

Feedback for AASB ED SR1 – submitted by University of Sydney (USYD)

Modifications proposed to the baseline of IFRS S1/S2 for [draft] ASRS 1/ASRS 2 and sources of guidance as outlined in AASB Exposure Draft [ED SR1](#)

Point No.	Page ref in ED	AASB Questions	USYD Feedback
1	7	Alignment of IFRS to ASRS	<ul style="list-style-type: none"> We support Option 1 because: <ol style="list-style-type: none"> It appears there will be unnecessary duplication by combining IFRS S1 and IFRS S2. There may also be the risk that the broader sustainability issues associated with IFRS S1 standard are perceived as being addressed in Australia with ED SR1 when all that has happened is “sustainability” is replaced with “climate”. Also, Option 3 sets a precedent for creating two standards for every ESG issue which is overly onerous e.g. for biodiversity, water, all social issues.
2	7	Do you agree not to make the contents of the Conceptual Frameworks enforceable in ASRS Standards by replacing those contents with references to the Conceptual Frameworks?	<ul style="list-style-type: none"> Agree, reference the framework content in ASRS, rather than duplicating definitions and contents
3	8	Do you agree that if an entity determines that there are no material climate-related risks and opportunities, it shall disclose that fact and explain how it came to that conclusion?	<ul style="list-style-type: none"> Agree that entities should provide reason for why there are no material risks or opportunities to disclose. In relation to Item #7 below, if there is not much to disclose and the entity is able to disclose it wherever they choose, there is risk that the disclosure may get lost in the sea of data.
4	8	Do you agree with the AASB’s views noted in paragraphs BC39–BC41? Please provide reasons to support your view.	<ul style="list-style-type: none"> Agree that industries should be classified according to ANZSIC. Input-output (IO) analysis, which quantifies the entire supply chain and is used in comprehensive scope-3 assessment, also follows the ANZSIC classification. Where there is ambiguity or the need for additional classification for global calculations, it is recommended that the United Nations system, the International Standard Industrial Classification (ISIC) is followed. This is the system that is commonly used for global, multiregional input-output analysis (MRIO). Where feasible, reporting entities should align with the global standard IFRS S2 as a long-term goal as that is a more rigorous standard.

5	8	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.	<ul style="list-style-type: none"> • Agree that entities should follow the ANZSIC classification of industry disclosures – see reasoning and additional advice above. • Physical and transitional risks should be captured.
6	8	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.	<ul style="list-style-type: none"> • We agree that ASRS should expressly permit an entity to also provide voluntary disclosures if they comply with relevant frameworks or pronouncements that are specified in ASRS (to prevent the risk of greenwashing). • To ensure that the additional disclosures provided do not obscure or conflict with required disclosures, the ASRS should require the voluntary disclosures: <ul style="list-style-type: none"> ○ To be made separately from mandatory disclosures; ○ Be clearly labelled as voluntary disclosures; and ○ Refer to the relevant frameworks or pronouncements that they comply with.
7	9	Location of disclosures - 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.	<ul style="list-style-type: none"> • We recommend that preparers should disclose the information within the GPFR to ensure that the recognition of climate related financial impact is understood and to demonstrate the importance of the disclosure to users. Integrated reporting is particularly valuable if these disclosures are targeted at shareholders and the GPFR tends to be the core communication mechanism with shareholders. • Additional guidance about the structure, format, and layout of disclosures would be of assistance to ensure consistency between reporting entities.
8	9	Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view.	<ul style="list-style-type: none"> • We agree with the proposed omission as it will help to avoid confusion regarding interim reporting requirements.
9	10	Do you agree with the proposal to clarify that the scope of draft ASRS 2 is limited to climate-related risks and opportunities related to climate change and does not apply to other climate-	<ul style="list-style-type: none"> • Agree, this will mean scope clarity for the disclosure in the first year. More guidance from AASB will be required when broader definition of sustainability or ESG will come into play (in future years)

