e. 1.5°C above pre-industrial levels. To accurately understand and compare the risks and opportunities facing their investments, investors however require information on companies' resilience to both physical and transition risks based on consistent scenarios. What is material for financial markets is not only the temperature outcome of a particular climate scenario, but also whether the path to this outcome is orderly or disorderly. To address this, the PRI recommends Treasury and the AASB requires the following climate scenarios to be reported against:

- **A measured, orderly transition**, which takes place with climate policies being introduced early and becoming increasingly more stringent, in line with an interim emission reduction target and a net-zero Australian economy consistent with meeting the 1.5°C temperature goal in the Climate Change Act 2022 (Cth);
- **A sudden, disorderly transition**, which takes places with climate policies and wider action on climate change not happening until late (for example, introduced around 2030) – this scenario gets towards, but does not achieve, the global temperature goals in the Climate Change Act 2022 (Cth) and is characterised by a higher level of transition and physical risk than in an orderly transition; and
- **'No transition'**, which assumes only currently implemented policies are preserved, current commitments are not met, and emissions continue to rise (i.e., a 4°C or higher climate scenario). This would mean climate goals are missed and physical risks are high, accompanying severe social and economic disruption.

On the "No transition" scenario, the PRI notes that the IPCC's central projection for temperature rise this century is now 3.2°C, and therefore a 4°C scenario is appropriate to assess the resilience of an entity to physical climate risk.

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.

PRI response:

PRI does not support the AASB proposal to not specify an upper-temperature scenario, and recommends that AASB establish a minimum threshold for an upper-temperature scenario at 4°C. For more details, please see our response to question 10.

Cross-industry metric disclosures (paragraphs 29(b)–29(g))

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.

PRI response:

Yes, the proposed cross-industry metrics would provide useful information about climate-related risks and opportunities. From the user perspective:

- Investors need information on exposure to physical risks, transition risks and climate-related opportunities to predict the future impact of such exposure.
- Investors need information on how issuers are financing their transition plans and the amount allocated to predict future financial performance, financial position and cash flows.
- Investors need information on internal carbon prices to assess a company's internal management of climate-related risks and opportunities.

Therefore, all metrics within paragraph 29 of the draft standard are likely to be material, for all industries and business models.

We however recommend that AASB clarify the description of the metric on capital deployment. In particular, AASB should explicitly note that disclosure on capital deployment toward climate-related risks and opportunities should include expenditure on decarbonisation targets, strategy and actions plans to manage them.

Cross-industry remuneration disclosure (paragraphs 29(g) and Aus29.1)

AASB members formed two views regarding whether to require Australian entities to disclose the following information as set out in [draft] ASRS 2 paragraph 29(g):

- (a) a description of whether and how climate-related considerations are factored into executive remuneration; and
- (b) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations.

One of the concerns noted by a minority of the AASB is that if [draft] ASRS 2 paragraph 29(g) is included in the final Standard, it might be seen as the AASB replicating remuneration reporting requirements outside of Australian legislation. However, for the reasons outlined in paragraphs BC57–BC63, on balance the AASB decided to propose that entities should be required to disclose that information.

To avoid potential conflicts with existing regulatory requirements or entities attempting to define which of their key management personnel is considered an “executive”, the AASB decided to clarify that, in the context of [draft] ASRS 2, “executive” and “executive management” has the same meaning as “key management personnel” and “remuneration” has the same meaning as “compensation”, both as defined in AASB 124 Related Party Disclosures.

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.

PRI response:

The PRI supports this proposal. Disclosure on whether and how climate-related considerations are factored into remuneration, and the percentage of remuneration linked to climate considerations, would help investors to evaluate whether management have the right incentives to implement key performance-related targets. This information is recommended for disclosure by the Task Force on

Climate-related Financial Disclosures (TCFD)¹¹, and has also been embedded in key initiatives focusing on climate-related financial risks that the PRI is involved in, such as the Transition Pathway Initiative¹² and Climate Action 100+¹³.

GREENHOUSE GAS (GHG) EMISSIONS (PARAGRAPHS AUS31.1 AND B19–AUSB63.1 AND AUSTRALIAN APPLICATION GUIDANCE)

DEFINITION OF GREENHOUSE GASES

As noted in paragraphs BC66–BC69, IFRS S2 defines greenhouse gases as the seven greenhouse gases listed in the Kyoto Protocol. However, the AASB noted that one of those gases, nitrogen trifluoride (NF₃), is not listed in the National Greenhouse and Energy Reporting Act 2007 and related regulations (NGER Scheme legislation) as a class of greenhouse gas.

