



1 March 2024

Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204, Collins Street West  
Melbourne, Victoria 8007

*Lodged online via the "Current Projects – Open for Comment" page of the AASB website*

Dear Dr Kendall

**QBE Submission: AASB ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information**

Thank you for the opportunity to comment on the proposals outlined in AASB ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* (ED SR1).

QBE Insurance Group Limited (QBE) is an Australian-based public company listed on the Australian Securities Exchange. QBE is Australia's largest international insurance and reinsurance company with operations in Australia, North America, Europe, Asia and the Pacific.

In line with QBE's purpose of *enabling a more resilient future*, QBE is working towards being a net-zero emissions organisation across our operations by 2030, and through our investment and underwriting activities by 2050.

Since 2018, QBE has voluntarily applied the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in preparing climate-related disclosures in the Annual Report. We welcome increased disclosure of climate-related financial information within Australia that is consistent with the global baseline being developed by the International Sustainability Standards Board (ISSB) to support international comparability for performance, risks and opportunities.

**Overall comments and recommendations**

We consider that the AASB has generally achieved a reasonable balance between aligning with ISSB requirements and pragmatic adoption for Australian companies:

- We support the proposed scope limitation to climate-related financial disclosures until further ISSB standards are developed on other sustainability topics, and the proposed Australian-specific modifications to IFRS S2.
- We agree industry-based guidance is needed to help ensure consistency and comparability in reporting on climate-related disclosures but that there has been insufficient scrutiny of the SASB Standards to regard them as a suitable source. There needs to be a robust due process to develop appropriate industry-specific metrics.
- In relation to the use of climate-related scenario analysis, we support the AASB proposal to specify that at least one scenario is 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). We also agree with the proposal not to specify the upper-temperature scenario on the basis that the entity is best-placed to determine the relevant upper-temperature scenario for illustrating its exposure to climate-related risks and opportunities.
- We generally support the approach for Scope 3 GHG and financed emissions to allow entities to phase in their disclosures consistent with expected improvements in data and measurement of financed emissions and the development of relevant methodologies.



We recommend that the following areas are considered in developing the final standard:

- In relation to the proposal to consider ANZSIC when determining industry-based disclosures, we consider that entities with a global footprint should be permitted to apply different classification systems provided the classification systems are well-established and understood and supported by disclosure of the classification system(s) applied.
- We consider that there is a need for further guidance around scenario analysis, including for example on how inherent uncertainties will be accommodated. We urge that consideration be given to the AASB or another government agency to identify and/or endorse acceptable methodologies and sectoral pathways for use in scenario analysis to help facilitate comparability.
- We note that performing climate scenario analyses is a major exercise. We would not expect automatic annual re-assessments to be cost beneficial because circumstances and the available information may not materially change each period. We favour an approach under which entities monitor their scenario analyses on an ongoing/annual basis and would only need to consider changing the analyses when there are indicators that the existing analyses no longer reflect the information currently available.
- We support the proposals in relation to how climate-related considerations are factored into executive remuneration but consider there needs to be greater clarity around the operation of the proposed quantitative disclosure in paragraph 29(g)(ii). This would include whether the requirement follows the accounting recognition, and how the percentage attributable to climate-linked remuneration is expected to be determined where climate-related considerations are implicit within broader sustainability or strategic performance measures.
- We support the focus on the NGER Scheme legislation for the estimation of greenhouse gas (GHG) emissions for Australian entities and the capacity to apply a different methodology when relevant as being practical modifications from IFRS S2. However, entities should be permitted a choice of which well-recognised benchmark emission factors to apply, and required this to be disclosed, to support international comparability for entities with global operations.

Attachment A to this letter outlines QBE's responses to the specific questions in ED SR1. Should the AASB have any questions or would like to meet to discuss QBE's comments further, please contact Rachel Poo, Head of Group Statutory Reporting & Accounting Policy at [rachel.poo@qbe.com](mailto:rachel.poo@qbe.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Inder Singh'.

**Inder Singh**

**Group Chief Financial Officer**



**Attachment A – QBE’s feedback on questions in AASB ED SR1**  
***Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information***

**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.

**Question 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.

QBE is ambivalent between Option 2 and Option 3. We consider that Option 3 is a reasonable balance between:

- the alignment of documents and topics with IFRS S1 and IFRS S2;
- avoiding substantial repetition; and
- ‘future-proofing’ for the potential issue of further ASRS on sustainability topics other than climate-related disclosures. We also note that whilst the scope of current proposed disclosure requirements



is limited to climate, entities should not be precluded from voluntarily disclosing information on other material topics in addition to climate.