		related emissions that are not GHG emissions?	<ul style="list-style-type: none"> Standard should be clear on what these other climate-related emissions that are not GHG emissions are for the preparer as distinct from the 6 greenhouse gases identified under Kyoto Protocol and the recent inclusion of Nitrogen trifluoride (NF3). Advance notice of the roadmap of future sustainability standards will be critical so that the entities' systems and processes for reporting can be designed and implemented in a scalable fashion to cover broader sustainability topics beyond climate change. For example, clarity about the scope of future sustainability reporting standards would help support a business case for an appropriately capable system for data collection and reporting.
10	10	<p>Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1?</p> <p><i>Proposal to require disclosure of 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 - 1.5 degrees C above pre-industrial levels.</i></p>	<ul style="list-style-type: none"> We recommend reporting entities use the following 3 IPCC scenarios as best-practice: <ul style="list-style-type: none"> Best case = Most optimistic: 1.5C by 2050 BAU (Business as Usual) = Middle of the road: 2.7C by 2100 Worst case = Dangerous: 3.6C by 2100 <p>Recent analysis indicates that at the time the Paris Agreement was negotiated, that scientific assessments of warming may have already been off by half of a degree. This means governments and businesses need to redouble their efforts in the light of scientific uncertainty of the current state of warming to ensure planetary boundaries are not breached further, and that tipping points are not triggered. To this end, entities should be required to continue to report to the 1.5 degree target, lest a weaker (higher) target becomes the benchmark, and corporations continue to actively work against the goals of the Paris Agreement, and the very point of climate risk reporting.</p> <p>Reference - https://www.climateneutralgroup.com/en/news/five-future-scenarios-ar6-ipcc/</p> <ul style="list-style-type: none"> Will there be a mechanism to review and update these specified scenarios on an appropriately frequent basis? We suggest that it is pegged to an official reference point i.e. IPCC scenarios.
11	10	Do you agree with the AASB's view that it should not specify	<ul style="list-style-type: none"> We would advocate for AASB to set an upper temperature limit that is scientifically

		the upper-temperature scenario that an entity must use in its climate-related scenario analysis? Please provide reasons to support your view.	<p>rigorous based on peer reviewed climate science, to ensure that scenario analysis effort invested by entities is valid for few years. See above comment aligned with best practice scenario guidelines given by IPCC.</p> <ul style="list-style-type: none"> • The specification of an upper limit is necessary to ensure that the probability of the scenarios analysed by each reporting entity are a) consistent; and b) sufficiently likely to occur to warrant disclosure. • Without specifying an upper temperature limit, the second scenario modelled by each entity could vary significantly and this would limit the comparability of the information within a sector and generally. • AASB should give sufficient notice to any changes to these baseline temperature limits, giving entities opportunity to build the changes into their disclosures.
12	10	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.	<ul style="list-style-type: none"> • Certain industry metrics such as additional disclosures may be commercial in confidence, but entities should be transparent with the climate-related targets and carbon footprint data they share. These disclosures will also require significant transition planning, which will be a challenge in the early years of reporting.
13	10	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.	
14	10	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.	<ul style="list-style-type: none"> • Definition of greenhouse gases should be comprehensive and consistent with international standards (e.g. inclusion of nitrogen trifluoride) ensuring comparability. • Recommend that NGER definitions be updated in future to make reporting consistent, and that a buffer period is implemented to allow companies to report as per NGER until definitions are aligned.
15	11	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	<ul style="list-style-type: none"> • Agree. Conversion rates should be consistent across reporting. However, both NGER and ASRS conversion rates should be updated as necessary to align with international best practice.

		provide reasons to support your view.	
16	11	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).	<ul style="list-style-type: none"> • It is preferable to keep the relief for transition period in line with the global IFRS framework. So Australian entities will report on location-based approach for first 3 reporting years and then add the market-based approach as required. This would maintain consistency with NGER reporting, as market-based approach is currently optional.
17	11	17. 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	<ul style="list-style-type: none"> • (a) Agreed that all emissions including scope 3 should be calculated and reported. • (b) Agree that reporting methodologies should align with NGER. However, both NGER and ASRS methodologies should align with international best-practice and only differ where necessary to capture Australia-specific issues etc. • (c) Disagree with AU B25.1 that scope 3 greenhouse gas emissions should apply methodologies set out in the NGER Scheme legislation –it is preferable to use methodologies that are comparable internationally, such as the GHG Protocol as Scope 3 greenhouse gas emissions are not reported under the NGER. For Aus 32.1, the deleted sentence should be re-instated to align with the global standards.

		<p>consistent with GHG Protocol Standards. 7 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.</p>	
18	11	<p>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.8 18 Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.</p>	<ul style="list-style-type: none"> • AusB39.1 is a vaguely worded statement. Suggest sticking with the IFRS S2 relief for consistency; the IFRS S2 also only gives 1 year’s grace, rather than ongoing, which is more robust. • Agree with the wording/approach in BC80(c): “consistent with the relief in IFRS S2, the Australian Government would support relief in the form of a temporary one-year exemption from reporting Scope 3 GHG emissions, following the commencement of mandatory disclosure requirements for that entity”.
19	12	<p>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 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</p>	<ul style="list-style-type: none"> • Disagree with including Scope 3 GHG emission categories in IFRS S2 as <i>examples</i> of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, <i>rather than requiring</i> an entity to categorise the sources of emissions in accordance with the categories of the GHG Protocol Standards • The AASB should not have a weaker standard, but rather, all 15 categories of Scope 3 should be reported on as per IFRS S2. • In addition, the Greenhouse Gas Protocol Standard already provides flexibility in reporting on each of the 15 categories (as per reference in World Resources Institute & World Business Council for Sustainable Development, 2011, p. 60). • Alignment with GHG also reduces the risk of greenwashing if we allow some companies to ‘decide’ their own Scope 3 categories.