Despite that difference, the AASB decided to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification. This is because Australia does not have a significant presence in the manufacturing of items containing NF₃. Therefore, it is expected that not many Australian entities would have material NF₃ emissions to report.

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.

PRI response:

The PRI supports this approach as it would help to ensure consistency of emissions calculation and reporting across geographies. At the same time, per our key recommendation to either update the NGER Scheme legislation or prioritize the GHG Protocol, this indicates that there is a need to update the NGER Scheme legislation to reflect the greenhouse gases listed in the Kyoto Protocol.

Converting greenhouse gases into a CO2 equivalent value

Paragraphs B21 and B22 of IFRS S2 require an entity to convert greenhouse gases into a CO2 equivalent value using global warming potential (GWP) values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change (IPCC) assessment available at the reporting date. The IPCC has undertaken its 6th assessment in 2023. Therefore, if an entity is preparing climate-related financial disclosures for the period beginning 1 July 2024, under IFRS S2 the entity would be required to convert Greenhouse gases using the GWP values in the IPCC 6th assessment report (AR6).

However, entities reporting under NGER Scheme legislation would be required to use the GWP values in the IPCC 5th assessment report (AR5). As noted in paragraphs BC70–BC72, to avoid regulatory burden for certain Australian entities, the AASB added paragraphs AusB22.1 and AusB22.2 to [draft]

¹¹ Task Force on Climate-related Financial Disclosures (2021). [Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#).

¹² Transition Pathway Initiative (2023). [TPI's methodology report: Management Quality and Carbon Performance \(version 5.0, November 2023\)](#)

¹³ Climate Action 100+ (2023). [Climate Action 100+ Net Zero Company Benchmark Disclosure Framework: Assessment Methodology V2.0 - 2023](#)

ASRS 2 to require an entity to convert greenhouse gases using the GWP values in AR5, as identified in [draft] ASRS 101.

15. Do you agree with the AASB's view that an Australian entity should be required to convert greenhouse gases using GWP values in line with the reporting requirements under NGER Scheme legislation? Please provide reasons to support your view.

PRI response:

The PRI recommends that the AASB pursue adoption of IFRS S2 to its fullest extent possible and where country-specific adjustments are made, to commit to transitioning to adopting provisions in IFRS S2. This will be an important measure in order to uphold Treasury's principles underpinning the disclosure framework, which establishes that it should support Australia's climate goals and assist with our transition to net zero emissions by 2050. To ensure that this principle is upheld, AASB should enable and require entities to report based on the best available scientific evidence. Investors will not have access to comparable GHG emissions data in Australia until GHG Protocol aligned requirements are implemented, including GWP values from AR6. Although we acknowledge that it is important that necessary adjustments are made to keep reporting burdens to a minimum and consistent with other domestic regulations, the priority should be to align with IFRS S2. At minimum, the Australian Government should commit to a timeline for transition toward use of GWP values from AR6, including in the NGER Scheme legislation.

Market-based Scope 2 GHG emissions

IFRS S2 paragraph 29(a)(v) requires an entity to disclose its location-based Scope 2 GHG emissions. However, the Treasury's second consultation paper proposed a phased-in approach to requiring an entity to also disclose market-based Scope 2 GHG emissions. The AASB added paragraphs Aus31.1(f) and AusC4.2 to propose requiring an entity that would be required by the Corporations Act 2001 to prepare climate-related financial disclosures to disclose its market-based Scope 2 GHG emissions in addition to its location-based Scope 2 GHG emissions, except for the first three annual reporting periods in which such an entity applies [draft] ASRS 2 (see also paragraphs BC78–BC79).

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.

PRI response:

The PRI supports this approach. While location-based emissions can indicate a company's exposure to transition risks that may vary across geographies – such as risks arising from jurisdiction-specific environmental policy objectives – we understand that a phase-in of this requirement would help to ensure proportionality.