QBE notes that Option 2 or Option 3 would facilitate any future amendments to core content, which is inevitable as the Standards are applied and issues emerge from practice.

## 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.

**Question 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 view:

QBE supports the AASB’s proposed approach, which helps ensure consistent concepts underpin both the ‘conventional’ financial reporting and sustainability reporting requirements.

In general, QBE considers that conceptual frameworks are in the nature of documents that provide supporting principles for Standards for use by standard setters, preparers and other stakeholders, rather than being a source of principles that can necessarily be ‘mandated’.

QBE considers that any move to make the existing conceptual framework(s) or any future conceptual framework mandatory would need to be the subject of a separate and thorough due process.

We also note that when the first Australian Statements of Accounting Concepts were issued in 1990, their application was initially made mandatory on members of what are now CPA Australia and CA Australia New Zealand, but that shortly after their initial release they were made non-mandatory.<sup>1</sup> There was a general recognition that the nature of the documents did not lend themselves to mandatory application.

## 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).

<sup>1</sup> This included SAC 1 *Definition of the Reporting Entity*; SAC 2 *Objective of General Purpose Financial Reporting*; and SAC 3 *Qualitative Characteristics of Financial Information*, all of which were initially published in 1990.



**Question 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.

QBE does not support the AASB's proposed requirements for an entity that assesses climate-related risks and opportunities as not material to disclose that fact. While we understand that climate-related risks and opportunities are expected to be ubiquitous, such disclosure is a departure from accepted practice in financial reporting and the concept of relevance. An entity is typically not required to explain why a particular Accounting Standard requirement does not apply based on materiality. Entities apply requirements in Accounting Standards that are relevant and additional disclosure about requirements that are not relevant could add clutter and thereby detract from the understandability of the information. We also note there may be cases when it is generally accepted that certain types of sustainability topics (other than climate-related risks and opportunities) are not relevant – for example in particular industries – and explanations about those requirements not applying should also not be needed in those circumstances.

## **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.

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

QBE agrees that industry-based guidance is likely to be useful to help ensure a reasonable level of consistency and comparability in reporting globally on climate-related disclosures and any other areas of sustainability reporting that the AASB might address.

However, we also agree there has been insufficient scrutiny of the SASB Standards to be in a position to regard them as necessarily being a suitable source of guidance for international application that results in useful information for users of general purpose financial reports. There needs to be a robust due process, including industry-based consultation, on industry specific metrics related to climate for Australian entities, including those with a global footprint. For example, SASB's Insurance Sustainability Accounting Standard (Version 2023-06) includes requirements to separately disclose information



related to weather-related natural catastrophes – however, the scope of those is not necessarily clear.<sup>2</sup> We also note that there has been no detailed work carried out to ensure SASB Standards are compatible with IFRS Accounting 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).

**Question 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.

QBE considers that there needs to be an element of flexibility around the industry classifications applied to avoid additional costs being incurred that yield no benefits for users. In particular, we consider that an entity should be permitted to apply different classification systems provided the classification systems are well-established, widely understood and robust. We would expect entities to use the one classification system across a consolidated group, but note that entities should not be prevented from using more than one classification system because, in some entity's circumstances, applying different classification systems could be more cost effective and result in the same or highly similar outcomes as applying one classification system.

QBE considers that this approach would provide the flexibility currently needed to meet the objectives of reporting climate-related financial information in its current state of development.

We note that the North American Industry Classification System (NAICS) is an example of a widely recognised industry classification system that is commonly applied in North America. We also note that the EU's Corporate Sustainability Reporting Directive will be based on the EU's classification system [Nomenclature of Economic Activities (NACE)]. Other entities with a global footprint are likely to have the same issues.

While the various major classification systems have similarities, there are differences designed to cater for the characteristics of the regions they serve. To minimise reporting costs and potential confusion among users, the Australian requirements should allow entities with a global footprint sufficient flexibility to apply the classification system or systems that help avoid the need to recast information presented to different regulators. QBE considers it would be useful to require entities to disclose which classification system or systems they have applied.

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<sup>2</sup> For example, there is an implication that a 'catastrophe' is something that gives rise to 'catastrophic losses'; however, it's not clear whether the potential for catastrophic losses is sufficient to trigger disaggregated disclosure of 'probable maximum losses'. For example, the SASB Insurance Sustainability Accounting Standard identifies drought as a catastrophe (see: FN-IN-450a.2., paragraph 1.1); however, droughts can give rise to insurance claims but not be regarded as catastrophes.



