

ED SR1 Australian Sustainability reporting standards – Disclosure of Climate-related Financial Information

Please find ABS response to ED SR1. ABS comments to each question are captured in blue text below.

Questions

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.

ABS' preference is to not have duplication in two different standards, so option C is preferred.

Replacing duplicated content with references to the Conceptual Frameworks

As noted in paragraphs BC25–BC27, the AASB is of the view that since the 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) are not legislative instruments and do not form part of the authoritative Australian Accounting Standards, they should not be made enforceable as part of [draft] ASRS Standards. Accordingly, where components of those Frameworks have been duplicated within IFRS S1 and IFRS S2 as requirements with which an entity must comply, the AASB is proposing to replace the relevant IFRS S1 and IFRS S2 paragraphs with Australian-specific paragraphs cross-referencing to those Frameworks.

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 Frameworks in [draft] ASRS 1 and [draft] ASRS 2? Please provide reasons to support your views.

Yes -agree as this is consistent with the approach AASB takes in developing Australian Accounting standards. ABS' preference is to make reference to those different frameworks rather than duplicating definitions and contents of each framework in the Standards.

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.

ABS agrees, as by noting that an entity has assessed they have no climate related material risks or opportunities and the reasons behind that, it would be clearer that an entity has taken all the reporting requirements into consideration when preparing the general-purpose financial statement.

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 of the Australian or global market.

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

Yes. ABS’s previous feedback to ED 321 noted that industry-based guidance in IFRS S2 adapted from SASB standards seemed to be US-centric with the use of the Sustainable Industry Classification System (SIC) classification. Use of the Australian and New Zealand Standard Industrial Classification (ANZSIC) based on internationally recognised Standard Industrial Classification (ISIC) is important for reporting industry-based matrices in Australia. This is due to ANZSIC being used in the business registration process, and is widely used by government agencies, industry organisations and researchers for various administrative, regulatory, taxation and research purposes (including industry analysis for policy development and program delivery).

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.

ABS will always support the reporting of Industrial classifications published by ABS, whereby an 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. This is because entities/business already report to the ABS based on ANZSIC, with questions targeted to align with common metrics for that type of business.

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.

Yes, as providing additional information should not be discouraged. ABS agrees that entities can provide additional disclosures based on other relevant frameworks to assist any comparable analysis, provided that they do not obscure or conflict with required disclosures. However, ABS also recognises that additional disclosures can increase provider burden.

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.

ABS supports any initiative that reduces providers burden as well as making information easy to locate within disclosures.

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.

Yes, ABS agrees with the proposed omission of IFRS S1 paragraphs 69 and B48. These omissions would avoid confusion about an entity's reporting obligation.

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.

ABS agrees with the proposal, as clarifying the scope will assist with consistent reporting by an entity and would avoid confusion about reporting requirements by any other legislation related to other sustainability-related topics.

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.

ABS would note that more scenarios provide more information which is useful but is mindful of the cost to an entity in providing multiple scenarios. Businesses may only have capacity to prepare data for 1-2 scenarios, however, ABS agrees that consistency in the chosen temperature setting would be helpful for a broader user base. ABS would encourage the same scenario limit is used for all businesses, rather than an entity selecting its own temperature setting to make disclosures about.

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.

ABS notes that comparability of information across disclosures and financial statements would be easier if entities made disclosures based on predetermined upper temperature scenarios. Any aggregate reporting by ABS on disclosures sourced from business reporting that uses this standard would be made more problematic when different entities are using different criteria for their scenario analysis.

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.

ABS would see value in these metrics, as this information will assist in developing government policy initiatives aimed at supporting businesses that are making investment in relation to climate related opportunities and risks or facing climate related risks.

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.

ABS do not have any comments other than the Australian System of National Accounts uses the term “compensation of employee” to include the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done. It includes wages and salaries (in cash and in kind) and employers' social contributions e.g. retirement benefits such as superannuation.

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.

ABS agrees the IFRS definition should be adopted to ensure international consistency where possible.

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] 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.