GHG emission measurement methodologies

The AASB added paragraphs Aus31.1(b) and AusB25.1 in [draft] ASRS 2 to specify that an entity would be required to:

- (a) consider the measurement of its Scope 1 GHG emissions, location-based Scope 2 GHG emissions, market-based Scope 2 GHG emissions (when applicable) and Scope 3 GHG emissions separately;
- (b) apply methodologies set out in NGER Scheme legislation, using Australian-specific data sources and factors for the estimation of greenhouse gas emissions, to the extent practicable; and
- (c) when applying a methodology in NGER Scheme legislation is not practicable, apply:

(i) a methodology that is consistent with measurement methods otherwise required by a jurisdictional authority or an exchange on which the entity is listed that are relevant to the sources of the greenhouse gas emissions; or

(ii) in the absence of such a methodology, a relevant methodology that is consistent with GHG Protocol Standards.¹⁴

The diagram in the Australian Application Guidance accompanying [draft] ASRS 2 illustrates the application of paragraphs Aus31.1(b) and AusB25.1. See also paragraphs BC73–BC76.

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.

PRI response:

The PRI does not support the current hierarchy to prioritize the NGER Scheme legislation and to only require the consideration of the GHG Protocol if application of the NGER Scheme legislation is not practicable or a jurisdictional equivalent is not available. The NGER Scheme legislation in its current form is inconsistent with the data needs of investors for the reasons listed below and should either be updated to align with the GHG Protocol before the onset of reporting.

The NGER Scheme legislation poses limitations for GHG inventory boundaries. IFRS S2, while providing a relief for jurisdictional requirements, notes that where the jurisdictional requirement has a narrower scope than the GHG Protocol, this does not exempt entities from applying the GHG Protocol to the “entity as a whole”. While prioritization of the NGER Scheme legislation would support Australian entities already in the scope of reporting and publication to the extent of their domestic Scope 1 and 2 emissions, these benefits will not necessarily apply to the entity as a whole. For example, there will be a gap in coverage for entities that have operations in industries and jurisdictions outside of the NGER Scheme legislation scope. There will also be gaps in coverage for entities that seek to align their organizational and operational boundaries with that of their financial reporting or seek to provide a comprehensive inventory that combines equity-based, financial and operational control boundaries.

In addition to inconsistencies and limitations regarding GHG inventory boundaries, the proposed approach will also inhibit the market from utilizing global warming potential (GWP) values based on the latest scientific evidence. Similar to organizational boundary, the GHG Protocol provides enough flexibility here to allow for reporting entities to implement what best suits their circumstance. The proposal is also unnecessarily confusing for Scope 3 emissions, where the GHG Protocol is critical to enabling high-quality, globally comparable and consistent reporting that is decision-useful for investors.

The PRI’s general position is that where possible, GHG emissions should be calculated in line with the [GHG Protocol methodology](#) – the most widely used and recognised international standard for calculating GHG emissions. While we acknowledge that the GHG Protocol is currently under revision, when compared to the NGER Scheme legislation, we understand that the GHG Protocol provides a framework that bridges key gaps and limitations that the current NGER Scheme legislation is unable to. The PRI therefore recommends that the Australian Government update the NGER Scheme legislation to become fit for the purposes of private sector use minding the gaps noted above, including updating the GWP values used for emissions factors. Alternatively, the Government should consider requiring use of the GHG Protocol ahead of the NGER Scheme legislation, with the NGER Scheme legislation

¹⁴ Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard and Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

being a requirement to serve as a component of what is reported in line with the GHG Protocol. If an update of the NGER Scheme legislation should take a significant amount of time, to support investors in the meantime, the Australian Government should clarify key differences between the methodologies required under the NGER Scheme legislation and the GHG Protocol and highlight material differences that could result in differences between data calculated based on the NGER Scheme legislation and the GHG Protocol. If and where discrepancies are identified, the Government should plan to transition toward comprehensive alignment with the GHG Protocol and provide investors with the necessary confidence and background information on the comparability of emissions data from Australia and other jurisdictions.

Providing relief relating to Scope 3 GHG emissions

As noted in paragraphs BC80–BC81, the AASB decided to add paragraph AusB39.1 to [draft] ASRS 2 to propose permitting an entity to disclose in the current reporting period its Scope 3 GHG emissions using data for the immediately preceding reporting period, if reasonable and supportable data related to the current reporting period is unavailable.¹⁵

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

PRI response:

PRI supports this proposal as it is consistent with the relief in IFRS S2 and ensures proportionality, provided that reporting entities are required to explain their exercise of this relief.

Scope 3 GHG emission categories

IFRS S2 paragraphs B32–B33 require an entity to categorise the sources of its Scope 3 GHG emissions based on the 15 categories listed in the IFRS S2 definition, which was taken from the GHG Protocol Standards. However, as noted in paragraphs BC82–BC85, the AASB observed that those 15 categories of Scope 3 GHG emissions are not referenced in IPCC guidelines or the Paris Agreement. The AASB was unsure whether requiring categorisation of the sources of Scope 3 GHG emissions under the 15 categories listed in the IFRS S2 definition would achieve international alignment if entities in other jurisdictions that are parties to the Paris Agreement are able to disclose different categories.