QBE is currently preparing its Sustainability Report with reference to the Global Reporting Initiative (GRI) Standards. Although the GRI Standards do not currently include specific insurance industry guidance, insurance is one the areas that the GRI plans to address. QBE considers that the AASB's proposed approach would allow entities to adopt best practices as they emerge.

**Question 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.

QBE agrees that an entity should expressly be permitted to also provide voluntary disclosures based on other relevant frameworks or pronouncements.

We agree that there should be guidelines in place regarding the circumstances in which additional voluntary disclosures are provided, including (as proposed) that the information not obscure or conflict with required disclosures. We think the AASB should also consider using other similar guidance based on the principles in AASB 101 *Presentation of Financial Statements*, including:

- the additional information contributes to an understanding of the entity's position and performance related risks and opportunities associated with climate-related matters<sup>3</sup> [consistent with AASB 101.55 and 85]; and
- an understanding of the entity's position and performance is not reduced as a result of material information being hidden by immaterial information to the extent that a user is unable to determine what information is material [consistent with AASB 101.7 definition of 'material', sub-point (e)].

#### **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.

**Question 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.

QBE agrees that it may or may not be necessary to have an index table and the matter should be left to the entity's judgement. The same principle applies to conventional financial reporting and entities

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3 The same logic could apply to other sustainability topics, assuming future ASRS extend beyond climate-related matters.





have tended to coalesce around a common format and order of information, particularly by industry with many presenting a contents page.

We note that, in the event more sustainability topics are addressed, and some information is potentially located outside the annual report (and might need to be cross-referred from the annual report). QBE considers that practice will develop as entities determine the best ways to organise and reference sustainability information.

### 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.

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

QBE agrees there is the potential for confusion, particularly for entities required to prepare 'conventional' financial statements for interim periods. QBE supports omitting IFRS S1 paragraphs 69 and B48 from ASRS 1.

QBE considers that the focus on annual reporting of climate-related disclosures is appropriate. We would oppose more frequent climate-related reporting on the basis that it is highly unlikely interim climate-related reporting would be helpful to users. This is because climate-related impacts and initiatives manifest over the medium to long term.

### 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).





**Question 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.

QBE agrees with the proposed clarification on the basis that it removes the potential for confusion over whether the requirements are expected to replace other existing requirements for reporting information related to other types of emissions (such as ozone-depleting gases) or information on other sustainability-related topics.

QBE considers that, ideally, consistent with the way the scopes of Accounting Standards are typically identified, that an Aus paragraph should provide 'positive' clarity on the boundaries of climate-related disclosure to help achieve comparability across entities in each industry.

### 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.

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

QBE supports the inclusion of assessments against at least two possible future states to reflect how different climate futures might impact the entity and its businesses. QBE also supports requiring that one future state is consistent with the *Climate Change Act 2022* global temperature goal in order to provide for useful comparisons across entities. Accordingly, QBE generally supports the AASB proposal to specify the most ambitious global temperature goal set out in the Climate Change Act (i.e. 1.5°C above pre-industrial levels). We consider that specified climate scenarios can improve comparability of the information reported.

We consider that there is a need for further guidance around scenario analysis, including for example on how inherent uncertainties will be accommodated. We urge that consideration be given to the



AASB or another government agency identifying and/or endorsing acceptable methodologies for use in scenario analysis to help facilitate comparability.

QBE notes, in relation to paragraph 22, paragraph B1 states: “The entity is required to use an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.” We presume this means that disclosures need to be made to the extent there is reasonable and supportable quantitative information that is available to the entity at the reporting date without undue cost or effort and an entity can use the methods for climate-related scenario analysis best suited to that information.

We note that performing climate scenario analyses is a major exercise. We would not expect automatic annual re-assessments to be cost beneficial because circumstances and the available information may not materially change each period. We favour an approach under which entities monitor their scenario analyses on an ongoing/annual basis and would only need to consider changing the analyses when there are indicators that the existing analyses no longer reflect the information currently available.

**Question 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.

QBE considers it reasonable not to specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis on the basis that the entity is best-placed to determine the relevant upper-temperature scenario for illustrating its exposure to climate-related risks and opportunities. We also note that different industries internationally might coalesce around different scenarios and that specifying an upper limit might constrain this development.

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

**Question 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.

QBE considers the cross-industry metric disclosures set out in paragraphs 29(b)–29(g) would provide useful information to users about an entity’s performance in relation to its climate-related risks and opportunities when the relevant information is available.