		<p>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). 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>	
20	12	<p>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>	<ul style="list-style-type: none"> • Agree, entities should make a judgement. • Asset management, commercial banking and insurance should be defined.

21	12	Superannuation entities	<ul style="list-style-type: none"> • Not applicable
22	13	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.	<ul style="list-style-type: none"> • Agree, this is necessary to ensure alignment with Australian context
23	13	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.	<ul style="list-style-type: none"> • Agree with the objectives for not-for-profit entity.
24	13	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	<ul style="list-style-type: none"> • The wording should refer to a not for profit's "objective under its applicable governing law, constitution and/or equivalent rules or instrument."
25	13	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.	<ul style="list-style-type: none"> • Guidance should be provided that the assessment of 'undue cost or effort' should be made with reference to the materiality of the likely risks and opportunities that would be disclosed. That is, the more material the risks and opportunities, the greater the cost and effort that would be reasonably required to be incurred to gather the necessary information to make the disclosures.
26	13	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.	N/A

27	13	<p>If you disagree with the AASB’s view in Question 26, what other modifications could be made to the baseline of IFRS S1 and IFRS S2 as included in the [draft] ASRS to assist not-for-profit entities to comply with climate-related financial disclosure requirements without undue cost or effort? Please specify which requirements in [draft] ASRS 1 and [draft] ASRS 2 you would suggest modifying, how those requirements could be modified and why you think the modifications would be helpful.</p>	<ul style="list-style-type: none"> • Refer to the response provided in regard to question 25.
28	14	<p>Any other modifications or additions to IFRS1 or 2</p> <p>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:</p> <p>(a) assist not-for-profit public sector entities to apply the concept of value chain and other climate-related financial disclosure requirements; and</p> <p>(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?</p> <p>In your response, please specify:</p> <p>(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</p> <p>(b) which of the following levels of government entities should be subject to your suggested modifications or additional</p>	<ul style="list-style-type: none"> • The modified input-output analysis may assist with identifying value-chain for public sector entities

		requirements. Please provide reasons to support your view.	
29	14	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.	<ul style="list-style-type: none">• Agree

General matters for comment

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

Point No.	Page ref in ED	AASB Questions	USYD Feedback
30	14	Has the AASB Sustainability Reporting Standard-Setting Framework (September 2023) been applied appropriately in developing the proposals in this Exposure Draft?	Yes
31	14	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?	
32	14	Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?	<ul style="list-style-type: none"> • Inevitable challenges are associated with incorporating a whole new class of information into audited financial reports, including obtaining accurate and timely data. Significant resources need to be allocated to this work especially upfront as new processes are put in place. For instance, current practices for sustainability-related data management and transfer have not been developed with the needs of auditing and assurance in mind. Establishing new processes and systems to fulfill data tracking and assurance requirements will take time and investment for most higher education entities. • There are several exceptions (relief) to requirements if compliance would result in entity incurring 'undue cost or effort'. The assessment of what constitutes undue cost and effort will be challenging for entities to substantiate and it will be challenging for auditors to assess. More guidance should be provided. • Scenario modelling of risks and opportunities requires a high degree of judgement. It will be difficult to audit these judgements and to provide assurance that the analysis is complete.
33	14	Would the proposals result overall in climate-related financial information that is useful to users?	<ul style="list-style-type: none"> • Yes. Ability to compare emissions performance and the financial impact and implications of different companies and

			reporting entities would be useful for both investors and general public. For instance, investors are increasingly interested in ESG performance and related financial risk and impacts of companies. Ability to compare GHG emissions performance of different companies would greatly assist ESG-motivated investors.
34	14	Are the proposals in the best interests of the Australian economy?	<ul style="list-style-type: none"> • Yes. Continued operation of the Australian economy is dependent on maintaining earth's systems, of which carbon cycle is one. Clear information on company's and reporting entities' emissions performance can assist in the allocation of capital to best performers and away from those failing to adequately address their emissions and climate risk.
35	14	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.	
END			