The AASB considered whether it would be more appropriate to require Australian entities to categorise the sources of their Scope 3 GHG emissions consistent with the categories outlined in IPCC guidelines and National Greenhouse Gas Inventory reporting requirements. However, the AASB rejected that approach because the objective of IFRS S2 paragraphs B32–B33 is to disclose information about the entity's activities that give rise to Scope 3 GHG emissions, and the IPCC sectoral classifications do not appear to be sufficient in identifying the entity's activities. For example, it is unclear whether the sectoral categories would provide information about emissions arising from business travel, employee commuting and investments, which are categories in IFRS S2.

The AASB decided to add the Scope 3 GHG emission categories in IFRS S2 to [draft] ASRS 2 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 (see [draft] ASRS 2 paragraph AusB33.1).

¹⁵ Under [draft] ASRS 2 paragraph AusC4.1, an entity would not be required to disclose its Scope 3 GHG emissions in the first annual reporting period in which the entity applies [draft] ASRS 2.

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.

PRI response:

The PRI does not support this approach and maintains its position presented in our response to Treasury's second consultation¹⁶ that the GHG Protocol should be the required methodology in the interest of standardization and comparability across jurisdictions. Companies should be required to categorise the sources of their Scope 3 emissions in accordance with the categories of the GHG Protocol – the most widely used and recognised international standard for calculating GHG emissions. This information is relevant to an investor's assessment of the transition risks a company faces and should be comparable across companies.

While these categories are not referenced in the IPCC guidelines or the Paris Agreement, this is a requirement within the ISSB Standards which will be adopted by jurisdictions worldwide. Therefore, disclosures on consistent categories of Scope 3 GHG emissions reported would improve comparability of reporting from companies across investment portfolios. Doing so would also ensure consistency with the fact that the GHG Protocol Standards are the only Scope 3 emissions calculation standards referenced in the [draft] ASRS2.

Financed emissions

As noted in paragraph BC86, IFRS S2 paragraphs 29(a)(vi)(2) and B58–B63 require an entity that participates in asset management, commercial banking or financial activities associated with insurance to provide additional disclosures relating to its financed emissions.

When incorporating those IFRS S2 requirements relating to financed emissions, instead of requiring an entity to disclose the information outlined in IFRS S2 paragraphs B61–B63, the AASB proposes to require an entity to consider the applicability of those disclosures related to its financed emissions (see [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1). This is because IFRS S2 paragraphs B61–B63 are based on GHG Protocol Standards requirements, which require an entity to disaggregate its Scope 1 and Scope 2 GHG emissions (in addition to its Scope 3 GHG emissions). The AASB is of the view that entities that apply methodologies set out in NGER Scheme legislation to measure their Scope 1 and Scope 2 GHG emissions may not have the information necessary for those disaggregated disclosures.

An entity is required to disclose the information outlined in [draft] ASRS 2 paragraphs AusB61.1 and AusB63.1 if those disclosures are applicable to the entity.

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.

PRI response:

The PRI does not support this approach, as the proposed change risks omitting comparable information on a material emission category for financial institutions that assists in the assessment of indirect

¹⁶ PRI (2023), [PRI Response: Australian Treasury's Consultation on Climate-related Financial Disclosure](#) (p. 15)

transition risk exposure through financial assets. The wording introduced by AASB to “consider the applicability of those disclosures” does not make it clear that the need for such a provision is based on the assumption that Scope 1 and 2 disaggregated financed emissions data would be difficult for certain entities to report on due to limitations from the NGER Scheme legislation, and rather, appears to allow entities to decide whether or not to report this information based on a non-specific range of reasons that sits outside of their materiality assessment. We recommend that the AASB maintain the requirement to report on this information per the IFRS S2 provision and maintain the provisions for disaggregation of financed emissions data.

We note that a reason for this change was for the AASB to keep its approach to the GHG Protocol consistent and consider limitations of the NGER Scheme legislation. We maintain our position that the Australian Government should update the NGER Scheme legislation to be in line with the GHG Protocol. Where the Australian Government identifies a gap in guidance on how to disaggregate financed emissions by scope, we suggest that additional guidance is published to facilitate reporting, but that the requirement is not dropped.