We note that limitations on data availability affecting the reliability of the information would need to be disclosed for the context of users analysing the metrics.

#### **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*.

**Question 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.

QBE supports including the requirements in paragraph 29(g)(i) and Aus29.1 in relation to how climate-related considerations are factored into executive remuneration.

QBE considers there needs to be greater clarity around the operation of the requirement in paragraph 29(g)(ii), in particular around:

- whether ‘recognised in the current period’ follows the accounting recognition. For example, there may be no remuneration recognised under the Accounting Standards in the current period in respect of unvested long-term incentives linked to climate-related considerations which would result in a nil disclosure; and
- how this requirement is expected to be applied (e.g. how the percentage attributable to climate-linked remuneration is expected to be determined) in the context of remuneration arrangements where climate-related considerations are implicit within broader sustainability or strategic performance measures, as opposed to having separately identifiable metrics that are specific to climate.

QBE has no concerns that the detailed remuneration report requirements in ‘conventional’ financial reporting fall within section 300A of the *Corporations Act 2001* for listed entities, rather than in the Accounting Standards. We regard the disclosures to be relatively high-level and principle-based, consistent with requirements in Accounting Standards.

We also welcome the clarification about the meanings of “executive”, “executive management” and “remuneration” in proposed paragraph Aus29.1.

## **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 (NF<sub>3</sub>), 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 NF<sub>3</sub>. Therefore, it is expected that not many Australian entities would have material NF<sub>3</sub> emissions to report.

**Question 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.

In the interests of aligning to the extent reasonable with the ISSB's Standards, QBE supports the proposed use of the definition of greenhouse gases from IFRS S2 without any modification. Entities should be well aware that they need not provide disclosures for any gases not relevant to their business.

### Converting greenhouse gases into a CO<sub>2</sub> equivalent value

Paragraphs B21 and B22 of IFRS S2 require an entity to convert greenhouse gases into a CO<sub>2</sub> 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.

**Question 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.

At this stage, QBE supports specifying conversion of greenhouse gases using greenhouse warming potential values in line with the reporting requirements under NGER Scheme legislation to minimise reporting costs to Australian industry. We also note that some Australian entities with global operations use the UK's Department for Environment, Food and Rural Affairs (DEFRA) emissions factors, which are currently based on the IPCC 5th assessment report. In the event that the NGER Scheme legislation moves to a more recent version of the IPCC assessment report or falls behind the version of the IPCC assessment report used in a well-recognised reporting framework (such as DEFRA), QBE considers entities operating globally should have the flexibility to use the information generated applying that well-recognised reporting framework. Entities could be required to disclose an explanation for their choice.

QBE also supports the use of ASRS 101 as a supporting Standard for other ASRS requirements on the basis that there will be matters which need to be changed from time to time, such as external requirements that need to be referenced and relied upon. ASRS 101 should be able to be amended efficiently when relevant and as needed.



## 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)

**Question 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.

QBE supports the proposed modifications to align with the proposed Australian phasing-in approach for disclosing market-based Scope 2 GHG emissions.

QBE also consider that voluntary early adoption of market-based disclosures should be permitted.

## 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.

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.

**Question 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.

QBE supports requiring an entity to 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 as they each have different levels of complexity and confidence associated with them.

However, also see QBE's comments below on 'financed emissions' disclosures in response to question 20.



We also support the focus on the NGER Scheme legislation for Australian entities and the capacity to apply a different methodology when relevant as being practical modifications from IFRS S2.

### 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.

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

In responding to Treasury's second Consultation Paper (2023), QBE supported a phased approach to introducing mandatory disclosure of climate-related financial information to provide time to develop more complete and meaningful disclosures.

QBE supports the inclusion of paragraph AusB39.1, allowing the use of data for the immediately preceding reporting period. It goes some way to helping to alleviate QBE's concerns about timing and we therefore support the modification from IFRS S2. There are considerable limitations because Scope 3 data may not be available or at least not available on a timely basis. QBE does not expect all the entities in its supply chains will be required to report their emissions and will therefore need to rely on proxy industry data sourced from providers of that date.

### 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).





**Question 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.

QBE supports the AASB’s proposed approach of identifying in [draft] ASRS 2 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. Until practice develops, and hopefully coalesces, around particular emission categories, we do not think the requirements should be prescriptive. We also note that as practice develops, the AASB could monitor reporting with a view to identifying opportunities to constrain the identification of emission categories disclosed in the longer term.