ABS agrees that the use of GWP should align with NGERs reporting to ensure businesses are reporting data consistently in the public domain and to minimize regulatory burden.

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

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.

Carbon offsets can inform the greenhouse gas emissions (GHG) profile for a business. The net GHG emissions profile equals the gross GHG emissions by a business less purchased carbon offset. There is utility in businesses reporting the net emissions as an optional item and gross emissions should remain compulsory to report. Suggest the AASB clarify the range or nature of in-scope instruments (e.g. ACCUs, Safeguard Mechanism, voluntary vs compulsory certificates) that can be used as offsets to ensure all instruments meet the accepted criteria for emissions reduction. The treatment of excess carbon credits created by a business should also be clarified. In addition, the reporting of the number of offsets purchased would further support understanding of an entities emissions profile and so should also be considered.

ABS notes some concern with the use of terminology "location" and "market" based emissions, as these are not well understood terms leading to inconsistencies across data being reported. ABS would also like to see these terms better defined as well as how they relate to other measures such as "net" and "gross" emissions.

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.

GHG emission measurement methodologies

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.

17a: Agree scope 1 GHG emissions; location-based scope 2 GHG emissions; market based scope 2 GHG emissions; and scope 3 GHG emissions should be measured separately as each measurement has different scope, providing complete picture of an entity's emissions.

17b: Agree the methods set out in NGERS scheme legislation, including Australian data sources and factors, should be used to estimate GHG emissions as far as possible as it will improve comparability with other environmental statistics compiled in Australia and reduce provider's burden.

17c: If it is identified that NGERS methods are not practical for use in financial reporting, these instances should be highlighted and reviewed with the goal of alignment. Where alternate methods are used these should be transparently reported. Preference for using the NGERS method where possible and being transparent about why another alternative method is considered is important for clarity as well as ensuring comparability in reporting.

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.

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

If the preceding period is used for reporting this should be made transparent to readers. This is important for coherent reporting and assist in comparability of information.

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).

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.

AASB should specify the list of categories that can be used, noting entities could then disclose what is appropriate or applicable. Providing examples only, risks an outcome where an entity adds their own categories, thereby reducing coherence in any reported data across organisations.

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.

Allowing an entity to determine the applicability of disclosures related to its financed emissions could introduce some uncertainty as to when an entity will, or needs to, report it.

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.

ABS has no comment on this.

Carbon credits

IFRS S2 defines a carbon credit as “An emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.” [emphasis added]

As noted in paragraphs BC90–BC92, non-Kyoto Australian carbon credit units (ACCU) are not uniquely serialised. The AASB is proposing to modify the definition of carbon credit in [draft] ASRS 2 to specify that carbon credits issued under the Australian Carbon Credits Units Scheme meet the definition of carbon credit, to ensure non-Kyoto ACCUs can also be recognised as carbon credits in the context of the [draft] Standard.

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.

[ABS Agrees. AASBs proposal seems like a sensible option as it will ensure recognition of all carbon credit schemes in Australia.](#)

Questions specific to not-for-profit entities

As noted in paragraphs BC28–BC30, the AASB is proposing to specify the objective of [draft] ASRS 1 and [draft] ASRS 2 in respect to a not-for-profit entity. Paragraph Aus3.1(b) of [draft] ASRS 1 and paragraph 2.2(b) of [draft] ASRS 2 state that the objective would be for a not-for-profit entity 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.

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.

[ABS agrees and supports the appropriate reporting of not-for-profit entities, in line with the size, cost-benefit, and climate risk of the individual entities.](#)

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.

[Refer to ABS response on question 23.](#)

[Draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1 propose that a not-for-profit entity would not need to undertake an exhaustive search for information to identify climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects, but would be required to use all reasonable and supportable information available to the entity at the reporting date without undue cost or effort in preparing material climate-related financial information required by [draft] ASRS 1 and [draft] ASRS 2.

