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Office of Australian Accounting Standards Board

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Impax Asset Management**Hong Kong Limited**

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By Email:

**Re: Exposure Draft ED SR1 Australian Sustainability Reporting Standards
– Disclosure of Climate-related Financial Information**

Dear AASB Officers,

Impax Asset Management is a company founded in 1998 that specialises in making sustainable investments in companies contributing to the transition to a more sustainable economy. Nowadays, we are one of the world's largest specialised asset managers in the sustainable investing field. We are also a long-term investor that has been investing in the Australian market for over two decades.

We are pleased to have this opportunity to comment on the new Sustainability Reporting Standards for the disclosure of climate-related financial information, issued on October 23, 2023. We would like to first congratulate you for issuing this consultation so timely since the International Sustainability Standards Board (ISSB) issued its conclusions to the IFRS S1 and IFRS S2 consultations in June 2023. We believe this shows the commitment of AASB to make a sustainable and healthy development trajectory for the Australian capital market to grow and marks an important landmark in the development that will be welcomed by both domestic and international investors as well as other market participants in the market.

First of all, in respect of presenting the core content disclosure requirements of IFRS S1, we would prefer 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. We believe this will make the life much easier for issuers and lower the chance of missing some key information in the case of preparing the sustainability reports under time pressure. This is also the approach that has been taken or is under discussion by some major markets in the region.

We agree in principle that since the [Conceptual Framework for Financial Reporting](#) (in respect of 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 ASRS Standards. But we hope that the AASB will consider international users' perspectives when replacing the relevant IFRS S1 and IFRS S2 paragraphs with Australian-specific paragraphs, cross-referencing to those Frameworks.

We also agree in principle with the proposed omission of the interim reporting requirements (para BC46) and not to specify the upper-temperature scenario that must be used in scenario analysis (para BC51–54), which mainly assesses physical climate risks. We hope issuers will enjoy the flexibility of making interim reporting and scenario analysis for now given many will be new to this process. However, we expect to see more solid plan from regulators for issuers to make such disclosure once we pass this introductory phase.

We strongly agree with the proposal 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 (para BC34–36). In our view, all entities today are affected by climate risks to a greater or less extent, so this explanation will help us make better investment decisions. It is also understandable that the AASB is proposing to remove from S1 and S2 the requirement to consider the applicability of SASB Standards which is already adsorbed by the ISSB. Having said that, we would support the ASRS Standards to expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks such as GRI or SASB.

We are encouraged to see that companies are required to disclose their methodologies on location-based Scope 2 GHG emissions, market-based Scope 2 GHG emissions (when applicable) and Scope 3 GHG emissions. We are also encouraged to see that the AASB proposed issuers to disclose the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations. Pleased to share that the linkage of ESG metrics to executive compensation structure is a measurement that Impax has been including in our proprietary company rating analysis since early 2000s.

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) (para BC43–45). We disagree with the AASB's view that the benefits of disclosing such a table would underweight the costs. We know that preparing this table will increase the compliance cost of issuers, but from our experience in the sustainable investment field, this is essential information for stakeholders to better understand how companies manage their climate risk exposures. In addition, hard to image this will significantly increase the onerous for company reporting if an issuer has effectively managed its climate-related financial risks.

We agree with all other proposals and clarifications made by the AASB in this ED SR1 if not aforementioned in our letter. We would like to conclude our letter by sharing the view that we believe the proposals are generally in the best interests of the Australian economy and will make the market more attractive to international investors with a more user-friendly reporting framework. No firms or entities should be made as exceptions in this revamping process. We hope our comments above will make a constructive contribution to the ongoing development of the Australian capital market and economy. Thank you very much!

Yours truly,



Nana Li
Head of Sustainability & Stewardship, Asia-Pacific
Impax Asset Management