We note that the approaches adopted by Australian entities with a global footprint are likely to depend on the requirements in the jurisdictions to which they are exposed. For example, entities subject to the EU’s Corporate Sustainability Reporting Directive will be required to make disclosures based on the 15 categories listed in the IFRS S2 definition. The AASB’s approach allows suitable flexibility.

#### 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.

**Question 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.

QBE supports the wording in proposed paragraph AusB59.1 that an entity “shall refer to and consider the applicability of paragraphs AusB61.1–AusB63.1”, rather than requiring the disclosure. This would allow entities to phase in their disclosures consistent with the level of maturity in measuring financed emissions and the development of relevant methodologies.

QBE supports the proposed modifications from IFRS S2 to provide greater flexibility about whether an entity disaggregates its Scope 1 and Scope 2 GHG emissions (in addition to its Scope 3 GHG emissions) in respect of financed emissions.





At this stage, QBE does not support requiring disaggregation by asset class of Scope 1, Scope 2 and Scope 3 emissions due to data limitations. While some investee disclosure of Scope 1 and Scope 2 emissions is reasonable, reliable information about investee Scope 3 emissions is very limited. We consider there will be many cases when a disaggregation would require entities to apply so many assumptions based on only limited information that the resulting disclosures would not be sufficiently reliable to be meaningful for users.

Insurers have both financed emissions and insured emissions. QBE notes that there are unique issues connected with identifying and measuring insurance-associated emissions and any future move to require disclosures in respect of insurance-associated emissions would need to be the subject of a separate thorough due process. We note that the Partnership for Carbon Accounting Financials (PCAF) issued its first version of a standard on insurance-associated emissions in November 2022, which includes non-prescriptive methodologies and additional requirements for GHG accounting and reporting that are derived from the GHG Protocol's five principles. The Standard notes that the adoption and use of the methodologies discussed are voluntary and must be determined independently by each company.

### 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.

**Question 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.

QBE observes that some superannuation entities may face problems not necessarily associated with other investment vehicles in respect of 'investor directed' activities – that is, those situations in which fund members make investment decisions (rather than the Trustee), which may pose problems in complying with the proposed requirements. However, we also note that many of the same classes of investments are held by insurers and superannuation entities. If relief from the requirements were provided to superannuation entities, that would be a large gap in the reporting regime since this is by far the largest investment vehicle sector of the Australian economy.

### 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 (ACCUs) 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



**Question 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.

QBE considers it is entirely reasonable to ensure non-Kyoto ACCUs can be recognised as carbon credits in the context of [draft] ASRS 2 in light of Australia's domestic requirements and we agree with the proposed modification from IFRS S2.

However, rather than amending the IFRS S2 definition of 'carbon credit', QBE suggests that the AASB consider retaining the definition verbatim and adding an 'Aus paragraph' to Appendix A along the following lines:

AusXX Notwithstanding the definition of 'carbon credit', for the purposes of this Standard, a carbon credit includes all those recognised under the Australian Carbon Credit Unit Scheme, whether or not they are 'uniquely serialised'.

This suggested approach would be consistent with the way the AASB has introduced other modifications from IFRS S1 and IFRS S2.

### 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

**Question 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.

QBE has no specific comments on the proposed objective of a not-for-profit entity to disclose information about climate-related risks and opportunities. However, we support application of the Standard to this sector on the grounds of its significance in the Australian economy and the fact that donors and grant providers are likely to be interested in climate-related matters when making resourcing decisions. Careful consideration may need to be given to which not-for-profit entities might be captured, based on size thresholds and possibly the types of not-for-profit activities, particularly given the limited capacity of smaller not-for-profit entities to bear the cost of disclosure.

**Question 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.

No comment.



[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.

**Question 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.

No comment.

**Question 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.

No comment.

**Question 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.

No comment.

### Other general questions

QBE has 'no comment' to make on Questions 28 to 35.

### Safe harbour provisions

Although we appreciate that it is not AASB's role to determine whether and to what extent there are safe harbour provisions for entities making climate-related disclosures that are forward-looking, we consider it relevant to note that the quality and usefulness of disclosures may be affected by those provisions.



QBE regards it as essential that consideration be given to improving safe harbour provisions for climate-related disclosures, in particular, those that may be expected to appear in continuous disclosures and fundraising documents where they relate to forward-looking statements or disclosures that are reliant on data from third parties that are outside an entity's ability to reasonably verify and control. This would include considering updates to the due diligence defence for prospectuses [Corporations Act, s731]. Overseas benchmarks for safe harbour provisions could be considered as part of this exercise, which would help encourage useful and internationally-aligned levels of disclosure.