As noted in paragraphs BC31–BC33, the AASB is of the view that the clarification in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1, together with the practical expedients already provided in the baseline of IFRS S1 and IFRS S2 (and the [draft] ASRS) relating to certain quantitative disclosures, would be sufficient to address cost-benefit concerns for not-for-profit entities to prepare climate related financial disclosures and concerns with the scalability of [draft] ASRS 1 and [draft] ASRS 2 for not for-profit entities.

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.

Yes, ABS agrees with this proposal. Appropriate reporting in line with cost benefit and climate risk is important to take into account when considering how much information is required to be reported. ABS is mindful of provider burden to smaller not-for-profits in meeting reporting standards.

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.

ABS agrees and supports the appropriate reporting of not-for-profit entities, in line with the size, cost-benefit, and climate risk of the individual entities to address any provider burden issue.

27. 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.

Not applicable.

Questions specific to not-for-profit public sector entities

Paragraphs BC105–BC106 set out a high-level overview of two matters raised by not-for-profit public sector stakeholders regarding applying climate-related financial disclosure requirements:

- (a) whether climate-related financial disclosures should be provided by public sector entities on a mandatory or voluntary basis, and by which level of government entities; and
- (b) how to determine the value chain of a government and public sector entities with multi-stakeholder groups.

Additionally, as noted in paragraphs BC107–BC109, the AASB is proposing to defer consideration of whether to undertake a domestic standard-setting project to develop Australian requirements or guidance for not-for-profit public sector entities to report the effect of climate-related risks and opportunities, and related government policies, on the economy, environment and people (i.e. climate-related impact reporting) until it has considered the results of the International Public Sector Accounting Standards Board’s project on Climate related Disclosures in due course.

Questions 28–29 below are designed for the AASB to obtain information on whether additional modifications to [draft] ASRS 1 and [draft] ASRS 2 may be needed to better support the application of the proposed requirements by not-for-profit public sector entities.

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. (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:
- c. 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
 - d. (b) 29 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;
 - v. and Local governments.

ABS considers the development of climate related disclosures for public sector entities to be important, noting the ABS agrees it would be prudent to wait for the international process to conclude. Reporting should be at the departmental/entity level for Commonwealth, State and Local governments. General Government Sector and Whole of Government reporting for each level of government should also be required in alignment with AASB 1049 (possibly this standard would need to be amended).

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.

Historically, AASB tends to set public sector standard setting processes in place after the initial release of a private sector standard. Deferring the consideration of a domestic standard setting project for public sector climate related impacts would be in line with precedence for the AASB. ABS considers consistency in reporting information for both public and private sector important where that is possible.

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

Yes. The AASB's Sustainability Reporting Standard-Setting Framework (September 2023) outlines that, although IFRS Sustainability Disclosure Standards provide a suitable foundation for developing Australian Sustainability Reporting Standards, to meet the needs of Australian stakeholders it is necessary to depart, amend, or add to requirements in an IFRS Sustainability Disclosure Standard and develop an Australian specific Sustainability Reporting Standard. The exposure draft reflects this principle.

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:
- e. not-for-profit entities; and
 - f. public sector entities?

From a statistical point of view, standardisation in what is reported across private, public, and not-for-profit sectors helps the ABS in the compilation and analysis work undertaken to produce statistical outputs.

32. Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?

Not applicable to the ABS.

33. Would the proposals result overall in climate-related financial information that is useful to users? ABS has limited use of general-purpose financial reports. Information provided through disclosures are beneficial for data confrontation purposes. While not a primary user of general-purpose reports, information that can be incorporated into NGER scheme reporting may be of use, particularly if it improves the quality of reporting. From a statistical point of view, standardised reporting is gold standard when it comes to any analysis and statistical outputs.

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

Disclosure of climate related financial information brings a level of accountability that could help to drive changes at the entity level behaviour, in line with net zero targets.

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.

Overall comment: The introduction of climate related financial disclosures will provide a significant opportunity for the consistent and coherent reporting of climate related data for in-scope businesses in the Australian economy. As well as information at the entity level, if this information can be consolidated across the economy, it has the broader potential to inform broader environmental outcomes. The use of standardised classifications is critical to support this objective.