Additionally, we note that with the inclusion of superannuation entities in the reporting scope, the AASB should consider clarifying within ASRS 2 that financed emissions disclosure is also required of superannuation entities, and specify the relevant requirements for additional information on financed emissions.

Finally, we recommend that the AASB consider introducing guidance for both investment managers and superannuation entities on reporting financed emissions.

Superannuation entities

As noted in paragraphs BC87–BC88, the AASB has heard from some stakeholders that superannuation entities may have challenges complying with climate-related financial disclosure requirements set out in IFRS S1 and IFRS S2.

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.

PRI response:

While we support the inclusion of superannuation funds to be included in the scope of reporting entities as it will enable consistent reporting of climate-related risks and opportunities across the financial sector, noting the significance of these entities in Australia’s financial system, we also note that pension funds were not originally captured in the scope of reporting entities for the ISSB Standards. As such, we recommend that additional guidance be provided for such entities to ensure that appropriate support is given to report based on a standard that was not designed with superannuation entities in mind. Potential areas that require additional guidance may include how the “user” of their reporting is defined and how to understand and calculate financed emissions, including how Scope 3 should be captured.

GENERAL MATTERS FOR COMMENT

The AASB would also particularly value comments on the following general matters:

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

PRi response:

The AASB Sustainability Reporting Standard-Setting Framework noted that alignment to the ISSB Standards will be prioritized, with amendments to the baseline of the ISSB Standards made only where it is necessary to do so to meet the needs of Australian stakeholders. We note however that key changes were made to the baseline IFRS S1 and S2 that do not align with this principle. These changes are the subjects of our key recommendations, including the modifications made to IFRS S1 to limit the scope to climate change, prioritization of the NGER Scheme legislation without sufficient guidance on its interoperability with the GHG Protocol, not requiring Scope 3 categorization in line with the GHG Protocol as well as additional disclosure for financed emissions by financial institutions, and eliminating the requirement to consider internationalized industry-based metrics. We recommend that AASB reconsider the modifications made to deviate from IFRS S1 and S2 in such a way that would be inconsistent to global alignment and comparability of sustainability reporting.

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:
- not-for-profit entities; and
 - public sector entities?

PRi response:

We encourage AASB and the Australian Government to coordinate and align the various policy instruments coming into place, especially the proposed taxonomy that will have bearings on reporting. We understand the Government's current intention that during the initial regulatory phase, the planned sustainable taxonomy will not have a formal regulatory status. Ultimately, in order to be an effective tool and to achieve its objectives, it will need to be embedded in the overall regulatory architecture and disclosure requirements.

In particular, for financial institutions to be able to use the taxonomy in their own activities and products they will first need data about the underlying alignment of business activities of individual firms within their portfolios and loan books. For investors to have sufficient confidence in this information as a basis for investment decisions and communications, as a first step, disclosure from businesses will need to be mandated or otherwise incentivised and subject to appropriate regulatory oversight.

It should finally be understood that while a taxonomy is a cornerstone of a robust sustainable finance strategy, it will not enable the transition to a sustainable economy by itself. It should therefore be developed in parallel to other instruments, which includes climate-related disclosure requirements, to ensure a coordinated and effective approach, as well as interact with other policy instruments such as stewardship and broader disclosure requirements (for both corporates and investors).

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

PRi response:

Yes. The proposals would provide investors with information they need to assess portfolio companies' climate-related risks and opportunities, including: the nature of these risks and opportunities, their current and potential effects on the company, strategic changes in response and how they will be implemented, and progress in meeting existing targets and objectives.

This level of detail is necessary because investors need to understand the effects of climate-related risks and opportunities on portfolio companies, and potential change to these effects given the strategy and other initiatives to address these.¹⁷

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

The PRI supports the introduction of mandatory climate-related disclosure standards and welcomes the proposals to the extent that we make recommendations to ensure that IFRS S1 and S2 are upheld as baselines, with modifications made primarily where they are additive to them. Many of the PRI's signatories are both users and preparers of climate change and other sustainability-related information. If implemented effectively with our recommendations considered, mandatory and globally standardised disclosure of climate change-related risks, opportunities, and impacts will improve market transparency, assist both companies and investors to navigate the transition and help facilitate two-way global investment flows into Australia, which will ultimately be in the best interest of its economy.

¹⁷ ISSB (2023), [ISSB at COP28: close to 400 organisations from 64 jurisdictions, including associations gathering over 10,000 member companies and investors, join multilateral and market authorities to commit to advance the ISSB climate global baseline](#)

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the AASB further to improve climate-related financial disclosure in Australia.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org